Next Generation Services: Where's the Money?

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Abstract: As we move towards next generation multi-channel, multi-service offerings to customers, there are three major areas of uncertainty: What are the requirements, as yet unfulfilled to the customer/user, that next generation services would meet? What are the business models and revenues associated with these new technologies and services? How do Telcos and potential partners (banks, retailers, media, utilities, government) communicate and collaborate to unleash the revenue potential associated with new technology and services? An approach to how we might reduce this uncertainty is presented. This takes the form of a business, customer and user centred analysis based on 'day in the life' user scenarios presented as dynamic visual simulations. Findings suggest: There appear to be considerable new potential revenue flows associated with next generation services; These flows will be driven or inhibited by customer perception versus expectation of the reliability and speed associated with new services.

1 Business and Technology Uncertainty

The ongoing story of 3G illustrates the huge costs associated with future technologies and services. In spite of this, there are many potential players competing and/or collaborating over the same or overlapping multi-channel, multi-service future. For example, the UK government view of the multi-channel, multi-service future is summarised in the document 'Framework for Channel Strategies: delivering government services in the new economy' [1]. It describes a mix of channels in which customers receive a wide range of services into the home and elsewhere including government, finance, and utilities services. In a similar yet complementary vein, focusing on increasing the range of services, the erstwhile utilities company CENTRICA describes a future of [2]: Young customers making international calls; Gas, electricity, telecoms, credit cards, home loans, plumbing, heating and car recovery; 15% profit from financial services by 2005; Move to smart home. BT's work with a well-known bank [3] and also a large housing association [4] tells a similar story. There are many players, Telcos, Banks, Utilities, Retailers, Entertainment, Government, who will be competing for or collaborating in the same overlapping space: Multi-channel, multi-service, value add service bundles.

So how will this pan out? Let's start with the end customer or user by asking: Who Pays?

2 Who Pays?

In traditional Telco business models, it is usually the customer who pays. However, in the new multi-channel, multi-service era, that may no longer be the case for a number of reasons. Firstly, and most obviously the customer can only pay so much. Secondly, perhaps the customer will increasingly expect to receive services 'for free'. But thirdly, as illustrated in the user scenarios, it may well be that the customer will pay for few of the new services or service components. In this case: Who Pays? Barwise [5] suggests there appear four possibilities. Let's examine these in turn:

(1) Customer pays - although we might suspect the truism that customers will expect to pay less and less for a given service, we might 'maximise the value' of the customer by cross selling and/or bundling value added services. So, the basic communications might be 'for free' but the total customer outlay is higher because the customer has bought more services.

(2) Cost reduction - we might discover economies of scale to reduce the unit cost of the transaction i.e. many more customers, or many more transactions per customer. Or it may simply be cheaper for the provider to offer an e-channel.

(3) Customer acquisition or retention – as we maximise the value of each customer, the value of acquiring and retaining the customer becomes that much greater. Reducing churn to avoid new acquisition cost might be even more important than it is today.

(4) Third party pays for access to the customer – the most extensive way of maximising customer value might be to establish win-win scenarios with 3rd parties and partners who would pay for

access to the customer – either indirectly by selling on profile information or directly by appearing on the provider's site or communications device.

3 Who makes Money?

To explore 'Who makes Money?' an organisation can examine their value chain participation and competitive position [6]. Examining the value chain, various organisations are contenders for providing the same service or service component. For example, the bank, the mobile operator or the utilities company might all be contenders to supply the micro payment, consolidation and billing link of the value chain. But who might be best and/or most likely to succeed? Consideration of the competitive position would include an organisation's geographic coverage, customer segmentation, current capability, brand and trust. Based on the value chain competitive positioning, a given organisation will then decide:

- Which of their own services will they offer as retail, branded service?
- Which of their own services will they offer to others as a wholesale, white label service?
- Which services will they buy-in and how will they present them? Under their own brand? Or leveraging the brand of the partner supplier?

Analysing this from a Telco perspective might suggest that although traditional communications services revenue may continue, there may be considerable new revenue flows associated with the provision of both retail and wholesale services and service components such as security, payment systems, location awareness, personalisation, user and terminal interfacing. These have huge platform, scalability and support implications, which play to a Telco's core strengths. In contrast, a bank might decide to focus on its position as a trusted financial partner and so offer its retail and wholesale finance services together with associated 'trust' services such as security (perhaps bought in from the Telco) and data storage.

