

Growing consumer revenues beyond core connectivity

Telco strategies to win “in the home”

20th May 2020

Agenda and Topics of discussion

1. Introductions
2. The **consumer landscape is changing** and is **complex** - operators need a way **to stay relevant**
3. The Pay TV market is attractive, however, it **may be maturing**
4. Operators are exploring new products to find **new ways to win** in the home
5. There is **growing demand** and **willingness to pay** for consumer **cybersecurity**
6. Operators should seek to build a brand based on **reliability and trust**
7. Q&A

Presenters & Panellists



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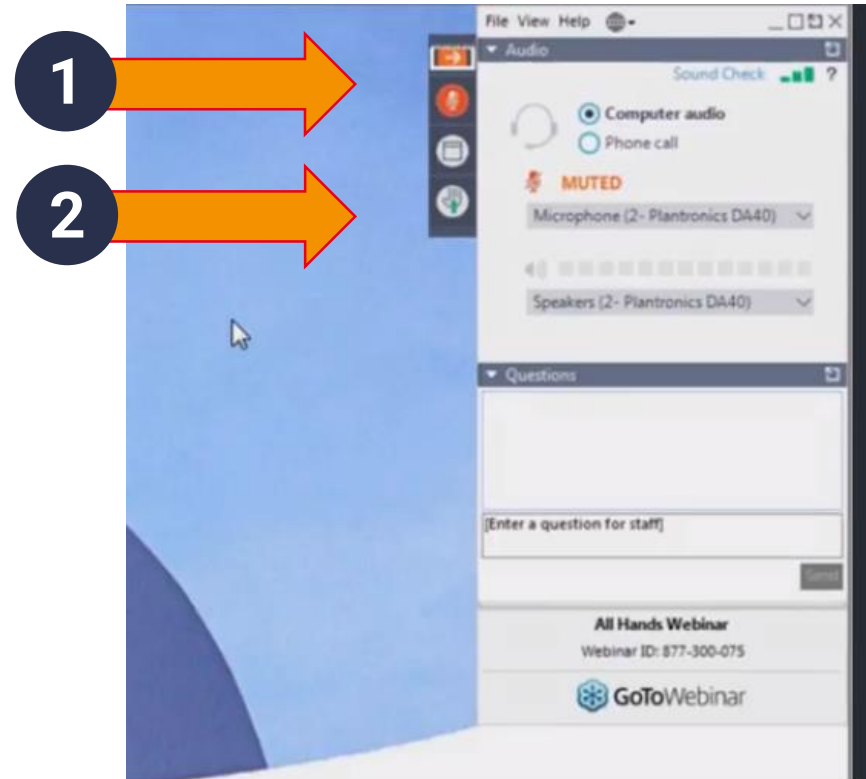


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To generate these insights, STL Partners undertook a research programme with operators and consumers globally

Operator interview programme

Region	Role
Western Europe	VP, Portfolio Management
Western Europe	EVP, Consumer customers
Eastern Mediterranean	Head of Strategy & Innovation
Western Europe	Strategy & Business Development Director
Northern Europe	Senior Strategy Associate
Western Europe	Director of Commercial, Strategy & Governance
Northern Europe	VP of Strategy and Transformation
APAC	Head of Customer Insights & Design Thinking

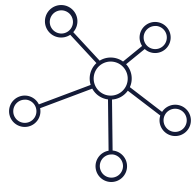
Consumer survey and conjoint analysis

- Date: April 2020
- The survey received 1,131 respondents
- The survey was put out across multiple markets:

Region	Number of respondents (total)
Asia Pacific	418
North America	303
Europe	410

1. The consumer landscape is changing and is complex - operators need a strategy to stay relevant

The consumer landscape is changing and so is demand for telco services in the home...



Broadband and connectivity are more critical than ever

“ We come back to the very basic needs as human beings and back to the very basic level of Maslow’s pyramid... that we have food, we have shelter, and we stay connected - **Northern European operator [Ptolemy]**



Consumers are increasingly impatient

“ Consumers are not willing to wait, they want everything here, now, immediately. Whether it is web browsing or video conferencing or video streaming, consumers are increasingly impatient - **Northern European operator [Copernicus]**

