Alcatel in Mobile:
User-Centric Broadband Services

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◄ BROADEN YOUR LIFE ►

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Agenda: User-Centric Broadband ervices

- ➡ **Service Provider's Business Challenges**

- ➡ **End-user's Demand Drivers**

- ➡ **Alcatel's value proposition**

- ➡ **Service Provider's Winning Strategies & Case Studies**

- ➡ **Conclusion**

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Service Provider's Business Challenges

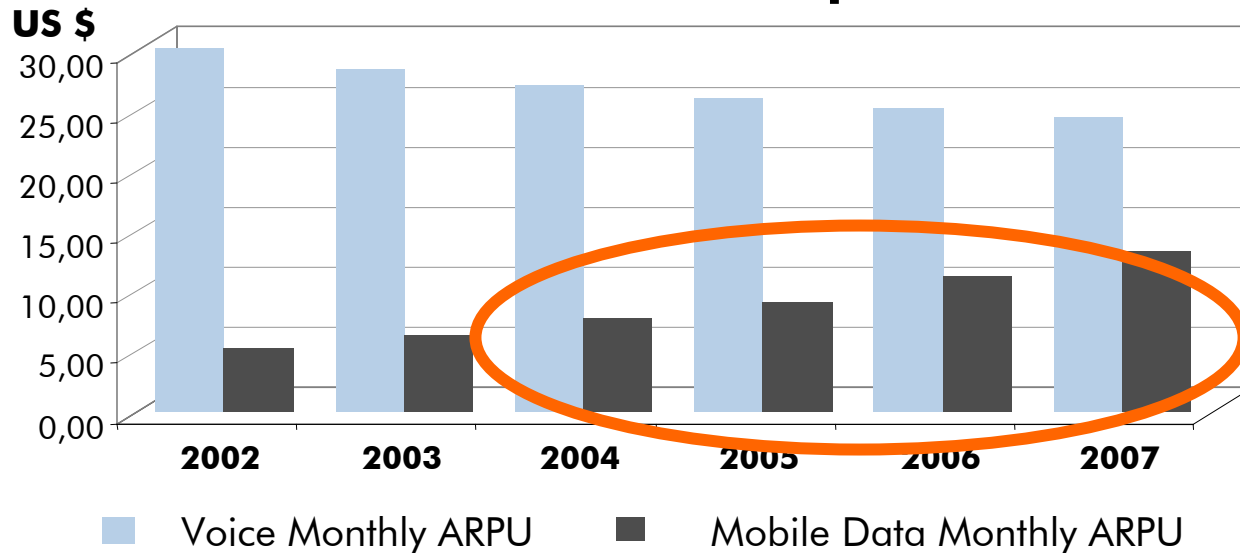**End-user's Demand Drivers**

Alcatel's value proposition

Service Provider's Winning Strategies & Case Studies

Conclusion

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Business challenge for service providers

➜ Reduce Churn

➜ Attract New Customers

➜ Create New Revenue Streams

Worldwide ARPU composition

How to make it happen?

US $

	2002	2003	2004	2005	2006	2007

Voice Monthly ARPU   Mobile Data Monthly ARPU

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Results of Alcatel customer focus groups

Finding #1:
End-Users want better entertainment experience

### Personalize my entertainment experience
- **Household device proliferation on the rise**
- **Consumers become content creators**
- **"PrimeTime" becomes "MyTime"**
- **Interactive Program Guides Become Personalized Portals**

Make My Entertainment Experience Interactive
- **"Hypertasking" and chatting on the rise**
- **Personalized television becomes a community experience**
- **Cellular Phone Emerges as Tomorrow's Remote Control**

Optimize Accessibility to My Entertainment Experience
- **Mobile video content on the rise**
- **Demand for Quality Stimulates Device and Service Adoption**
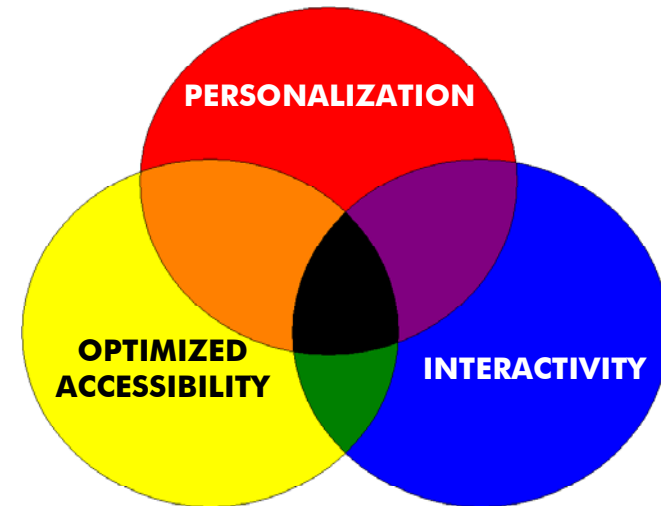
Source: Customer Focus Groups, Dallas, Philadelphia, London, Milano; Alcatel August 2004

