OTT Services Blow Up the Mobile Universe. Operators Must Act NOW!

EXECUTIVE SUMMARY WHITEPAPER
Over the last 12 months, there has been acceleration in the usage of OTT (Over The Top) services. This extensive piece of research, entitled “OTT Services Blow Up the Mobile Universe. Operators Must Act NOW!” by mobilesquared and tyntec, surveys operators, vendors and OTT service providers from around the world to discern how this trend is impacting the global mobile ecosystem.

The findings show that operators are clearly expecting the use of OTT services to continue to grow at a rapid pace, with user numbers reaching 925 million people by the end of this year, and a massive 2.1 billion by 2017. A fifth of operators also admit that more than half of their entire subscriber-base will be using OTT services by the end of the year.

THE RISE OF OTT SERVICES IN NUMBERS
Skype now has 280 million active monthly users spending a total of 2 billion minutes per day on the service, equating to 730 billion minutes a year. As a result, the research reveals that 43% of mobile operators view Skype as a major threat to their revenues.

Operators most closely follow the developments of WhatsApp. The service now has 300 million users and is growing at a rate of 14.6 million new users per month. This represents user growth of 233% in just 12 months, with the number of daily messages increasing from 2 billion to 10 billion. However, it’s not just WhatsApp that is generating massive interest. Geographic specific services such as KakaoTalk in South Korea have over 80 million users, Line launched in Japan now has over 140 million users globally, and WeChat from China now has over 400 million users around the world. In fact, WeChat currently is the fastest growing OTT app.

HOW OPERATORS PLAN TO TACKLE THE THREAT OF OTT
The survey reveals that the majority of mobile operators now have an OTT plan or strategy in place. With fewer mobile operators imposing surcharges, blocking OTT, and a decrease in offering their own OTT client, indicates mobile operators are becoming more tolerant and accepting of such services. As a result 36% are partnering with OTT providers in 2013, up from 32% in 2012.

Alternatively, the need to offer their own OTT client could diminish as the number of mobile operators deploy IMS/LTE to offer RCS/RCS-e. Interestingly, this number has dropped from 47% in 2012 to 29% in 2013. This is because either the mobile operator has now implemented an IMS core, or has delayed their investment. The most popular tactic now being employed by mobile operators is to launch next-generation SMS and MMS services, as their own OTT services are facing increasing internal pressure.
OPERATOR OPINIONS ON JOYN

The collective mobile operator response to the threat from OTT to revenues and infrastructure is Joyn. However, the mobilesquared research reveals that only one-third of mobile operators have a positive stance towards Joyn – of these, the majority believe it has taken too long to launch. Of the remaining two-thirds of operators, 29% believe Joyn is not the solution, with a further 35% uncertain of the impact it will have on their positioning to tackle OTT services.

PROTECTING VOICE AND MESSAGING REVENUES

But mobile operators must act now as the impact of OTT communications is starting to chip away at messaging revenues. Between 2011 and 2013, the research shows that the number of mobile operators stating that they had not experienced a drop in messaging revenues as a direct result of OTT clients on smartphones has almost halved from 62% to 36%.

In total, over 56% of mobile operators said that messaging was in decline, of which almost half of them were experiencing an overall decline in messaging traffic of up to 5%, and one-third of those were experiencing a decline of between 6-20%. For the first time in the annual research process, 14% of mobile operators claim that OTT has created a loss of messaging revenue of more than 21%.

Mobile operators can potentially offset this decline in revenues by tapping into the financial opportunity presented by OTT services. The subsequent impact of many more users of such services presents the opportunity of a marked increase in revenues for off-net termination fees.

mobilesquared forecasts that the global telco opportunity for OTT off-net communication termination will be worth $53.7 billion in 2017, a substantial increase from $7.9 billion this year. In 2013, the termination of OTT off-net communication fixed-line traffic represents the greatest revenue generator for telcos, worth $4.2 billion in 2013 rising to $20.3 billion in 2017. However, over the forecast period, that figure will be overtaken by OTT off-net communication mobile traffic termination revenues, generating $2.2 billion in 2013 and leaping to $23.7 billion in 2017. SMS termination will account for $1.4 billion in 2013, increasing to $10 billion in 2017.

COOPERATION OF OTT PLAYERS AND OPERATORS ON THE RISE

In summary, operators are now more open to partnering with OTT players, compared to the results of last year’s whitepaper, as they look to capitalise on the innovation emanating from the space. Operators realise they need to act sooner rather than later and most have stated they now have a plan in place and have moved away from blocking, imposing surcharges or lowering the quality of service. Their original approach to make money from charging for data is declining, and their preference is to partner with OTT players by renting out virtual phone numbers and terminating traffic to participate in the growing revenue opportunity this presents.

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