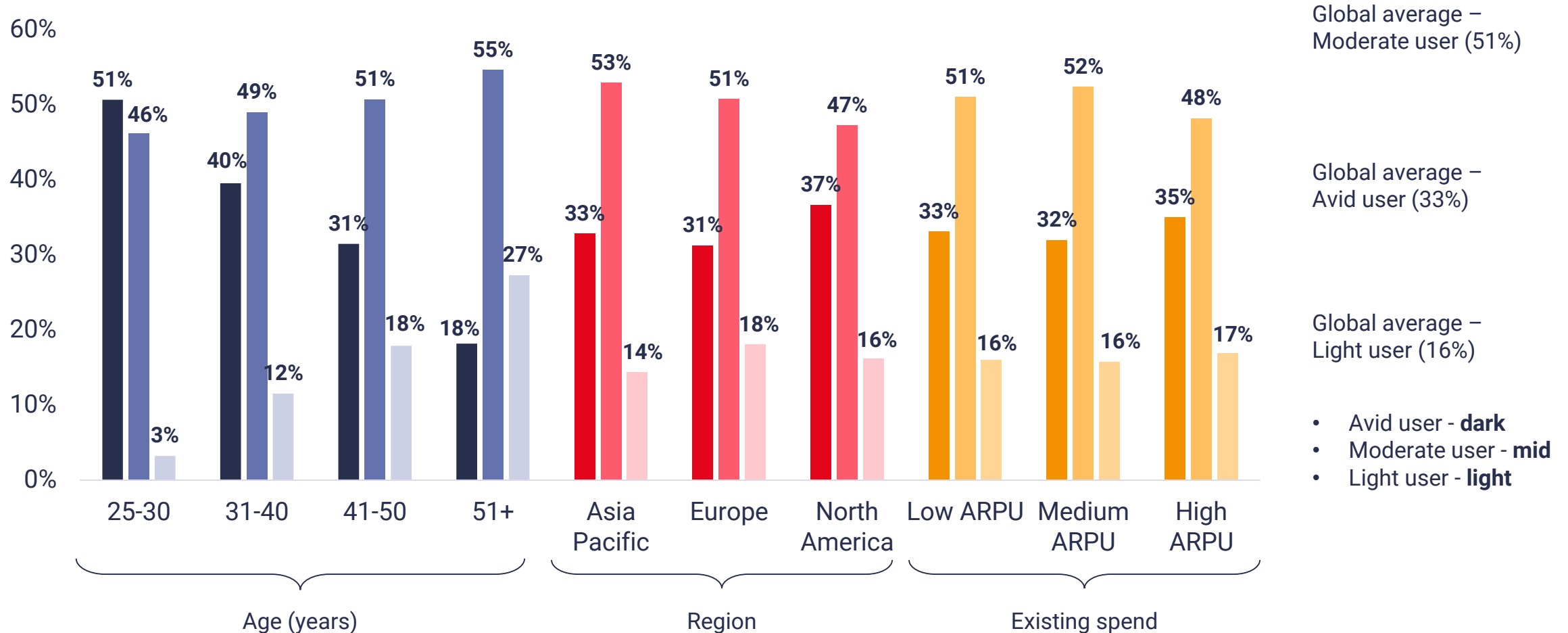


Consumers have higher expectations

“ There is increasing demand for more specialized services...there is more of a demand on value-added, rather than core, services – **East Mediterranean operator [Hubble]**

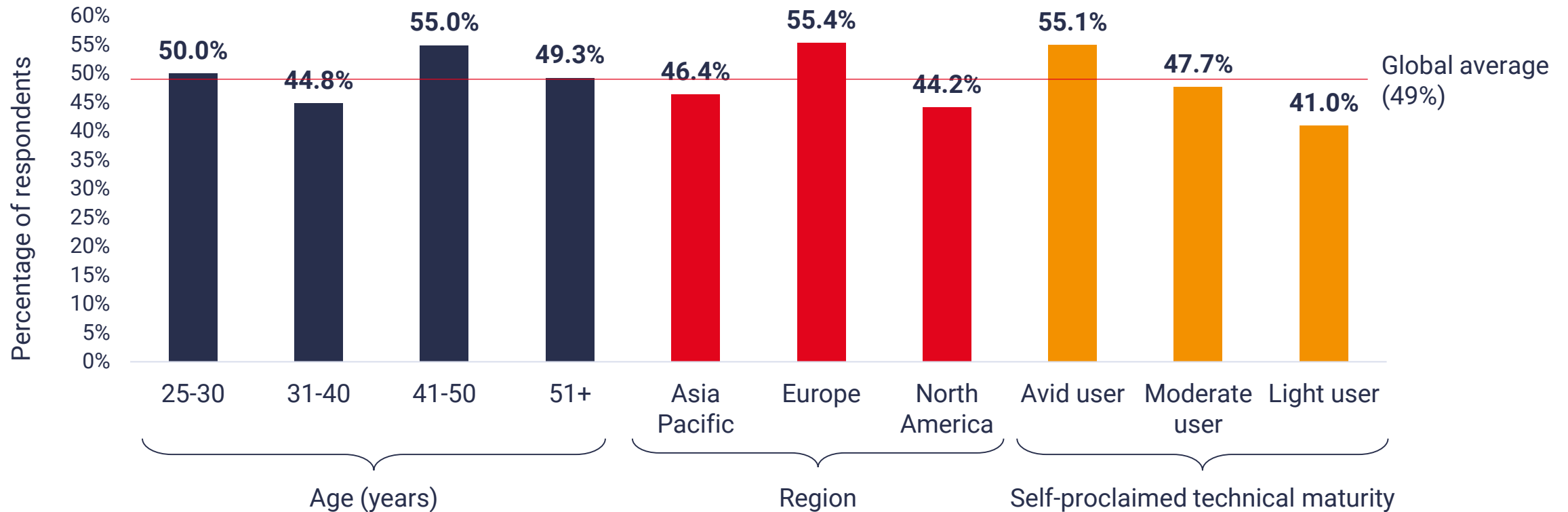
... This is driven, in part, by increasing confidence about technology (even in non-digital native consumer segments)

We asked consumers how they would describe their confidence in technology



Segmenting the consumer market is difficult, there are no clear-cut strategies

Percentage of respondents who purchase additional services (beyond connectivity) from their broadband provider