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Results of Alcatel customer focus groups

Finding #2:
End-Users want richer communication

Content Exchange:
"See What I See "

- **Mobile2fixed telephony**
- **Community driven user experience**
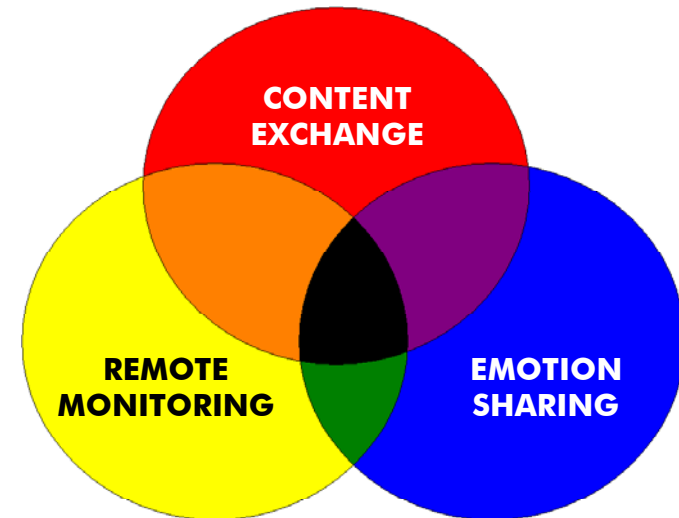
Emotion Sharing:
"Feel What I Feel"

- **Video messaging**
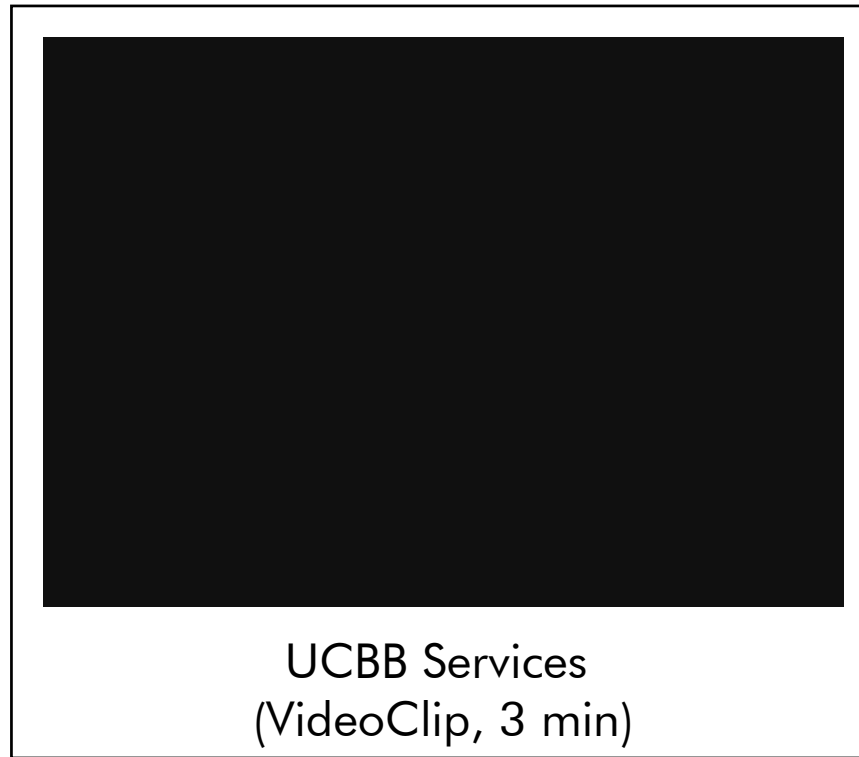- **Express yourself**

Remote Monitoring :
"Track What Is Important to Me "

- **Video surveillance meets basic human need**
- **surveillance of personal properties**

Source: Customer Focus Groups, Dallas, Philadelphia, London, Milano; Alcatel Aug2004

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What do end-users want?