However, these are but possibilities. Each bank or Telco has to come up with its own solution. How?

4 User Scenarios & Visualisation

To arrive at the above decisions, the user scenario visualisation approach has proved a valuable point of reference [3,4,7]. The user scenarios are first and foremost user/customer centric. They are not created to illustrate services or technology. It is the other way round: They serve as a sounding board to examine how potential technology and services might support the user in their daily life, and where we might find that something which will drive people to use and re-use the service and tell others. At the same time, they allow us to consider 'Who Pays?' and 'Who makes Money?' The scenarios can be used by various specialists to examine a case from their own point of view, for example the security implications, the marketing potential, the customer service impact…and so on. The scenarios can also be used together by the various potential partners in the value chain.

The approach is to start by writing textual 'day in the life' scenarios. These are then brought to life by creating visual simulations using PowerPoint The approach has been used in a wide range of personal and business scenario combinations featuring male, female, young and old, interacting with devices both mobile and fixed.

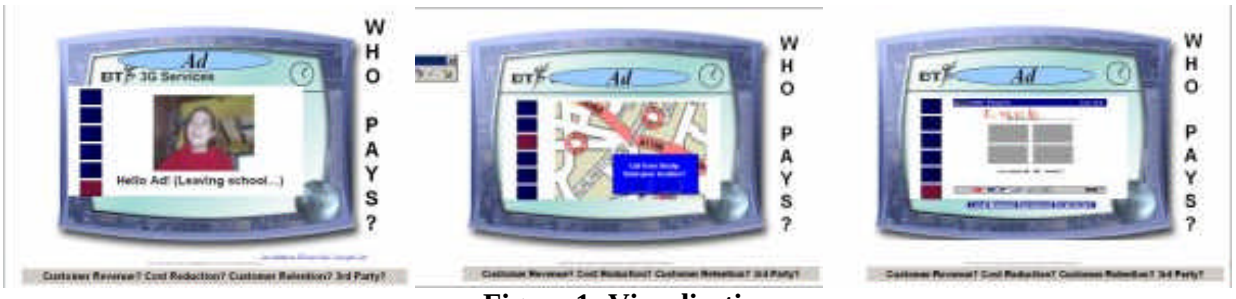

Figure 1: Visualisation

In this simulation example, the user is a young lady who undertakes a number of activities centred on a future mobile device(s). Adeline (or Ad):

- Receives an 'autotrack' location based service message from her father, who just wants to know she is OK

- Chooses a game to play on her device
- Receives a call from her friend and gives her location on a map in order to meet up
- Sees a video clip on her device as she passes a music shop
- Receives a message giving the location of a broadband access point for music download
- Watches a holiday advert from a third party, and a 'student special' finance offer
- Phones her father and asks for ePocket money to pay a deposit on the holiday

This gives us a visual, concrete way to examine many questions, for example: Who pays for the service in each instant? The daughter? Her father? Or a 3rd party such as the holiday vendor? Who bills? Who provides the security? Who supplies the eWallet? More generally, we can explore: Who is the overall service provider? Telco? Utility company? Bank? Entertainment organisation? Government? How might they work together? Who will lead on brand? Where's the money?

5 Business & Revenue Potential

The dynamic visualisation of user scenarios demonstrates huge revenue possibilities [7]. By sketching out a mere fragment of the user scenario communications and service micro transactions, a whole new world of revenue opportunities emerges (Figure 2):

