App stores and developer programs everywhere
What is the right application enablement approach for you?
by Patricia Hargil and Ann Marie Vega

A growing number of network providers are investing to speed the delivery of new services to an increasingly more demanding consumer and enterprise market. One strategy is to better support the delivery of third party applications. The initiatives launched over the past 18 months reveal a wide range of approaches to the application market opportunity. Gaining a better understanding of these different approaches will help providers determine their best option given their market strategy and how to position themselves in the changing application landscape. Alcatel-Lucent believes there is no one-size-fits-all approach to service innovation. The winners will be those who combine the innovative strengths of third parties with the strengths and capabilities that only network providers can enable.

Introduction

When Apple® launched its App Store in June 2008, very few mainstream observers predicted the level of engagement that would follow from developers, ranging from small "two-men-in-a-garage" outfits to multinational corporations. Even fewer foresaw the level of consumer demand that subsequently heralded hopes of a new dawn for telecoms value added services. As a result of the early market uptake, we are now seeing an explosion in the number, variety and prominence of active collaborations between network providers and third party application developers.

There have been "app store" (application store) and developer program launches from over 20 providers globally, with many of these deployments spanning multiple countries or regions. These initiatives seek to bring cutting-edge services to their customers. Mobile network providers with announced initiatives serve over 2 billion subscribers collectively — nearly half of the global mobile subscriber base.

Table 1. Current and Planned 3rd Party Application Initiatives

NETWORK PROVIDER	INITIATIVE	PROVIDER TYPE
3	Skype partnership	Wireless
AT&T and Jasper Wireless	M2M	Wireless
Mobilkom Austria	Fring partnership	Wireless
O2	Litmus	Wireless
Orange	Orange Partner	Wireless
SK Telecom	T-Store	Wireless
Sprint	Solution Launchpad	Wireless
Telenor	Telenor Playground, Content Provider Access, Mobilt Bedriftsnett	Wireless
TIM	Next	Wireless
Verizon	Open Development, Private Network	Wireless
Vodafone	Betavine, Music Station / Omnifone, Applications Service	Wireless
Vodafone, Verizon, China Wireless, Softbank	Joint Innovation Labs	Wireless
Virgin Media	BBC iPlayer partnership	MSO
Clearwire	Clear Innovation Network, Clear	WiMAX
AT&T	Synaptic Hosting	Wireline
BT	Ribbit	Wireline
Deutsche Telekom	Developer Garden	Wireline
Telstra	T-Suite SaaS	Wireline

App stores come in different shapes and sizes

Among these recent developer program announcements, we find a huge range in the variety of implementations, spanning different network provider types (wireless, wireline, multi system operator (MSO)), different go to market strategies (retail, wholesale), different end user targets (consumer-focus, enterprise-focus), and different relationship frameworks (one-off partnerships, standard partnerships).

Furthermore, there is a wide spectrum of marketing and promotion activity that network providers are investing into their app store/developer program initiatives: some providers are investing heavily in recruitment and training of developers; some are tapping into existing developer communities; some appear to be courting the media's attention, whereas others are holding closed beta tests of their application enablement platforms; some are creating their own application stores, and some are partnering with others to offer a customer-facing store to their subscriber base.

Common themes

The large variety of network provider app stores and developer programs share emerging common themes. They tend to depart from early and traditional business models and processes, which focus on providing network provider-branded services (either developed in-house or white-labeled). These initiatives seek to bring cutting-edge services to their customers. To accomplish this, many network providers are embracing new business models and transforming processes to appeal to a wider range of developers and enable easier onboarding of partners and applications than was previously possible through traditional channels.

Selection of case studies

Beyond these commonalities however, many of the current and on-going initiatives remain quite distinct, suggesting broad potential for these types of collaborations. To provide a flavor of the variety of initiatives, we have assembled a series of case studies.