UCBB Services
(VideoClip, 3 min)

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User-Centric Broadband Services
A great opportunity for carriers

"NTT DoCoMo generates 35% more ARPU with FOMA 3G user centric services"

" 3 Austria achieves ARPU of over €60/month thanks to multimedia/video content"

" Vodafone Japan's Movie Sha-Mail users spend twice as non Sha-Mail users"

" SKT gets 50% more ARPU with June 3G user centric services"

" FASTWEB achieves consumer ARPU of over €911/year"

"Video is the main service differentiator of broadband"

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Business potential for service Providers

➔ **Reduce churn** for (existing) customers with user-centric services

- mobile operators have chance to use the mobile terminal as THE tool to interlock customers
- Personalization with network stored profiles avoid change

➔ **Attract new customers** with video services

- Video services have high customer attraction, esp. with exciting content
- Service used in community force other subscribers to enter in the community

➔ **Create new revenue streams** with UCBB video

- significant potential to address other customer's wallets
- Address the total communication, information and entertainment spending budget of households

➔ **Total addressable market for service providers is growing:**

- **Old**: market of voice minutes
- **New:**
  Total spending for communication, information and entertainment

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Alcatel's value proposition
for User Centric Broadband services

User Centric Broadband Architecture

Multi-access, multi-device, multi-content, multi-vendor

Rich portfolio of ready to use UCBB solutions

Library of generic solutions enhanced with Partners

Service Creation Factory

Fast design and roll-out of customized UCBB packages

Leadership in Video and Music services

Bringing the unique broadband service differentiation

Leadership in Payment

Making the services billable - at end user value

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Alcatel's rich portfolio of ready to use User-Centric Broadband solutions

Payment

Multimedia Messaging

Video/Music

- ✓ Library of e2e solutions enhanced with partners – 3GRC, investment
- ✓ Solutions adding value to the operator's brand and services
- ✓ Truly open interoperable solutions – business model, 3GRC IOT
- ✓ Fixed/mobile solutions leveraging leadership in broadband
- ✓ Performance/cost leading solutions – partnerships with IT vendors
- ✓ Strong focus/leadership on Video/Music and Payment

3G REALITY CENTRE

Mobile Office

Location based services

Vocal Services

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Two Questions Needing One Answer

1000 ideas

Spanning Intelligence

1000K customers

Service Creation

Service Delivery

> **Challenge:** turning 1000 ideas into 10 launches & 1 blockbuster
> **Creation Environment** to launch the "Top10" quickly
> Thinking and trialing in **partnership**

> **Challenge:** fast growth from 1K users to 1000K users
> Smart **segmentation** and go to market
> Delivery Platform assuring **scalability, security, re-use**

> **Keeping risk and cost under control**

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Fast Service Creation and Efficient Service Delivery for launching user-centric services

Common Open Interfaces

Powerful service factory
- Understanding end-user needs
- Full lifecycle support,
- SCE and Java tools

State-of-the art technology
- Video streaming platform
- Convergent payment for content based billing
- Commercial IT platforms & tools

Open to 3rd Parties
- OSA/Parlay
- Web services, SOAP...

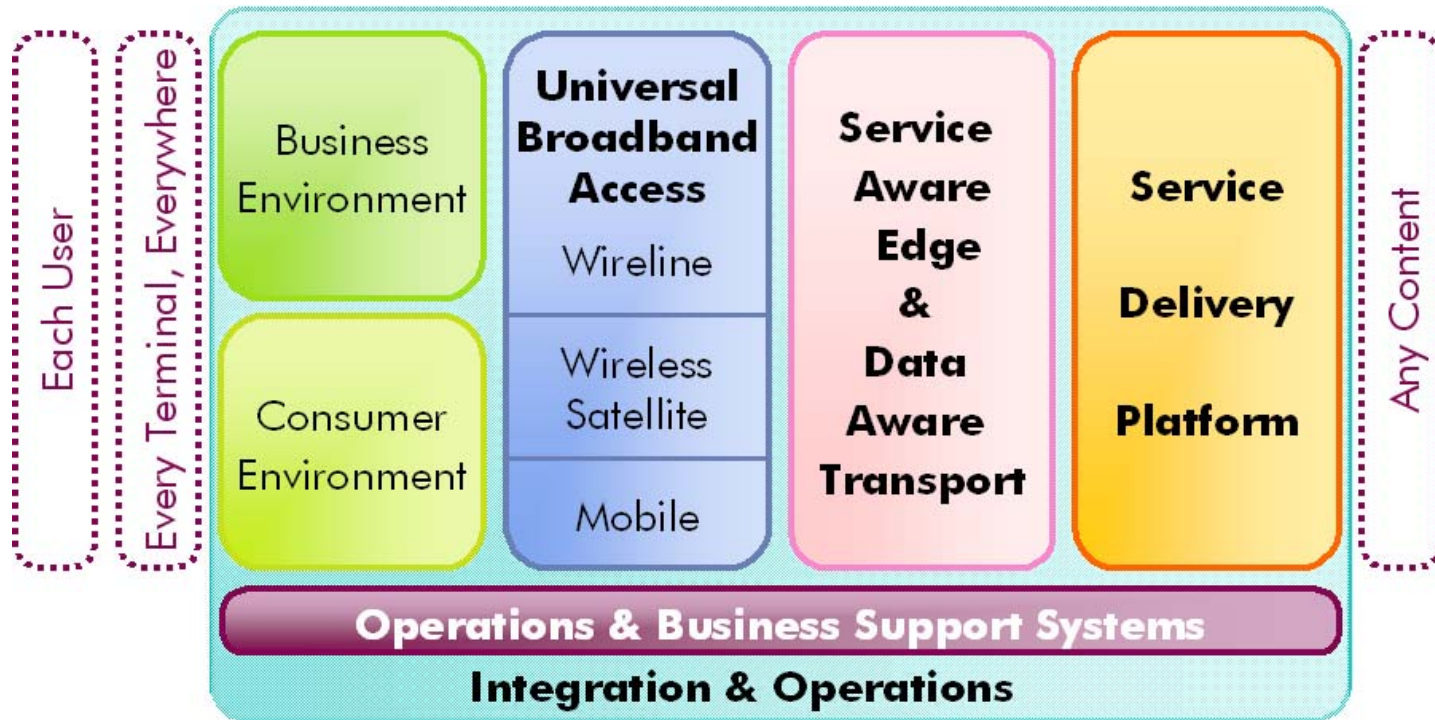### Field experience
- Network of partners for content and service development
- Network integration
- Partnerships with SIs

