

Expert Opinion

DITCH TERM 'BIT-PIPE' AND FOCUS
ON WIN-WIN SCENARIOS

Time to move the conversation on

Operators need not feel cornered. It is possible to deliver both quality networks and compelling applications, says Scott Stonham of CommuniGate Systems.



Despite more than five years of debate, there is now more talk than ever about the role of network operators. It is not just the existing operators that are trying to grapple this challenge, but new operators face the same dilemma. Everyone they speak to brings up the same question, to be a pipe or not.

The term 'bit-pipe' has been carelessly brandished around the market, perhaps with the noble intention of simply of being disruptive enough to warrant attention. Nevertheless, in the process it has cost the industry millions, if not billions of dollars in lost confidence and lack of focus. It is a valid point, on the two opposing sides of the argument there are very different business models, both of which can be incredibly lucrative, but both of which require a focus and structure unlike that found in many operators today. With a small shift in the approach, this discussion becomes less controversial, less frightening, but unfortunately no less difficult to deal with.

Jump through the horns of the dilemma

In a nutshell, operators are often told they need to choose between being

- A specialist provider of quality access networks, often misleadingly labelled the 'bit-pipe'
- A provider of a portfolio of value added applications

They are also told that they cannot be both.

This dilemma faces all operators but particularly small operators who might not have the economies of scale to provide either of these options cost effectively. For the larger operators, trying to be both often leads to a loss of direction, and an inability to react quickly to market demand.

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“Tell me, what should I do?”

If you were a consultant to a new operator entering a competitive market, what would you suggest?

If you suggested that your client specialize in high quality access networks but provide a limited range of applications, your client's users will access applications from 3rd party providers. This will just turn your client's beautiful access network into a bit-pipe and generate value added income not for your client but for these other providers. Additionally, the end user's trust and relationship is with the application provider not your client, so what stops them using another network to access the application?

Conversely, if you advised your client to adopt a services-focused route, using the network of others, your client loses the ability to deliver and quality-guaranteed end to end service,



becoming just another over-the-top (OTT) provider.

So wouldn't it be great if you could advise your client to jump through the horns of the dilemma and be a provider of both quality access networks and value added applications?

I suggest there is a way to achieve this.

Firstly you need to recognise that a small operator does not have the capacity, know-how or time to be everything to everyone, so focus, segmentation and service relevance are crucial. Your client should be honest with themselves, understand what they can be the best at, and do that to their best.

Secondly, you need to advise your client that because they do not have the resources to do everything, they should rather just do what they are best at and partner with providers who are better at doing what your client cannot do.

So, if I were the consultant to your client, I would advise them to provide their users with high quality access networks and then partner with someone who can provide the required applications over their networks instead of attempting to provide the applications themselves.

How would this work commercially?

The access operator and the application provider could negotiate special terms just for the access operator's users who access these applications over its network. All these users now have to do is to select the applications they require from the provider's app store and submit a voucher for payment which entitles your client to the negotiated commissions.

This is a win-win solution for the application provider and access operator. The application

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provider now has a valuable reseller while the access operator can now deliver extra value to its clients who can select the services they require with greater confidence and assurance.

Keeping it open

You should avoid the walled-garden paradigm that hindered the growth of the mobile internet at the beginning of the century, by acknowledging the existence of other applications in the market, and that users will exercise their freedom of choice, but realize that together the network and application provider can deliver higher quality experiences, learning quickly from what they users really want from the market.

Allowing both parties to focus on what they are best at, together the network and applications partner can rapidly deliver compelling applications that meet market demand, whilst at the same time deliver the quality of service (QoS) that only a network operator can provide.

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