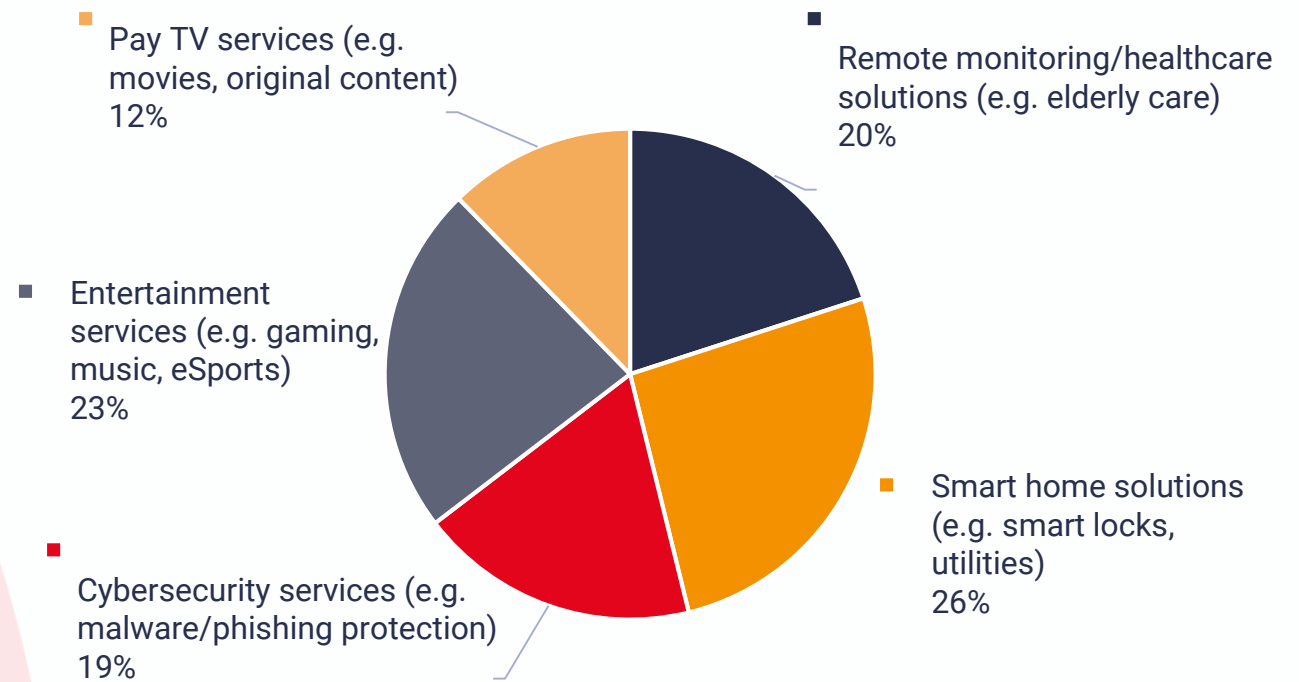


The bottom line:

- Telcos can use **some** key demographics to inform their go-to-market strategy
- Operators need to find products with **broad market appeal**

Poll: Where do you see the biggest opportunity for telcos “in the home” (beyond connectivity)?

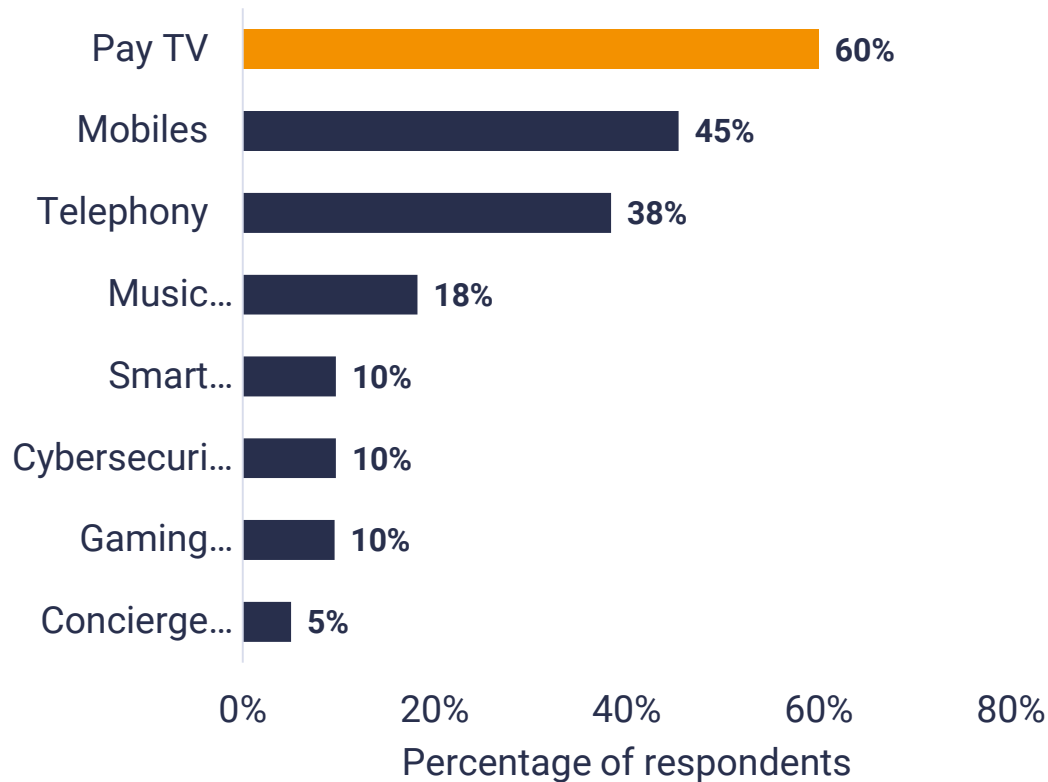
1. Remote monitoring/healthcare solutions (e.g. for the care of the elderly)
2. Smart home solutions (e.g. smart locks, utilities)
3. Cybersecurity services (e.g. malware/phishing protection)
4. Entertainment services (e.g. gaming, music, eSports)
5. Pay TV services (e.g. movies, original content)