➔ **Fast Service Creation**

➔ **Efficient Service Delivery**

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Alcatel's user-centric broadband architecture

Service delivery platform meets critical needs:
- Fast **creation, delivery and easy maintenance of UCBB services**
- Convergent **payment for flexible service pricing**
- Integration **with OSS/BSS systems**

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Alcatel's User-Centric Video Services are meeting the end-user needs

Four major segments

	Download	Real-Time
Video Communication	**Video Messaging**	**Video Telephony, Surveillance**
Video Entertainment	**Video download PVRs**	**Video Broadcast VOD**

drivers for successful end-user take up

- **Comfort** → **user-centric applications**
- **Quality** → **end2end integration with best-in-class components**
- **Mobility** → **on any network, on any device**
- **Privacy** → **network based profile, AAA**
- **Cost** → **fair pricing with transparent tariffs, realized by advanced rating**

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Alcatel's ambition is building THE "Cash Machine" for all services and content flying over the network

Value Chain

Pyramid:
- E-commerce
- Services
- Access

Prepaid-Postpaid
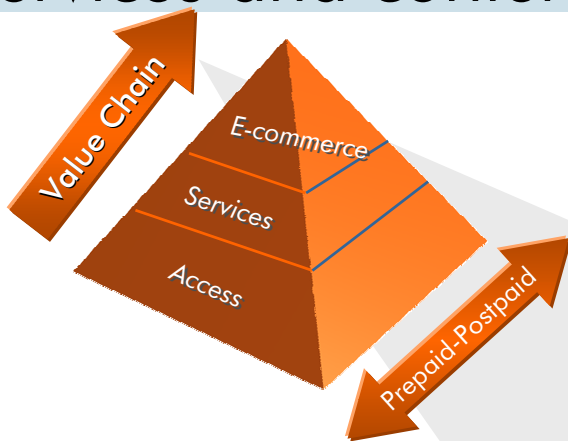
New "Cash Machine"

Content value charging

Advanced, flexible rating

Real time payment

Alcatel: # 1 in prepaid
Over 100 customers...

Operators can offer...	and can bill...
E-Commerce (online transactions, content purchase, ..)	> Per "explicit act" > Reverse billing for CPs
Services (SMS, MMS, video streaming, download, ..)	> With subscription fee, > Per click > Per content, > Depending on time & date > For special promotions > With service bundling
Access (Connection)	> Subscription fee, > Per time, > Per volume (packets)

kpn · 3 · vodafone · glo with pride · Bell Mobility · orange · telenor · 遠傳 FarEasTone · cingular

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Alcatel's Service Creation Factory: fast design and roll-out of customized User-Centric Broadband services

▶ Engage Early

> Understand operator's business challenges
> Define service mix together with MSP's marketing team
> Attract and retain best local and global partners
> Fast service design, integrate & prototype new services

▶ Test and Tune

> Field-test services
> Assess end-user acceptance and behaviours
> Adapt & fine-tune quickly services
> Validate business model

▶ Deploy and Operate

> Support Commercial launch
> Host and operate
> Measure usage

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Service Provider's Business Challenges

End-user's Demand Drivers

Alcatel's value proposition

Service Provider's Winning Strategies & Case Studies

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Winning strategies for service providers to differentiate & increase revenues with music & video services

