



# **GROWING CONSUMER REVENUES BEYOND CONNECTIVITY**

Question and answers from the webinar

20<sup>th</sup> May 2020

# Questions and Answers

- Q1) It is interesting that as age increases, the willingness to purchase cybersecurity from their broadband provider decreases. Why is this?

**STL Partners:** We suspect that the tendency of older age groups to be marginally less willing to pay is associated with decreased knowledge and maturity around cybersecurity. Whilst people of all ages are becoming more digitally aware and confident, non-digital native groups (older generations) are slightly delayed as compared to younger age groups with regards to this trend.

Our survey also showed that as age increases, digital confidence decreases. Increase of age and decrease of digital confidence was also associated with a decreased interest in the product set itself, and a higher emphasis on price. This suggests to us that, at least when it comes to cybersecurity, younger age groups are more willing to invest because they have knowledge around those products and perceive their value.

Older age groups, by contrast, lack knowledge around specific cybersecurity products and threats (such as phishing, device hijacking), and are therefore less likely to perceive value in cybersecurity products.

- Q2) The presentation is focussed on use-cases and services where the main opportunities for telcos are not to do with network technologies. Could you comment on the impact of these new services on 5G and the willingness of telcos to invest in 5G?

**STL Partners:** With regards to cybersecurity services and the smart home (in-home security and in-home coverage), the proposition does not need to be tied to 5G and will likely not drive 5G adoption. Furthermore, the use cases we discussed in the holistic entertainment proposition, such as gaming and diversified content, may for the foreseeable future rely on fixed/WiFi connectivity as opposed to 5G. A lot of the high-value 5G use cases may come from the B2B or enterprise segments.

However, there may be some impact when we bring in the idea of in-home convergence, cellular failover to assure WiFi connectivity, or fixed wireless access (FWA) where the low latency use cases like cloud gaming may leverage 5G.

Interestingly, in a separate survey STL Partners conducted in May 2020 to telecoms industry execs, investment in 5G access networks was hypothesised to see delays and budget cuts in the wake of the COVID-19 pandemic. This means that telcos looking for growth opportunities may want to explore use cases not directly tied to a 5G proposition.

- Q3) It feels like the traditional mobile networks and the broadband networks are in a race to diversify in order to win. (1) Who is better placed in this battle? (2) Which out of the 4-5 ideas that we voted on do you personally feel could best build loyalty or CLV amongst consumers?

**STL Partners:**

- 1) Most operators offer both mobile and fixed services to consumers. In particular, most former incumbents are now fully converged in that they do not have separate fixed and mobile operations or commercial functions. That leaves operators with their own mobile network (who resell broadband) and operators with fixed networks (who may be MVNOs). Some of the former believe that FWA could offer them with new opportunities and some of the latter are looking to run their own “slice”. Neither of these are really diversifying much.
  - 2) We believe winning in the home and building customer loyalty should be focussed on “peace of mind” proposition
    - Smart home (in home security) coupled with cybersecurity to protect physical and digital assets
    - Entertainment may be more changeable/fleeting due to competition – consumers will swap and change to platforms with most to offer (hence move towards aggregator model for content/new content mediums)
- Q4) Considering the low ARPU, are there any significant operational costs to delivering security-related products, or are they largely borne by the third-party partner?

**Cisco:** With our network-based solution, cybersecurity is delivered through the cloud. All that is needed is to configure IP traffic and point it to us, this makes it much easier. We have deployed our solution in a market where the average ARPU was \$11 to over 100,000 customers. So, it can be deployed in a low ARPU market. What is needed is to have a strong brand, and a willingness to provide cybersecurity.

- Q5) How far is the role of skill development sector relevant for changes in customer expectations and how telcos will gear up for bridging the gap in availability of skilled staff and job market requirements?

**STL Partners:** This is a fair point. Operators will need new skills if they are to succeed in orchestrating new home ecosystems. These can be learned or acquired. However, senior management need to fully buy-into this vision to drive the changes and then bring the company along with them to make the changes happen.

- Q6) What is the affordability of phishing and hijacking protection only?

**Cisco:** We would not recommend offering a phishing and hijacking protection only solution. Base-level malware is the bedrock of any cybersecurity offering and is crucial to ensure internet safety.

## Questions relating to the consumer survey and conjoint analysis

- Q7) Was this survey done after the COVID-19 pandemic impacted Europe?

**STL Partners:** The survey and interview programme were conducted during COVID-19's impact on Europe. Although contextual questions were asked about habits and trends pre COVID-19, it is likely that the immediacy of the situation will have impacted results.

However, from the survey and our conversations, we believe many of the changes in mindsets and behaviours that consumers are now experiencing will be long lasting and that telcos need to find a way to stay relevant amid these changing expectations

Q8) What is the definition of respondents? Are they users only or owners of broadband services?

**STL Partners:** Our respondents consisted of people ages >25. This therefore rules out a youth customer segment, who are less likely to purchase broadband services for themselves. We also asked respondents whether they were responsible for the decision to purchase their broadband service, and whether they paid for it. Over 70% of respondents indicated yes to both of these questions (they were responsible and paid), and almost all respondents indicated yes to at least one of these questions – they therefore were all influencers in the decision.

Q9) Does your survey data include Latin America?

**STL Partners:** The survey data did not include responses from Latin America. Our survey drew a total of over 1,100 responses from eight different markets: United States, Canada, United Kingdom, Ireland, Netherlands, Malaysia, Hong Kong, Australia. If you would be interested in extending the results to cover more regions or your local market, please get in touch with Darius Singh, [darius.singh@stlpartners.com](mailto:darius.singh@stlpartners.com)

Q10) What examples (kinds) of cybersecurity products did you use for the survey? What kind of them are more interesting for the respondents?

**STL Partners:** We conducted a conjoint analysis of cybersecurity products in our consumer survey. This involved testing four different cybersecurity products by asking consumers to make trade-offs between cybersecurity offerings with varying attributes of price, product set, and installation methodology. The four product sets tested were:

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		

The survey showed that Bundle D – the all-in-one package – was preferred by all segments. This was followed by Bundle B, then Bundle C, and finally Bundle A. Consumers preferred a 'peace of mind' proposition where all cybersecurity pain points were addressed. Please see our slides from the webinar for a more detailed breakdown of product set preference, including marginal willingness to pay.

Q11) In homes there is usually more than one device. Is the bundle price shown in the conjoint analysis survey results a price per home or per device?

**STL Partners:** The bundle prices shown in the survey results indicate the price per home per month.

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