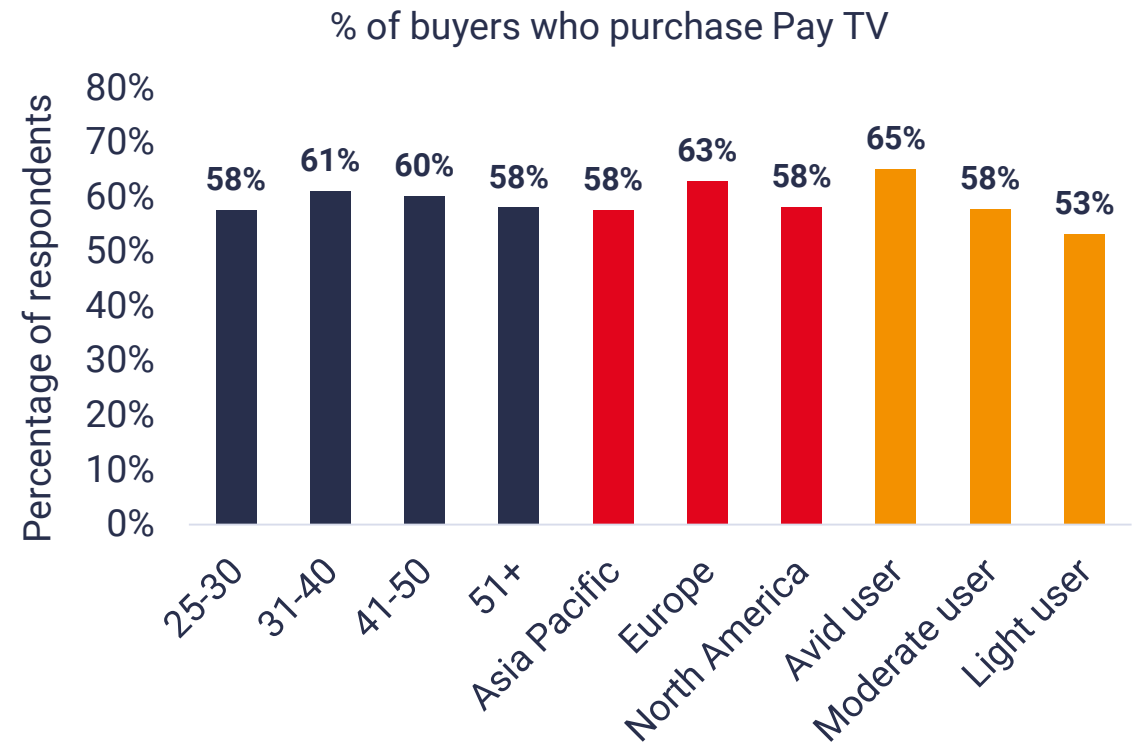
2. The Pay TV market is attractive, however, it may be maturing - telcos should look beyond the traditional triple play

Pay TV has broad appeal in the consumer market – this is why many operators have focussed efforts here...

Of respondents who purchase services from their broadband provider, the majority purchase Pay TV...



...This was true across our consumer segments

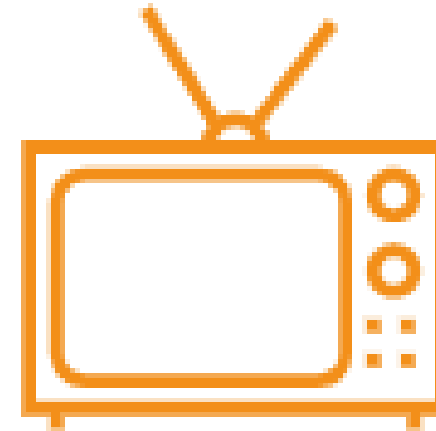


...However, it is time for operators to look beyond traditional TV offerings

“TV was a big differentiator for a long time. I would say, at this point, that the TV propositions of the competitors are becoming better than they were and ours actually has taken a bit of a hit –
Northern European operator

The Pay TV market is maturing

- Content has been a significant part of operator strategy over the past decade
- However, the Pay TV market is becoming saturated with competition



Operators should look to diversify

- A more holistic entertainment proposition might encompass content such as **music, eSport and gaming**
- Operators may adopt an aggregator model rather than investing in original content
- Explore new products

**3. Operators are exploring
new products to find new
ways to win in the home**

Telcos are exploring new services to broaden and augment their traditional broadband offering

- *Pure broadband network differentiation is difficult due to the amount of shared fibre*
- *The Pay TV market is maturing*
- *Operators need new and broad ways to stay relevant in the home and avoid commoditisation*



Entertainment

“ [Pay TV] is not something to abandon, but we need to find new ways to drive growth –
Eastern Mediterranean Operator [Hubble]



Smart/secure home

“ value of smart home is in integrating with the telco offering –
Northern European operator [Copernicus]

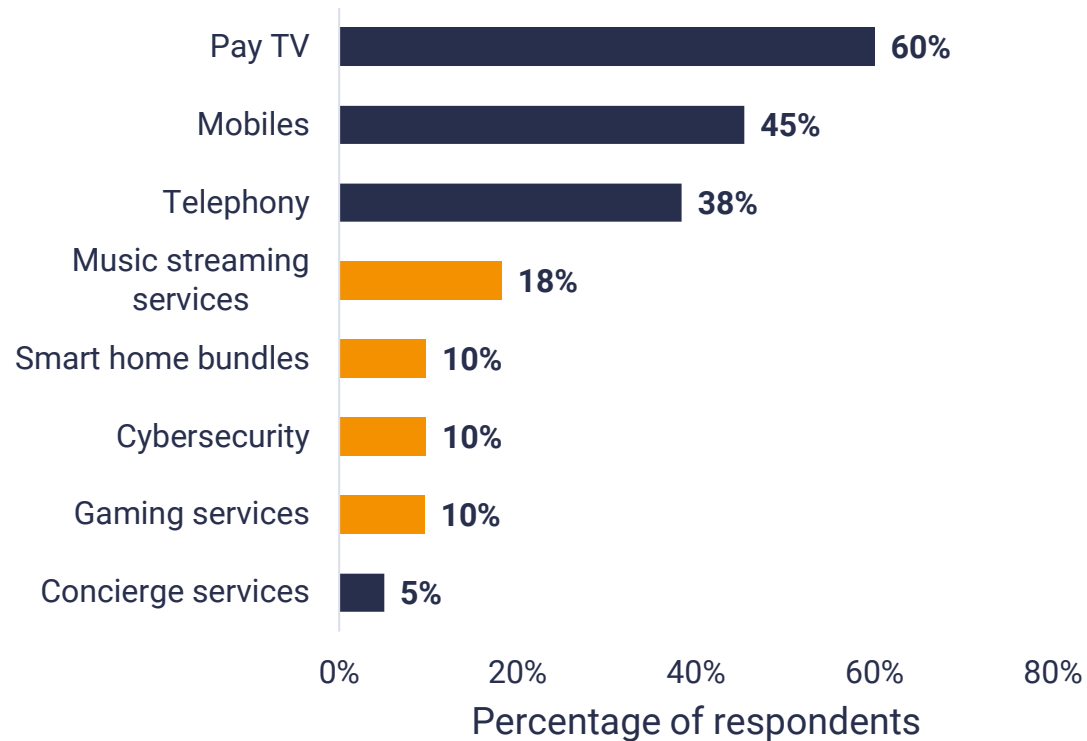


Cybersecurity

“ [Cyber]security is now a basic human need –
Northern European operator [Newton]

