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How wireless carriers can compete with Facebook, Google and WhatsApp

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Wireless carriers across the world are reeling from the effects of over-the-top services' (OTT) onslaught.

Irrespective of carrier lifecycle or infrastructure development, from South America to Africa and the Middle East, carriers are fighting to stem the rising tide of OTT services such as Facebook, Google and WhatsApp and their ability to circumvent traditional networks.

The telecommunications industry is at a crossroads and scrambling to compete and answer the challenge from the OTT messaging apps.

Get the message?
Telcos are in the midst of a strategic renaissance: connectivity is a given and content and services now reign supreme.

AT&T's recent string of video-centric, content-led acquisitions provide a timely example; the telco giant scooped up OTT video streaming platform QuickPlay Media in May, a natural fit for DirectTV the satellite streaming service it picked off for a cool $50 billion last summer.

This is in addition to Verizon's $4.8 billion planned purchase of faltering Web giant Yahoo and Tencent's move to buy SoftBank's majority stake in Supercell Oy, the Finnish developer of some of the world's most popular mobile games.

It is clear that the major players are all jockeying for content they can monetize.

The entire industry is under assault.

The carriers, who have lost the bulk of their messaging service subscribers, are now at risk of losing them for voice. Voice services are increasingly becoming commoditized and the oft-overused dumb pipes.

Wireless retail prices continue their race to zero, but carriers' massive infrastructures are still tremendously capital intensive.

According to industry expert Jan Dawson, "The four major U.S. wireless carriers will spend more than $30 billion this year on capital expenditure, with the vast majority of it going to maintain their existing networks, while improving coverage and increasing capacity."

Mobile network operators continue to spend billions of dollars each year a direct benefit to OTT players enhancing their networks and expanding their ability to push more content over these networks.

The advent of OTT services as a legitimate threat to traditional wireless carriers has created a watershed moment in the industry.

Skype, WhatsApp and other third-party Internet voice applications are no longer tangential competitors. They are multi-billion-dollar juggernauts gearing up to dominate global communications.

This is a global phenomenon, and carriers such as China Mobile, Deutsche Telekom and Telefnica are all struggling to counter the growing trend of falling prices for basic voice and data services.

Dr. Kim (Kyllesbech Larsen) said, "WhatsApp already has taken the SMS scalp with 30 billion WhatsApp messages sent per day. For comparison, the amount of SMS sent out over mobile networks globally was a bit more than 20 billion per day."

Voicing concerns

Global mobile voice usage grew more than 50 percent over the last five years. The problem for the carriers is that despite the global growth in voice traffic, global voice revenue remained largely constant over this same period.

Falling prices and accelerating competition from OTT players is materializing on the top and bottom line.

By 2018, the telecommunications industry will have lost $386 billion in revenue since 2012 as a direct result of its customers using OTT voice applications.

TeleGeography "estimates that the on-net international Skype traffic grew 35 billion minutes in 2014, to 248 billion minutes. Skype's 2013 international traffic was four times greater than that of the largest telco in the world, and Skype's 2014 traffic growth was nearly 30 percent greater than the volume growth of every carrier in the world, combined."

The OTT players are no longer standalone, fledgling startups. They all have strong, aggressive parent companies with endless resources and far better consumer products.

Facebook and Microsoft alone comprise more than 75 percent of the combined market cap for the top five OTT companies, and both have made messaging and communications the centerpiece of their new mobile strategy powerful chat apps with artificial intelligence, bots and virtual assistants.

The OTT players are thinking long term and positioning themselves to more effectively collect the flow of dollars: transactions, services and mobile advertising.

The carriers can begin undercutting the OTT apps, Googles and Facebooks of the world by leveraging their networks for what they are: the most effective distribution and delivery channels on the planet.

The carriers' need to drastically rethink their antiquated approach towards monetizing their user-base and begin to supplement their traditional revenue streams by monetizing proprietary applications and services.

These carriers also need to move past a fear of cannibalizing their own revenue base. They need to learn that if they do not move to retain their customers on carrier-led products, the OTT players will just steal them away.

Traffic cop-out

Carriers are not just in a fight with the OTT apps such as WhatsApp or Line. They are also quickly moving into direct competition with advertising platforms such as Facebook and Google, and the other freeloaders who ride over their network infrastructure.

Billions of dollars run across carriers' networks each day, but they lack the mechanism to monetize the traffic.

According to Morgan Stanley, in the first quarter of 2016, 85 cents of every new dollar spent in online advertising will go to Google or Facebook, compared to 67 cents in the mobile ad market.

The addressable mobile ad and search markets are endless.

According to recently released statistics, "Google's ads have driven over two billion total app downloads and it got there thanks to the universal app campaigns ad tool, which lets developers promote their app across search, YouTube and Google's mobile ad channels. The tool doubled the app installs volume over the past year."

The carriers can protect their current and future revenue streams including voice by leveraging their inherent infrastructure and distribution advantages to expand their existing offerings.

By building differentiated services, they can monetize in new, innovative ways.

Carriers need to approach their networks differently and begin an aggressive partnership strategy. They own the core connectivity. Why not partner with other software and service providers to make the most powerful and consumer-friendly platform possible?

As we have seen, the carriers cannot do this alone.

Message+ and other standalone carrier applications have all failed to achieve the necessary market adoption.

Whether it was a lack of modern consumer features, cross-carrier interoperability issues or simply not offering the application to non-carrier subscribers, the carriers have not been able to deliver a product with all of the necessary capabilities.

CARRIERS WOULD BE wise to partner with third-party developers and begin delivering services that they can monetize via alternative channels such as mobile advertising, contextual search and consumer content including stickers, games and videos that provide myriad avenues to connect brands, publishers and advertisers with their users.

What the carriers need is an app that has it all highly scalable and capable of global deployment across any environment, even 2G or 3G, and functions over the cellular channel while remaining fully featured.

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