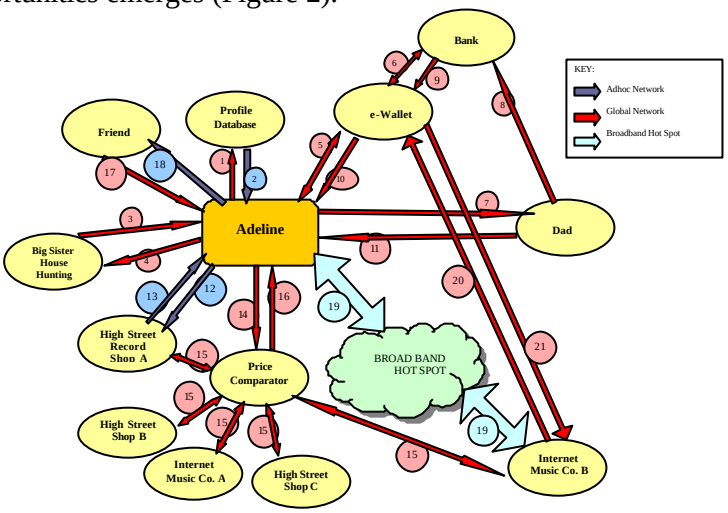

Figure 2: Data & Revenue Flows

This initial analysis suggests that there are tremendous potential win-win synergies between traditional Telco networks and the emerging local (adhoc, peer-to-peer, edge) networks. These go far beyond traditional Telco network communications revenues. Indeed, in the scenario fragment above, it is an adhoc network activity (a broadcast from a shop to Adeline's mobile device profile) that triggers off a wealth of communications and services activity. This interaction between the user and local and global networks, and the invocation of services, is associated nearly always with customer data: Adeline to Profile; Adeline to Price Comparator to Shop(s); Adeline to eWallet to Bank to Dad…and back. Turning customer data into information is the driver or instigator to many, arguably all, of the transactions. All of these may be communications and/or service revenue opportunities.

6 Customer and User Perception versus Expectation

To address the customer and user perspectives, a customer lifecycle analysis was undertaken. This involved presenting the user scenario visualisation to 30 subjects who were then asked to complete a customer behaviour questionnaire. The questionnaire asked subjects to rate the importance, and their expectation, of a number of customer and user variables on a scale of 1 (lowest) to 5 (highest). The mean values were then calculated for each variable.

It was found that subjects attached the highest importance to the reliability (mean 4.9) and speed (mean 4.5) of future services. Yet they had relatively low expectations of the future service relating to these variables (means 4.3 and 4.1 respectively). Table 1 shows scores and associated verbatim comments reflecting their importance to, and low expectations of, the customer:

Variable	Imp	Exp	Perc	Gap	Verbatim comments reflecting the high importance attached to Reliability and Speed, and the concerns reflecting a lower expectation
Reliability	4.9	4.3	N/a	-0.5	Reliability…very important for lifestyle services…I would use them and depend on them… for day-to-day tasks non financial services should succeed at least 80-90% of time: financial services 100%… if not, customer will have less confidence to try it or not even intend to give it a try
Speed	4.5	4.1	N/a	-0.4	Chinese say Time is Gold'…time is equal to money …sometimes want something that instant…delay it too much and I will just forget about it

Table 1: Futures Service

This may appear to be bad news for future services. However it is in fact an opportunity. Why?

Table 2 shows the same analysis this time undertaken with customers of BT's flagship eContactCentre. Same as for the Futures service, it was found that reliability and speed were also rated the most important (4.9 and 4.4) and corresponding expectations were even lower (3.1 and 3.0).

However, it was also found that eContactCentre customer perceptions of reliability and speed exceeded the expectations (4.0 and 4.4). The remarkable verbatim comments suggest that it is the perception – expectation gap that is key, even though the perceptions were lower than importance.

Variable	Imp	Exp	Perc	Gap	Verbatim comments illustrating the high perceptions over expectations attached to Reliability and Speed (even though the perceptions are equal or lower than the importance attached to Reliability and Speed)
Reliability	4.9	3.1	4	+0.9	'Very impressed…expected usual Telco service: somebody might get back sometime…superb service - know what they're talking about, gave me that level I've not had before, absolutely excellent, ahead of the game…just right
Speed	4.4	3.0	4.4	+1.4	Expecting delay - very quick, very efficient, very impressed, extremely surprised, spot on - cant fault them, really good, very happy, normally stuck in a queue, phoned back, exceeded expectation - very happy'

Table 2: eContactCentre Service

By analogy, we appear to have an opportunity with future services to exceed customer expectation. If we can deliver high reliability and speed, we can deliver a perception which exceeds the customer expectation and so drive the take up of future services, and unleash the revenue streams.

7 Conclusion

This customer/user centred approach allows us to engage in the business, customer and user issues surrounding the multi-channel, multi-service future. It has been used in Financial [3], Government [4], Telco [7] and Utilities [8] studies. The same approach could be used to extend the debate to a wider audience and perhaps develop consortia including eg Telcos, utilities, banks, retailers, and media who would work together to unleash the revenue potential associated with new technology. To unleash these revenues, we have to meet customer and user requirements, identify win-win business models and above all communicate and collaborate. This paper describes a way to help this to happen.

8 References:

[This paper is an extension and follow on from 3G: Where's the Money BT Whitepaper available at: http://www.btexact.com/ideas/whitepapers?doc=42452]
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