	MOBILE SERVICE	**FIXED SERVICE**
Phase 1: Market entry	**2.5G BASIC MOBILE VIDEO**	**TRIPLE PLAY SERVICE BUNDLE**
Phase 2: Develop Leadership	**3G MOBILE VIDEO** **VIDEO-TELEPHONY INTEROPERABILITY** ←→	**PERSONALIZED AND INTERACTIVE EXPERIENCE** **VIDEO-TELEPHONY INTEROPERABILITY**
Phase 3: Differentiate long-term	**USER-CENTRIC BROADBAND SERVICES Quadruple Play**	

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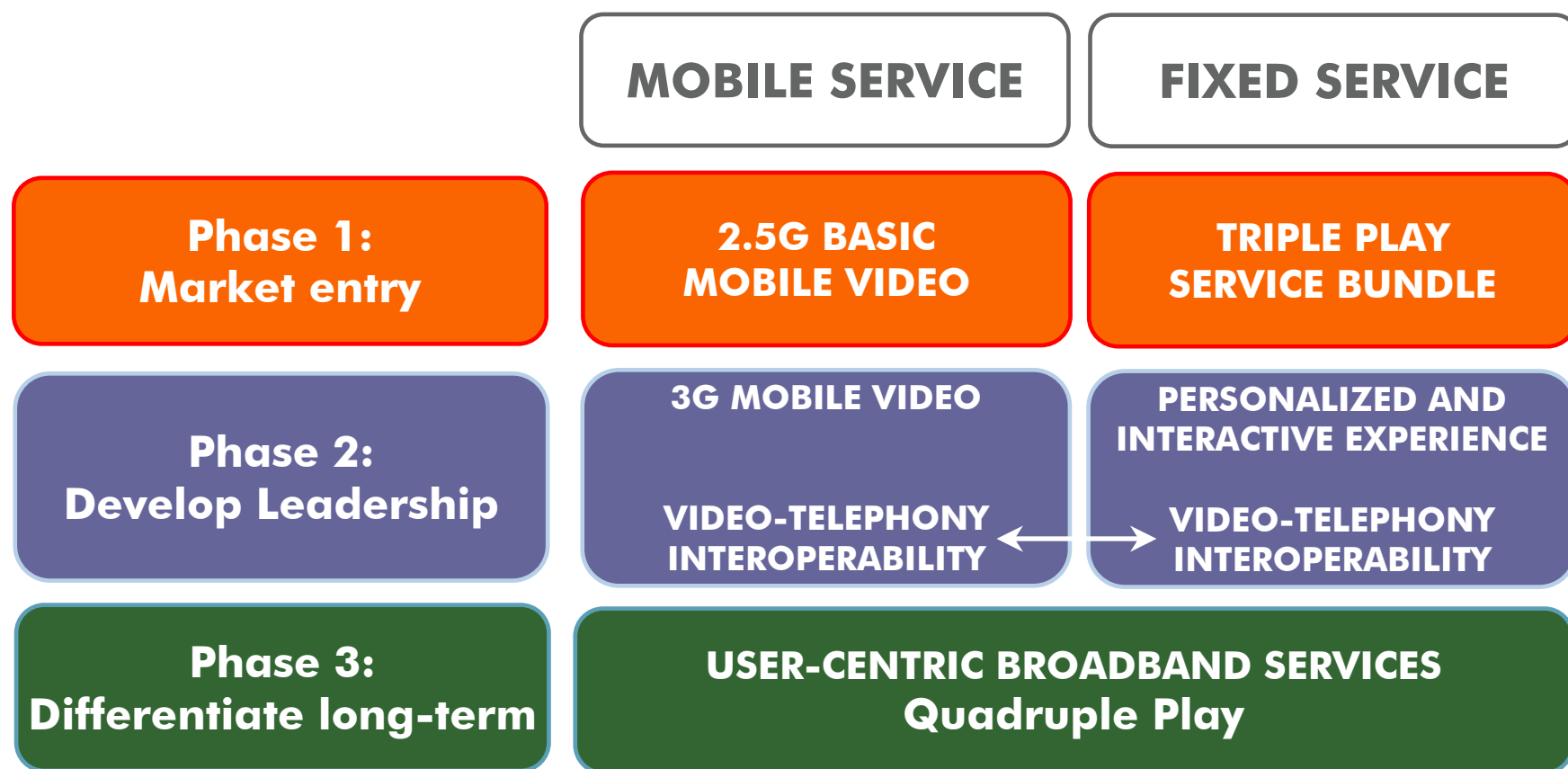
Winning strategies for service providers to differentiate & increase revenues with music & video services

