

## Increasing Network Relevancy with Advanced Business Models

By Karl Bream  
Vice President Corporate Strategic Marketing  
Alcatel-Lucent

Over the past year a lot of ink and a lot of air time have been given to what has become a quest for the network provider's Holy Grail: the killer business model. Since the majority of advanced applications and services, such as mobile and multi-screen video, visual messaging, user-generated TV, and multi-player mobile gaming, will probably be developed by third party application and content providers (ACPs), analysts, pundits, and industry players all agree that network providers must leverage high value network capabilities to grow revenue.

Unfortunately, there is no "one size fits all" solution to working with ACPs. Ultimately, the right business model will be a variation of current subscription-based communication and data services models where the **end user pays the network provider**, a revenue-sharing arrangement where the **ACP pays the network provider** or a **middleman/broker pays the network provider**, or a combination of the two. Therefore, to properly leverage network assets network providers must be ready to offer multiple working arrangements that will allow them to be strategic partners, facilitators, or enablers of application and content delivery.

Fortunately, network providers are in an enviable position. They own the networks, so they can provide access, bandwidth, and packet management to ensure the highest quality of experience (QoE) for end users. And they have access to the network capabilities that enable delivery in a personalized, more targeted manner.

Most importantly, as primary research conducted by Alcatel-Lucent has shown, ACPs want these capabilities so that they can get more end users accessing and using their applications and content. Some have already started to work with network providers to do just that. Amazon's Kindle ebook service on the Sprint network, and the mHealth patient management solution operating on the AT&T mobile network are just two examples of successful applications delivered cooperatively with network providers.

### Selecting the working arrangement

To select the right working arrangement with each ACP, network providers must start by asking some key questions that will help shape the collaboration and, subsequently, the best fit business model:

- **Services:** Is there a desire to sell network information and control, and services such as billing, customer care and service assurance?

- **Operations:** How can this be accomplished profitably while meeting service-level agreements (SLAs) and what are the key quality and performance metrics?
- **Subscriber data and privacy management:** What data analytics should be incorporated to bring revenue or unique value to partners? How much data should be shared with ACPs and under what circumstances?
- **Revenue models and content control:** How will service delivery be guaranteed and billed? Under what conditions should revenue be supplemented with advertising?

By considering the full range of choices for each of these questions, network providers can adapt their approach to include new revenue arrangements in addition to or in support of subscription-based communication and data services models.

### Considering the business models

A model where the **end user pays the network provider** is really an extension of current subscription-based communication and data business models. An ACP provides content to the network provider who not only delivers the content, but also remains the single point of contact for the subscriber for billing and collection. The network provider may take ownership of the content (for example, through an exclusive agreement with the ACP) or simply distribute the content.

For example, Belgacom has a unique arrangement with Apple for an iTunes service offered to Belgacom end users. As the content aggregator, Apple provides songs from various music houses to the Belgacom iTunes portal. Belgacom provides the application program interfaces for local content rating and filtering to comply with local regulation, payment thru the phone bill, and service hosting. Belgacom collects money from its subscribers for the songs they download and then pays Apple a percentage based on actual downloads and a pre-determined commission from sales. Apple then pays the content owner (music houses, or artists) for the usage rights to each song.

The percentage of revenue network providers will keep when they sell items in this way and what percentage they share with the ACP will, obviously, vary from one situation to the next. It will be determined through negotiations when the network provider and the ACP are establishing the working arrangement.

A second model option requires the end user to pay the ACP for the application or content being consumed and the **ACP to pay the network provider** for delivery of the application and content. The Amazon Kindle ebook service on the Sprint network and the OnStar service on Verizon are both viable examples of this approach.

Yet another successful application of this model is mHealth, a collection of patient management solutions that use wireless devices to collect and transmit data from off-the-shelf monitoring units used by patients with chronic illnesses (for example, electronic blood pressure monitors, scales, pulse oximeters, glucose meters) and send the data over a cellular network to a web-based server or directly to health care providers. For these applications, MedApps, the ACP, charges patients for the service on a per patient, per month basis with the transmission costs built into the monthly fee.

In the third model a **middleman/broker pays the network provider**. This model is for

situations where multiple ACPs provide content, such as video, to a content aggregator, who in turn funnels it to the Internet through a single portal owned by a content delivery network (CDN) operator. The operator wants reliable, low-cost delivery with quality and control. Although current peer-to-peer distribution over the Internet meets cost requirements, it provides little control over content dissemination, copyright protection, QoS or monetization. By working with network providers, ACPs and CDN operators can ensure the content is delivered with a high QoS to enable a better experience for end users, and to meet service level agreements with content owners.

In these arrangements, content aggregators and CDN operators pay for QoS and guaranteed delivery of services. In addition, the network providers might also receive revenue for their ability to support delivery of aggregated content to more subscribers and more screens.

### Maintaining flexibility and increasing revenue

By being open to all three core business model options, network providers can ensure they are flexible enough to leverage multiple revenue opportunities as they arise.

For example, consider how these models can be used to establish a business arrangement for HotRightNow, a mythical location-based application that shows end users the most popular night clubs in a specific geographic area. Based on the working arrangement analysis and the core business model options available, several working arrangements are possible:

- **End user pay per use**, where the end user pays a \$2 per use basic service charge, which is waived if the user opts-in for sponsored messages
- **Third party ACP pays**, where HotRightNow.com pays \$0.05 per use
- **Third party sponsor pays**, where club owners pay 25 percent of the club cover charge for the opportunity to dynamically serve location-based coupons and live high quality video feeds
- **Third party broker pays**, where a broker known as SaveMySpot.com brokers online reservations for a \$0.25 per use fee
- **Third party partner pays (free)**, where another company, such as a taxi service, pays for the right to deploy cars to popular destinations
- **Third party ancillary pays**, where a location consultant helping a small business, such as a diner, pays a \$5,000 per use fee for access to usage data that will help select the ideal location

More importantly, the business models do not have to be exclusive of each other. For this one service alone, a network provider might be able to capture revenue from multiple parties. In addition, the business models may be applicable to thousands of location-based services that are similar to HotRightNow. When these services are looked at in aggregate, the true potential of working more closely with third parties who can use network provider subscriber data, data management, and data profiling capabilities to intelligently deliver services to end users becomes apparent.

The key for network providers is to be aware that no one business model is better than another nor

are they mutually exclusive. Network providers should be willing to explore different models when working with ACPs. By remaining flexible, the network provider can enable a more collaborative working arrangement that leverages network assets and capabilities to increase revenue today and tomorrow.