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Key Success Factors for Quad Play Services

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Introduction

Quad Play is a term that has come to be used in the telecommunications industry to describe a blend of voice, video and data together with mobile services. It offers a range of services in a seamless environment which encourages subscribers to stay with a single service provider, thereby reducing churn and opening up new revenue-generation potential.

Analysts predict a strong market uptake for FMC (Fixed-Mobile Convergence) and IPTV – two key components of Quad Play services. The Multimedia Research Group (MRG) forecasts that the number of IPTV subscribers worldwide will grow from 4.3 million in 2005 to 36.8 million in 2009. According to industry analyst Visiongain, fixed-mobile convergence will drive fundamental change in both fixed and mobile industries, and the market is set to grow to a value of \$74 billion by 2009.

Quad Play is quickly becoming established in the US and in Europe, as witnessed by a wide range of announcements (Sprint, Virgin Media, Neuf, Free, Orange, Telenet, etc.). Initial packages are offering cut-price deals to encourage customer uptake. The much bigger (and more interesting) challenge is to generate value from actual convergence between services.

This article describes the different stages in which Quad Play services can be implemented, provides service examples and offers a number of key success factors for each.

Quad Play Implementation Stages

Stage 1	Service Deployment: The initial service deployment, with a strong emphasis on attractive pricing of combined fixed-mobile service bundles and providing a single point of contact for sales, billing and customer service.
Stage 2	Value-added and Interactive Services: More advanced applications and interactive services are added, such as dual-mode handsets, FMC voice and video communication, and interactivity between IPTV and other devices.
Stage 3	Lifestyle Services: Service bundles for communication, information and entertainment, aimed at groups of users with similar interests and usage patterns.

Stage 1: Service Deployment

Overview

For consumers, the main advantage of Stage 1 is the convenience of receiving a single bill and a discount by getting all fixed and mobile communications services from one source. Service providers benefit from reduced customer churn and the potential to increase revenues and market share.

Examples

There has been a recent flurry of Quad Play announcements in Europe and the US. In France, the market has been particularly active since 2006, with the announcements of fixed-mobile convergence services by all major operators: Orange, Free and Neuf. France Telecom has combined its broadband ISP services, IPTV, Voice over IP (VoIP) and mobile services under the Orange brand, confirming the mega-trend towards integrated operators offering Quad Play services. Initial uptake at Orange is promising with 100,000 FMC subscribers as of February 2007.

In the US, four of the largest cable companies – Time Warner, Comcast, Cox Communications and Advance/Newhouse Communications – linked up with Sprint to launch “Pivot”, a Quad Play service bundle including mobile phone, home phone, broadband and digital cable services.

In the UK, NTL Telewest has integrated Virgin Mobile to offer a Quad Play package under the Virgin Media brand and Orange UK has already attracted 250,000 users. Other European Quad Play service launches include E-Plus/Kabel Deutschland in Germany and Telenet in Belgium who had 21,000 activated SIM cards at the end of 2006.

Key Success Factors

Most of the initial Quad Play announcements are emphasizing price discounts. While this seems like a natural first step, operators should also pay close attention to other business aspects to maximize chances of success.

Watch ARPUs Carefully

Reduced churn should not come at the expense of too low ARPU (Average Revenue per User) or depressed margins. Therefore, service providers should adapt their Quad Play discount strategy to competitive pressure, and only offer heavy discounts on service bundles in markets where there is strong competition; such market conditions exist in the UK and in France. In the US, although competition between Cable companies and Telco's is becoming fierce, customers are used to paying significant higher monthly fees for TV which allows room for much more flexible packaging, especially when mobile fees are included. On the other hand, there is less incentive to compete on price alone in less competitive markets like Belgium.

Don't Forget about Combinations of Double Play and Triple Play

Not all subscribers will be interested in full Quad Play services. Initially, some of them may choose to forgo the convenience of single billing and create their own bundles by combining services from different providers. Other people may only be interested in two or three of the available Quad Play services. Successful operators will recognize these demand patterns and provide different combinations of Double or Triple Play bundles for different consumer segments. For example, a Triple Play combination could be: mobile + Internet + IPTV.