After the quad play, smart home, cybersecurity, and other entertainment propositions are the most purchased services

Of respondents who purchase services from their SP, cybersecurity, smart home, and content rank



The role of telehealth in the consumer market

- There is traction around a move towards **B2C telehealth**
- Operators like KPN have seen success
- There is significant investment in the space



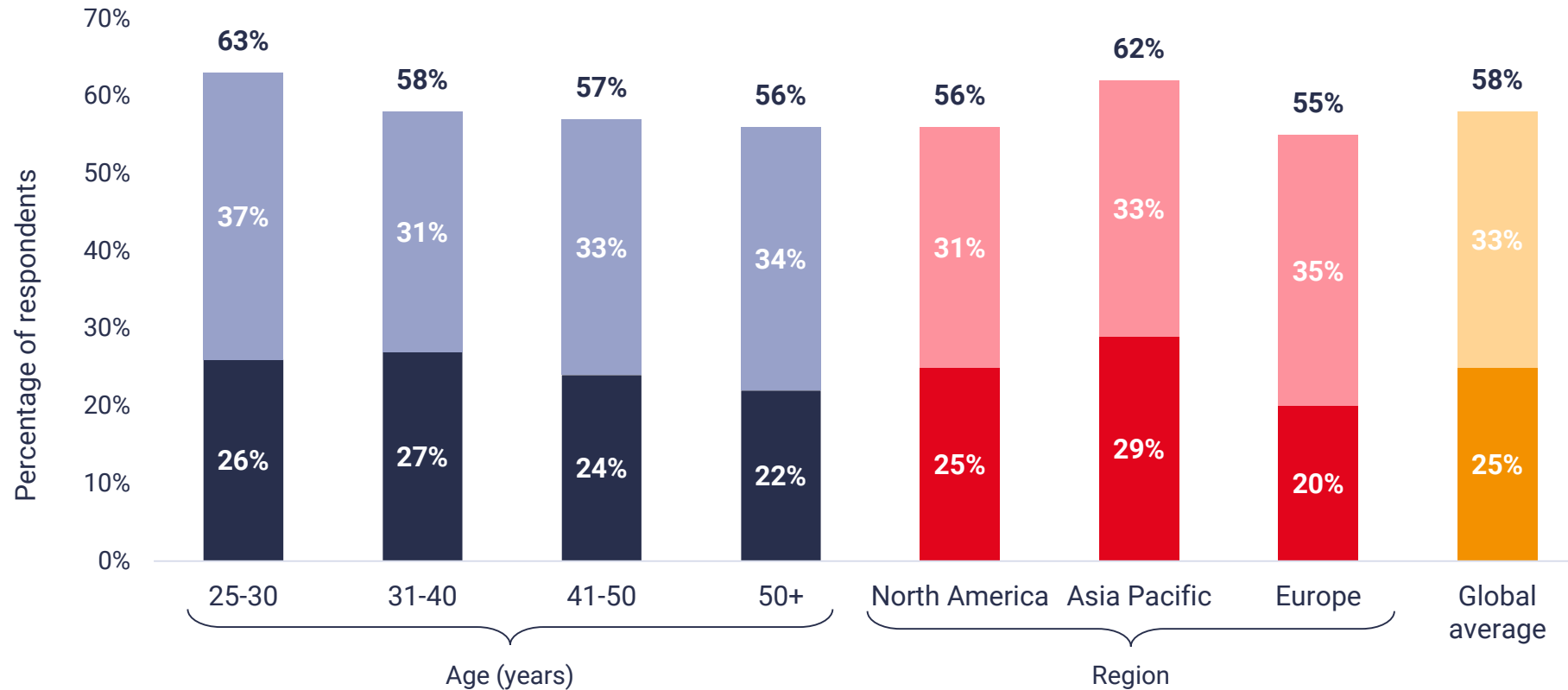
Operators may struggle with a B2C proposition

- *Telehealth outside of South East Asia will see most success in B2B/B2B2C*
- *Successful B2C plays likely linked to a smart home proposition in telehealth*
- *Smart home and cybersecurity propositions build on the idea of the telco as a trusted partner and a way to win in the home*

4. There is growing demand and willingness to pay for consumer cybersecurity and telcos are well placed to meet this

Cybersecurity is a universal need...

We asked consumers: *Are cybersecurity and data privacy a concern for you?*



- Cyber threats are a concern for me – **light**
- Cyber threats are a major concern – **dark**

These consumers **actively changed their behaviour** while online due to the threat of cyber attacks

