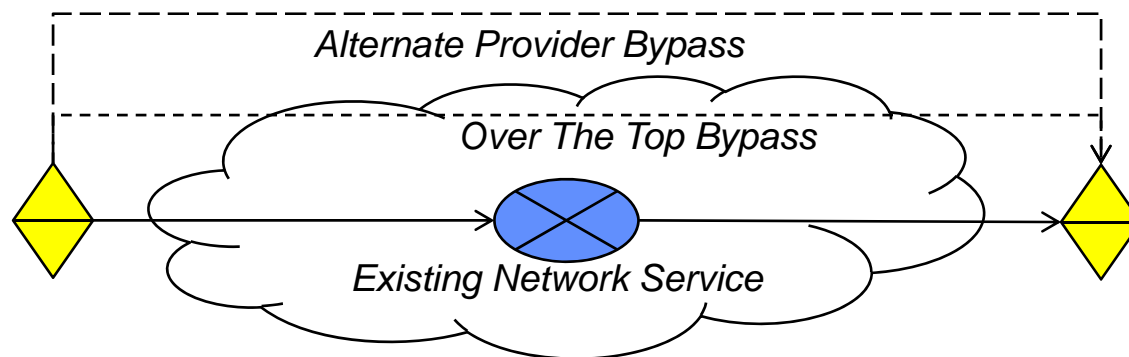


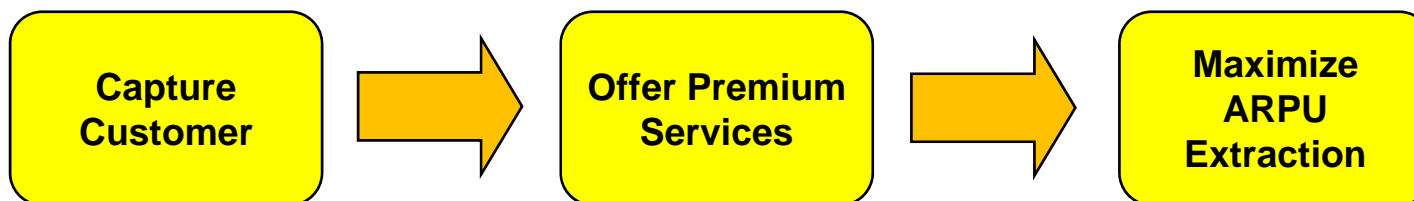


# **Competing With Over The Top Services**

The Lanigan Group Inc.  
May, 2013



- Carrier becomes “dumb pipe” competing on cost to offer a commodity data connectivity service
  - Circuit-switching replaced by packet-switching
  - Network-centric services replaced by data-centric edge service
- There is NO network service that cannot be offered via edge
  - Multiple devices / user means multi-presence but user is at single location
  - Presence is not as important as Location which is not a network attribute
  - Many more over-the-top services possible than network services
  - Easy to become irrelevant, simply continue status quo



- High capex cost of engineered services locks in high opex due to lack of flexibility and under-utilization as bypass occurs
  - Opex cost structure worsens with each new wave of technology due to customer lag in moving from 2G -> 3G -> 4G
  - Yet failure to spend capex on new technology results in customer loss
- Network provider no longer has exclusive control over:
  - Subscribers with low switching costs
  - Device selection and usage
  - Connectivity vs. alternative choices (cellular, wireline, cable, fixed wireless,...)
  - Premium network services under-cut by cheaper edge services



- Law of Microeconomics:
  - Marginal price of undifferentiated commodity service = cost of service delivery
  - I.E. Profit is impossible with commodity services
  - Overall revenue loss is inevitable
- Blocking doesn't work
  - Denial, Throttle, Surcharges simply drive customers away
- Bundling won't save you
  - Customers will exploit bundles to get lower cost base and still use OTT to get lower marginal cost
- Stop worrying about cannibalization and focus on replacement
  - Service Differentiation
  - New Services based on Value other than Lower Cost