Select a Solution with Pre-integrated Components for FMC and IPTV

Quad Play solutions can require complex integration, which may lead to long deployment schedules and uncertain ROI. To increase chances of success, service providers should look for pre-packaged solutions of IPTV with fixed-mobile voice and video communication applications. Key components which should be pre-integrated include: IPTV middleware, set-top boxes, Network Personal Video Recorder (NPVR), billing, fixed-mobile telephony and video,

instant messaging, presence, interactive video services and media center connectivity.

Get the Fundamentals Right

Deploying Quad Play is a serious investment for any service provider; it is therefore important to pay particular attention to fundamentals such as:

- Content acquisition, management and distribution
- High-quality operations and customer support
- FMC architecture with a future-proof evolution to IMS and true SIP interoperability

Stage 2: Value-added and Interactive Services

Overview

The real goal of Quad Play is to provide more than a bundle of four services at a lower cost and on a single bill. Quad Play gives operators the ability to create additional subscriber value by delivering value-added services seamlessly over any device, providing the potential to generate higher revenues and margins.

Examples

Seamless Video Services over Fixed and Mobile Networks

Today's mobile handsets are more than just telephones: they have also become wireless video camcorders and video phones. This means that video services can now be made available across all devices, including: 1) video calling between mobile, TV and PC, 2) "See What I See" from mobile to TV, and 3) video mail from mobile to TV. French operator Orange has been a pioneer in the implementation of FMC video telephony and interactive video between 3G mobiles, PCs and video phones.

Dual-mode Handsets

Dual-mode handsets are a key component of fixed-mobile services: they can be used to make voice or data calls on a cellular network in a mobile environment and over the Internet while at home. To optimize network connectivity, the handsets switch from cellular outside to a WiFi connection inside and also add the advantage of a single fixed-mobile address book. According to In-Stat, there will be more than 132 million WiFi/cellular handsets sold within the next four years. Service providers actively promoting dual-

mode WiFi/cellular handsets include Free, Neuf, Orange, Arcor, TIM, TeliaSonera and BT.

Messaging Across Multiple Devices

Messaging services like email, SMS and IM have proven to be true killer applications. A natural FMC evolution is to offer transparent messaging between cellular phones and PCs. This approach lets subscribers enjoy the same interface, with a similar look and feel on all mobile and fixed devices. As an example, in March 2007 Vodafone Portugal launched a “web phone” which allows its customers to make and receive voice and video calls, IM and SMS from their PCs.

Interactivity Between Wireless Handset and IPTV

Mobile handsets will increasingly be used to preview TV content or recordings on home digital video recorders (DVRs), or to remotely instruct DVRs to record programs. As an example, TiVo has announced a deal with Verizon Wireless that allows customers to program TiVo DVRs from their cell phones. The new service, TiVo Mobile, will be launched in the US in mid-2007.

Key Success Factors

The value of the services listed above can be enhanced by focusing on the end-user experience and by using sound business principles.

Use Personalization to go Beyond Low Pricing

Discounted pricing for Quad Play service bundles offers little room for differentiation. Therefore, It is in the interest of operators to put more emphasis on innovative, personalized applications.

One challenge for the converged Quad Play model is the mobile component. Triple Play including fixed telephony, broadband access and TV services is a household purchase, but mobile is more of an individual purchase. The solution to the challenge lies in the personalization of other service components. such as IPTV and web surfing. IPTV differs from traditional TV programming in a number of ways, allowing viewers more control over and involvement with the service they receive. Personalized TV viewing, e-commerce, gaming and electronic voting will become standard features of IPTV. Additional unique personalized services will be created. For example, Google recently announced that they had developed a way to use audio samples to quickly identify which programs a person is watching on TV to deliver personalized content to the TV or the PC based on that information.