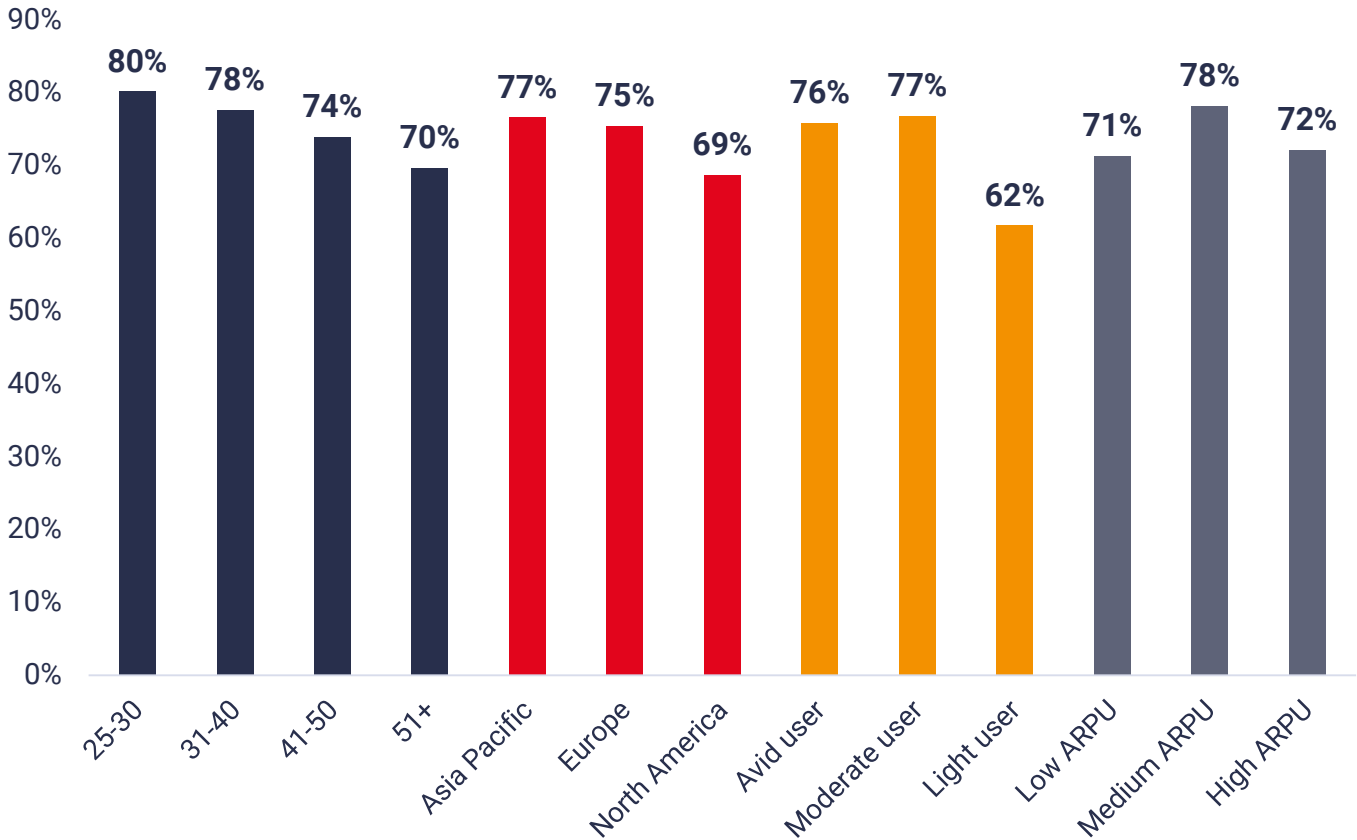
Consumers are willing to purchase cybersecurity from their broadband provider

“Cybersecurity is the holy grail of the consumer broadband market”

Northern European operator

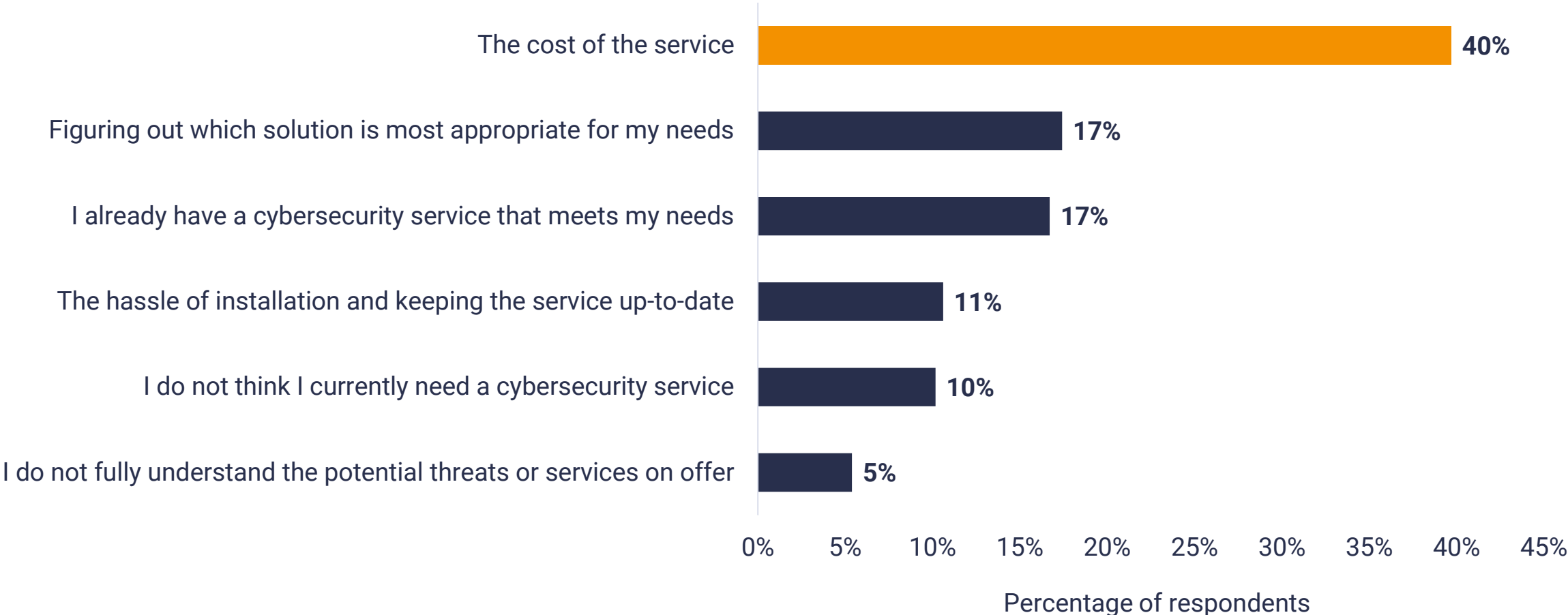


Percentage of respondents willing to purchase cybersecurity from their broadband provider