Phase1 –
Market entry with 2.5G mobile video

- TV like content on mobile phone

- <u>Examples</u>:
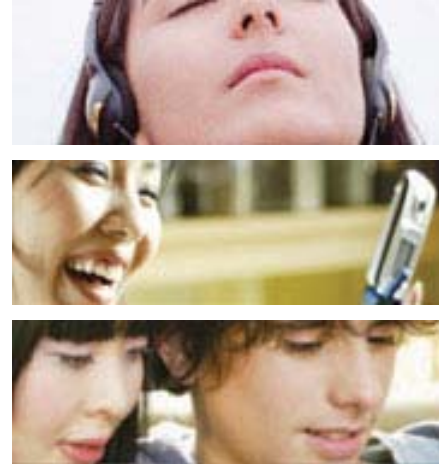 20 service providers have launched
  video over GPRS with Alcatel

➔ *Leverage of existing 2.5G network*

➔ *Alcatel FrameTrack™, FastTrack™ algorithm by Packetvideo secure superior customer experience*

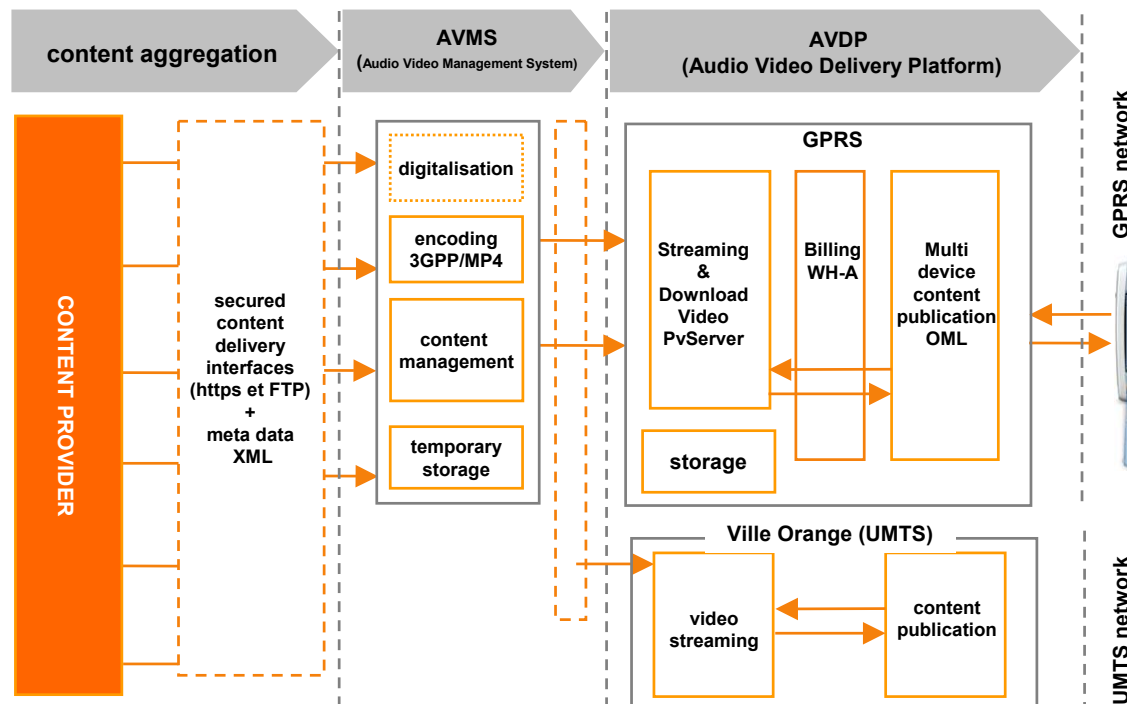**ALCATEL**

orange™

Alcatel end2end solution incl. Hosting, revenue sharing

themes	partners
INFORMATION	
NEWS	LCI
SPORT	Sporever.fr accès illimité au sport
ENTERTAINMENT	
CINE MA	ALLOCINE.COM
	PARIS PREMIERE
MUSIC	mcm.net
FASHI ON	fashiontv
HUMO UR	WONDER PHONE

content aggregation

AVMS (Audio Video Management System)

AVDP (Audio Video Delivery Platform)

CONTENT PROVIDER

secured content delivery interfaces (https et FTP) + meta data XML

digitalisation

encoding 3GPP/MP4

content management

temporary storage

GPRS

Streaming & Download Video PvServer

Billing WH-A

Multi device content publication OML

storage

Ville Orange (UMTS)

video streaming

content publication

GPRS network

UMTS network

Orange World
info pratique loisirs amis
Vidéos
Musique >>
Placebo
Le concert à la maison... - On a voulu faire un DVD car pour nous c'est le meilleur moyen... >>
Cinéma >>
Les Disparues
Cate Blanchett, élue meilleure interprète de western par Elisabeth Quin >>
Les rubriques vidéo
Actu   Cinéma
Sport   Humour
Musique   Fashion
Mode d'emploi
Player PacketVideo
info pratique loisirs amis
Orange World