SK Telecom T- Store

The SK Telecom T-Store initiative is a full-blown, mass market, consumer, open application store where anyone who wants to develop mobile applications can launch products. SK Telecom customers can choose from a range of categories, from games and video to lifestyle and education, and there were 6,500 applications for download at launch. SK Telecom has also built a developer community around the application store, and has run application contests and education programs to create interest in the platform.

The T-Store differs from the traditional provider content business model in a number of ways.

First, SK Telecom does not select the applications that are listed on the store; applications are not screened on the basis of quality or fit. Instead SK Telecom only focuses on testing that the application does not harm the network or the consumer's device.

Second, SK Telecom is moving from working with a small number of trusted developers to partnering with hundreds of developers, and has streamlined its approval and onboarding processes accordingly. This has led to a more open, hands-off model. Developers are able to choose their own branding and price point, and play a larger role in marketing their product.

Third, the revenue model also differs from the traditional model: SK Telecom is taking a lower share (30 percent) of application sales through the store, but also charges developers an annual membership fee for access to the platform.

Verizon Open Device Initiative (ODI)

Enablement of networks for third party use is not just restricted to applications. In the U.S., Verizon's ODI program provides a large variety of devices with access to its CDMA network. These devices include CDMA hotspot routers, USB dongles, data cards, multipoint-to-multipoint devices, and specialized commercial devices. Verizon's ODI has streamlined the testing and certification processes to deploy devices on the network.

Unlike the SK Telecom retail model, ODI is based on a wholesale model. Verizon is paid by developers for use of its network (bandwidth usage) and has no end customer facing role or relationship. Verizon also plays a much more limited role in bringing the service to customers. In essence it only provides the network and its capabilities. Verizon has no selection criteria or business case requirements regarding the market attractiveness of the device and partners have to provide their own engineering, support, marketing, and sales staff.

O2 Litmus

In the U.K., O2 is positioning its developer program as a beta testing environment for third party developers. Its name derives from the concept that success of an application within this environment is a "litmus" test for promotion to O2's on-deck portal. One of the key features of the program is that it allows developers "live-testing" access to real customers who have signed up for the Litmus program. These customers are invited to provide their feedback on the applications, thus providing an invaluable service to third party partners. Alcatel-Lucent has identified a variety of key practices that O2 has developed, some of which have been adopted from web players, to effectively recruit and add value to developer efforts.

3/Skype

Also in the U.K., the partnership between network provider "3" and Skype is a good example of how some providers are forming close relationships and exposing network capabilities with trusted application developers to bring enhanced mobile applications to their customers. The partnership involves development of custom "Skype phones", which provide free Skype-to-Skype calls over 3's 3G network. There has been significant investment from both parties in marketing and launching this initiative, which was the first instance of a mobile network provider willingly opening up its network to facilitate the use of Skype.

3 states that the Skype phone offers more margin than any other prepaid handset (due to the lack of mobile termination rate charges), and has a much lower churn rate. The 3/Skype partnership is, therefore, a notable example of how providers are enabling applications to strengthen their core business.

What's next?

The initiatives presented in this article demonstrate how network providers are eager to increase their time-to-market and spur innovation. These initiatives help bring new applications to consumer and enterprise customers faster. The new business models being explored demonstrate how both collaborative and competitive relationships with developers and application and content providers can potentially co-exist in a very competitive environment.

As network providers continue to find new ways to monetize new value from their networks, systems, and marketing assets through a variety of collaborative methods, they will take important steps towards positioning themselves for a future world where applications will play a much greater role in communications. By combining the innovative strengths of third parties and the capabilities that the network provider can enable, visionary network providers will continue to display a significant amount of innovation in how they address the growing demand for applications.

The reality is that there is no "one-size-fits-all" approach, and application stores and developer programs are just the "cherry" on top of the ice-cream sundae. For some, having an application store and owning all the customer and developer facing activities will be the right decision, while for others, it will not fit their business goals and strategy. The more fundamental challenge is identifying the best approach for each network provider's market reality.

For more about application enablement, go to www.alcatel-lucent.com/application_enablement.

Alcatel·Lucent