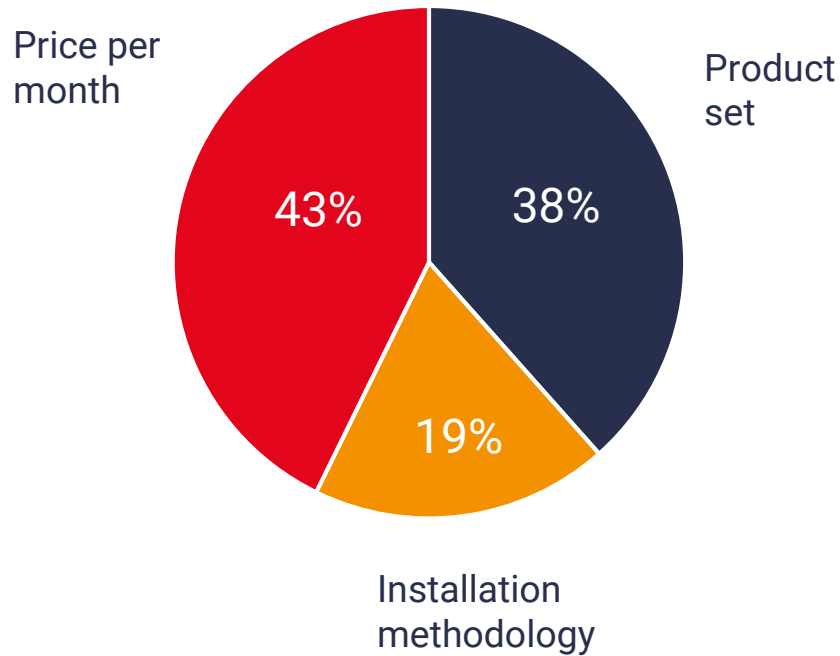
Price is seen as the biggest barrier for consumers adopting a cybersecurity offering from their SP

We asked consumers: *What has been the main barrier to you adopting a cybersecurity service?*

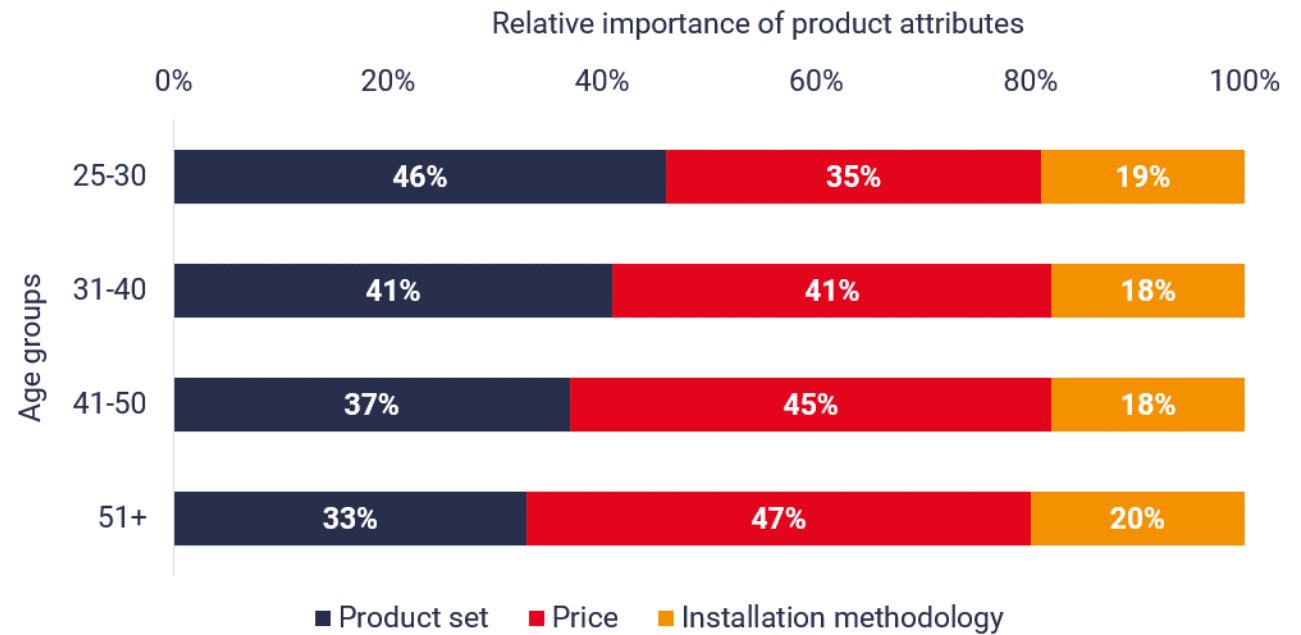


Price is a key concern when purchasing cybersecurity, but young and tech confident users prioritise product set