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Winning strategies for service providers to differentiate & increase revenues with music & video services

Phase2

Develop Leadership with 3G mobile/fixed video communication experience

- Mobile / fixed Convergence Video Telephony boosts addressable market

- „See what I see" offers richer communication with sharing emotion

- <u>Example</u>: H3G Austria

➔ **Better use of 3G network, fixed BB connection without network investment**

➔ **Alcatel Video Communication solution with f/m-gateways secure easy-to-use service**

3WebCall.
Videotelefonieren
vom 3Mobile zu einem PC.

3

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"3" in Austria

Video Services
- fixed/mobile Video telephony (3Webcall)
- Video streaming (3Cams)
- Mobile TV (3MobileTV)

+

Payment Solution
- Real Time Charging for voice, SMS, WAP, video, MMS, download,...
- Prepaid and postpaid convergence

=

Innovative and billable services

3WebCall.
Videotelefonieren vom 3Mobile zu einem PC.

3Cams.
Da sein ohne da zu sein.

3 Austria has an ARPU of €60,- p.m.
(compared to € 35..40 average)

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Sony's StreamMan - Mobile music solutions

SONY

Streaming service offering instant mobile access to music

packetvideo network solutions

AN ALCATEL COMPANY

StreamMan
a Sony Network Service

- Superior mobile audio quality via AAC encoding

- Playlist functionality to enable programmed and personalised selections

"Every user can personalize their own music stream. They can each be their own music DJ."

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Alcatel & Universal making mobile entertaining

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- *User-centric service development*
- *Platforms*
- *Leadership in Video*
- *E2E solution integration*

Universal Mobile

UNIVERSAL MOBILE

- *1st class content*
- *Music/video know-how*
- *Service design expertise*

Mobile Content Kiosk

Attractive Services

- *Voice/Video Mailbox*
- *Music/Video Ringtones and Ring-back Tones*

Enhanced User Experience

- *Attractive Content*
- *User-friendly*

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Alcatel & Universal
making mobile entertaining

Agenda : User-Centric Broadband Services

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Why is Alcatel the best choice?

Alcatel's Vision:

- ▶ User-Centric Broadband Video and Music Services are key to serve future end-user needs

Alcatel's Differentiation:

- ▶ In-depth experience from the world leading service providers, Alcatel's customers and partners
- ▶ In-depth focus on understanding end-user needs
- ▶ Seamless wireless & wireline video solutions
- ▶ Capabilities for quick service development enables rapid response to market demands

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attention.

Alcatel,
leading the
way towards
a user-centric
broadband
world.

◄BROADEN YOUR LIFE►

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Backup

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Alcatel's value proposition secures fast realization of Service Provider's business potential

Alcatel is committed to being a leader in integrated mobile music & video solutions.

We have extensive experience and understanding of mobile service provider's business challenges and end-user needs

We have in-house expertise for the applications and the integration aspects

We have best-in-class partners for content and for some of the specific technology bits.

We are best positioned to offer our customers a seamless converged fixed/mobile solution

We have the 3G Reality Center Program: partnerships, interoperability testing, demo showcase

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Alcatel brings Video to the "Small Screen"

Acquisitions and partnerships

- **Acquisition of Packetvideo Network Solutions in 2003**

➔ *Superior technology to deliver brilliant video quality also for 2,5G networks*
  - – FastTrack™, FrameTrack™ algorithms