Innovative Services to Drive High Revenue and High Margins

The full potential of Quad Play is ultimately realized with innovative services that combine content and communication across all types of devices (fixed phone, mobile, IPTV and PC) and all types of networks (IP, WiFi, 2G, 3G and WiMAX).

For example, interactive video represents an untapped potential of high-margin services across mobile / TV / PC, including: dating, video blogging, gaming, televoting, home surveillance and monitoring services and sports betting.

To identify the winning applications, service providers will need to pursue a “trial and error” strategy, testing different technologies, service combinations and marketing bundles in different market segments. To maximize the success of these trials, it is critical to work with an eco-system of service developers and to partner with innovative suppliers.

While large operators are often in the best position to fight in a price war, it is interesting to note that smaller service providers have an edge when it comes to deploying new applications rapidly and trying out new service combinations and marketing approaches.

Stage 3: Lifestyle Services

Overview

In the past, the network was king and there was little choice for end users - a few operators provided the same services over the same telephones to everyone. There were specialist providers for communication, entertainment and information services, and different services were available over different devices - fixed phone, PC, IPTV and mobile phone. Quad Play enables services to evolve toward a world in which the user is king, with personalized features and custom devices. Successful service providers will be the ones who are able to offer lifestyle service bundles targeted to groups of users, according to their interests and usage patterns.

Quad Play is the enabler of these new lifestyle services. By definition, Quad Play enables seamless access over all devices of personalized lifestyle services.

Examples

Personalized Lifestyle Services for Different Age Groups

These service bundles are designed to capture a larger share of consumer spending by increasing the personal utility of communication and entertainment according to age segments:

8 to 15 Year Old Preteens/Teens	Instant Messaging (IM), video greetings, gaming, multimedia ringback tones, SMS/MMS, friend locator
15 to 25 Year Old Students/Young Adults	Video greetings, video blogging, video "See What I See", personalization of ringtones and phones, SMS/MMS, IM, email, televoting, friend locator
25 to 55 Year Old/ Working Adults	Parental controls, child locator, single directory, personalization of ringtones and phones, speech dialing, security, work productivity

Most operators have started offering subsets of personalized services, but the full potential is just beginning to be realized.

Lifestyle Services for Families with Young Children

These services include family-branded screen themes, ringtones, wallpapers and games. Other key elements are child locator services and parental controls to manage family phone usage and control children's phone usage. Family lifestyle services require a well-established family-brand. Disney is a principal contender with its Disney Mobile service. As a natural evolution, Disney has also started to create links to other elements of the brand such as Radio Disney, Trivial Pursuit® Disney Mobile Edition and Disney graphics, complementing the mobile services and reinforcing their business model.

Lifestyle Services for Seniors with Chronic Health Problems

The expanding elderly population has created a growing market for personalized health monitoring and alarms to offset the escalating costs of chronic care. Wireless devices can now transmit situation-based and location-based data in real time for online monitoring, analysis and care. Orange was the first operator to launch a service to assist Alzheimer patients in the French

market. The service consists of a wristwatch-sized telephone and GPS monitoring device that sends out an alarm if the patient leaves a predefined geographic area.

Key Success Factors

Operators have to build a good understanding of specific consumer segments to build profitable business models for lifestyle services. To maximize potential, the following principles should be applied:

- Use branding in line with the targeted lifestyle market
- Provide custom user interfaces or custom-designed wireless devices
- Link with complementary lifestyle elements such as: Websites, IPTV channels, radio stations, original content, games, books, films, merchandising, etc.

Conclusion

While it is difficult to tell the winning service combinations in advance, having the potential for full Quad Play services and a well-defined strategy will increase chances of success for any service provider.

Initial deployments have focused on price discounts. Soon these will be replaced by more advanced applications and service bundles that will form the basis for mass customized lifestyle services for communication and entertainment.

With Quad Play capabilities, both large and small players are in a stronger position to provide profitable combinations of double, triple and quad service bundles in line with consumer requirements.

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