Relative attribute importance score for cybersecurity offerings

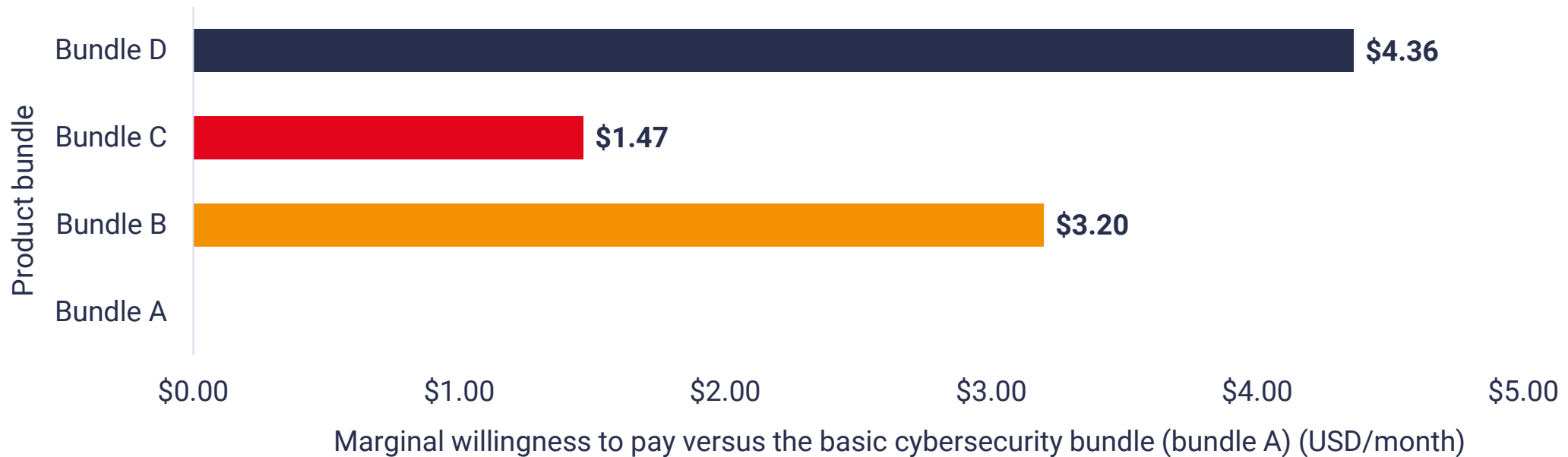


Surprisingly – when it comes to cybersecurity – **younger age groups are less price driven than older age groups**



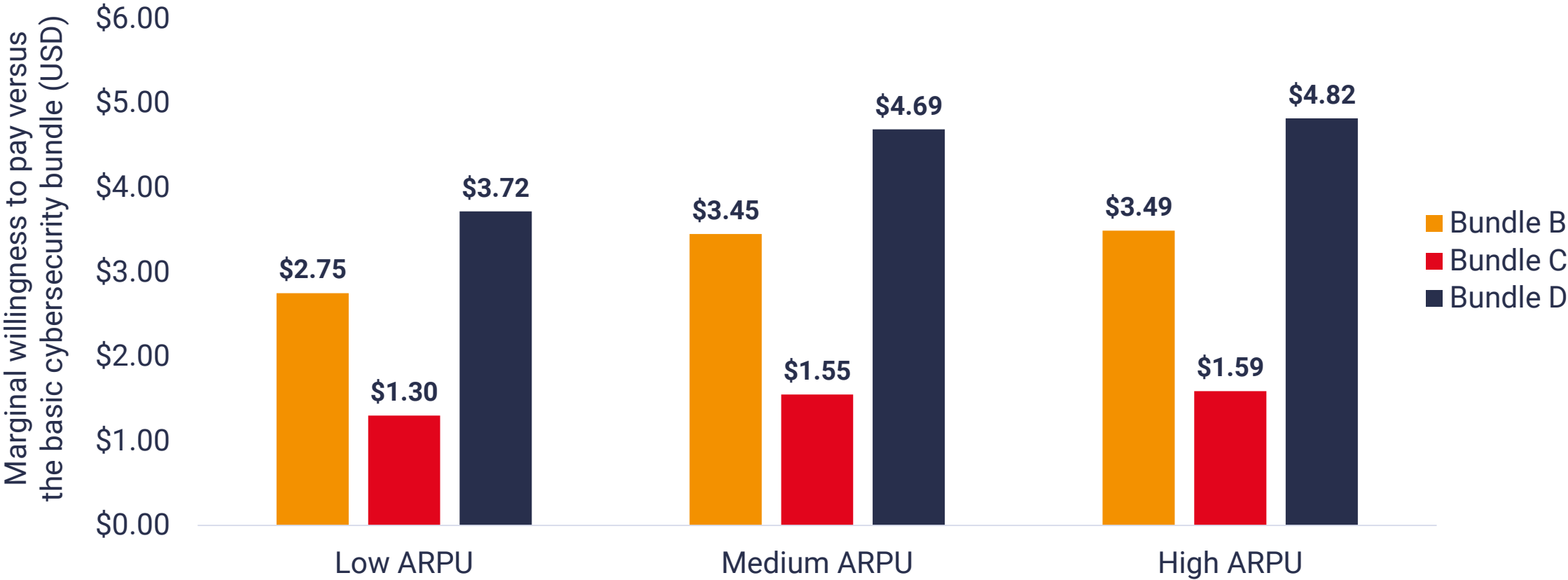
Consumers prefer an all-in-one cybersecurity package and are willing to pay for the additional security coverage

Bundles	Malware protection	Phishing + device hijacking protection	Parental controls + content filtering
Bundle D	x	x	x
Bundle C	x		x
Bundle B	x	x	
Bundle A	x		



There is willingness to pay, for greater security coverage, even in more price sensitive consumer segments

Marginal willingness to pay for cybersecurity services above basic malware protection



6. Operators should seek to build a brand based on reliability and trust

Telcos should have reliability and simplicity at the heart of their brands to win in the market and justify premiums

“ The broadband market is relatively homogenous, what justifies a more premium pricing strategy is extras – this is where reliability comes in, customers want peace of mind - Western European operator [Galileo]

Reliability includes:



Security



Complete WiFi



Cellular failover

A simple portfolio is an important aspect of reliability, consumers do not want to feel overwhelmed with solutions:

“ customers want simplicity – sell them outcomes not products
Western European operator [Kepler]

Any Questions?

If you have any questions regarding the content of this webinar, or would like to reach out about our webinar services, please contact:

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