Active participation in content-oriented industry forums

- **Mobile Entertainment forum**
- **Broadband Content Delivery Forum**

➔ *deal with opinion leaders*

Mobile Kiosk Video Applications in ASP offer

- **Pay-as-you grow, hosting**
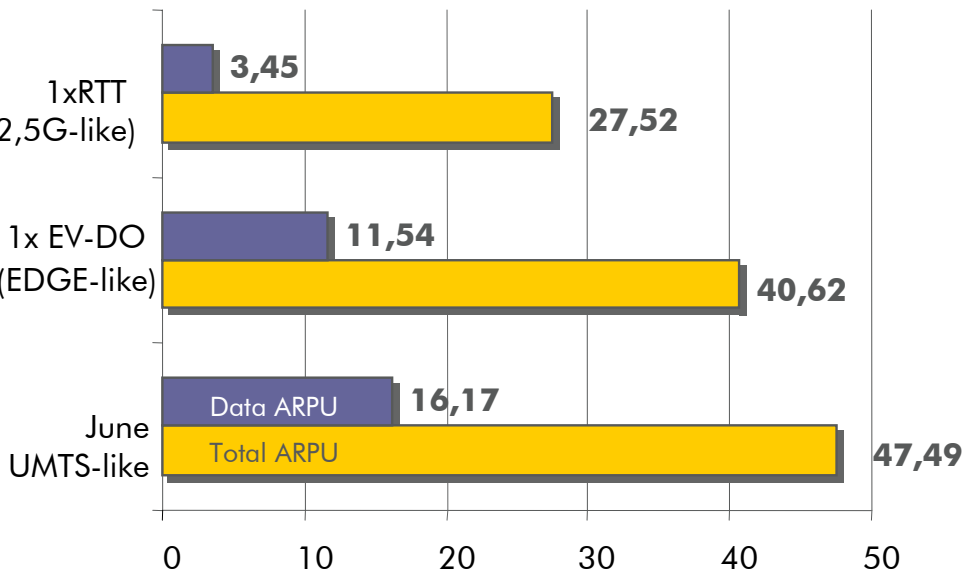
➔ *sharing risk, manage uncertainty*

Full integration to payment solutions

- **Video services require sophisticated rating and charging**
  - – Event, time, volume based, supporting promotion campaigns, tariff depending on actuality, discounts on bundles
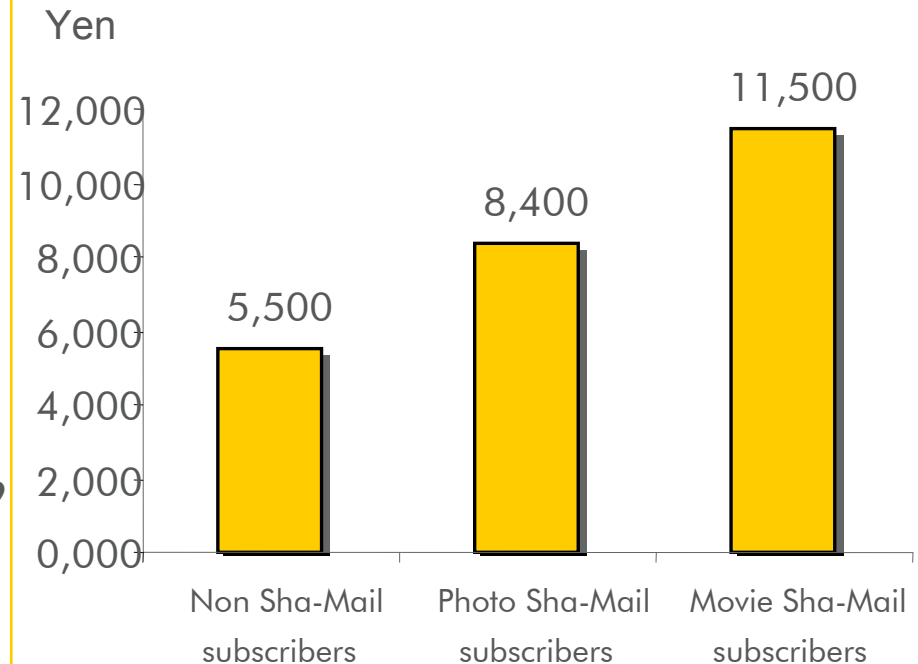
➔ *build a "Cash machine" around video services*

Real Life Examples of User-Centric Video Services

SKT South Korea - ARPU per network

- 1xRTT (2,5G-like): Data ARPU **3,45** / Total ARPU **27,52**
- 1x EV-DO (EDGE-like): Data ARPU **11,54** / Total ARPU **40,62**
- June UMTS-like: Data ARPU **16,17** / Total ARPU **47,49**

(Axis: 0, 10, 20, 30, 40, 50)

Legend: Data ARPU, Total ARPU

Vodafone Japan - ARPU per user type

Yen

- Non Sha-Mail subscribers: 5,500
- Photo Sha-Mail subscribers: 8,400
- Movie Sha-Mail subscribers: 11,500

(Axis: 0,000, 2,000, 4,000, 6,000, 8,000, 10,000, 12,000)

➔ **ARPU increase is correlating with service offer**
➔ **Broadband & video generate more ARPU.**

Source : SK Telecom; Vodafone

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Potential Improvements with User-Centric Video Services

Potential:

Results:

Entertainment

- Increase end-user's experience
- Have more fun
- become independent of device
- never miss any interesting program

Happier customers, spending more,
their benefit is higher

➔ **User Centric TV**

Communication

- share more emotion
- show how you feel, where you are, what you do
- increase efficiency in communication

More usage by customers who like to share emotion and communicate with their peers

➔**Visual Communication**

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