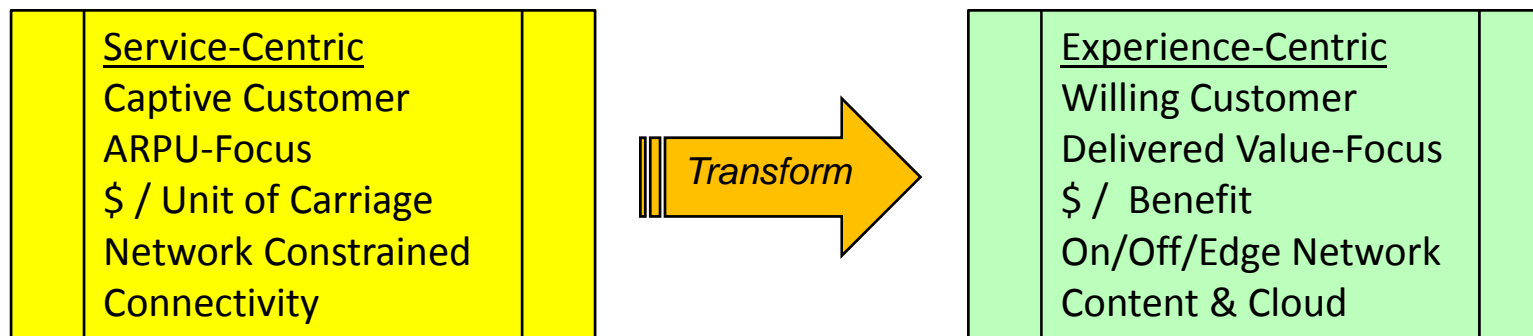


**Case Study:** Bermuda had an successful Internet access package called Easy Connect

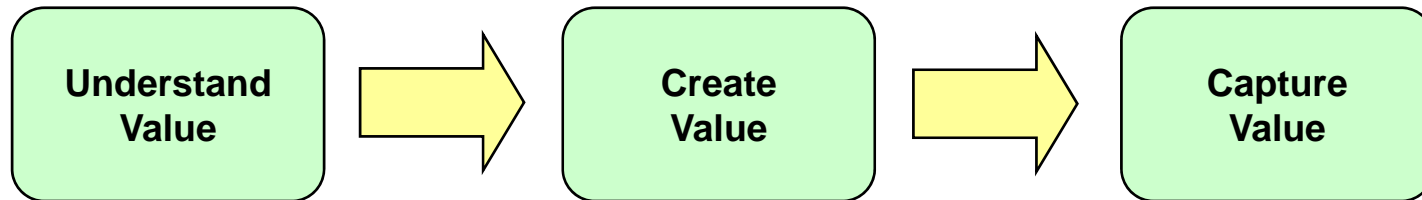
- Customer survey in 2006 found that Easy Connect was highly successful:
  - Offered great value to customers
    - 62% rated the service Excellent or Very Good
    - 87% would recommend the service to friends & family
  - Generated new customer growth
    - 63% of Easy Connect customers did NOT have a post-paid cellular plan
- But new customers would not convert cell service based on bundled discount:
  - 72% of customers were aware of a 25% bundled discount for both services
  - 69% did not want to change cellular service when offered larger discount
- Even existing cellular customers signed up for Easy Connect for reasons other than the bundled discount – only 14% were motivated by the bundled discount

These customers want value to be created from increased benefit – not lower cost

- Lower cost was NOT a compelling reason to switch cell service
- Don't bundle only on price, bundle on VALUE



- Exploit virtualization to implement flexible network
  - Maintain margins as revenue declines via Capex & Opex advantages from flexible network
- Define new value-added services to replace existing revenue
  - Embrace over-the-top services with network advantage, market-specific content and carrier cloud opportunities



- Innovation Driven By Customer Needs
  - Focus is on customer value proposition
  - Value proposition prioritizes product strategy
  - Value capture is aligned with customer value creation

*“Anything that will not sell, I do not wish to invent.”*

*Thomas Edison*

- Predictably results in compelling products and services
  - Because customers buy on value
  - Value = Benefit - Cost



- The Lanigan Group is a network of seasoned technology executives
  - Each executive associate has > 20 years “real-world” experience in world-class companies
  - Founded in 1998 by Paul Renaud as alternative to non-expert business consultants
- Advanced “*Business Precision*™” methods rapidly improve
  - Business alignment and value proposition
  - Return on product investment
  - Go-to-market effectiveness



- Exclusively serving technology companies
  - Communication Services
  - Software & Communications Products
  - IT & Professional Services



Morgan Stanley



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- Led product development at **Bell Northern Research**
  - Directed Nortel's DMS Capacity Program
  - Directed Advanced Computing Research Lab
- Advised **Sprint's** executive committee in 1998 on how Sprint should respond to the Internet
  - Resulted in the launch of a \$1 B Managed Service business for Sprint
- Advised the **Gulf Investment Corp** on broadband network for the Arabian Gulf States
  - Prevented the costly launch of a network that would never pay for itself
- Advised **Research in Motion** on how RIM could compete against Windows Mobile 5
  - Neutralized Microsoft's threat to RIM, enabling \$Billions in new revenue
- Advised UK's **Ubiquity** on market transition
  - Enabled transition from public to enterprise markets leading to acquisition by Avaya
- Advised Canada's **Mitel** on partner strategy for unified communications
  - Unlocked multi \$Million global opportunity with Microsoft
- Advised Bermuda's **Keytech** on cost-effective IMS transition via new services in small market
  - Mapped out over 30 new services providing ROI for incremental network changes

# Lanigan Group's Scope of Services

