The battle of the platforms: What does it mean for operators?

The internet world is closing in on the mobile domain. Open platforms are arriving, inviting new players and more innovation. **Could this also be an invitation to chaos?** Operators are advised to keep a cool head and look at the potential for leveraging core assets.

"We were a bit naive thinking everything could be done in-house. The only way to create a fertile environment for innovation is to have open platforms and leverage them."

Vodafone Chief Executive Vittorio Colao to Business Week

THE CONCEPT of "open source" is entering the mobile domain with initiatives such as Openmoko, Symbian Foundation, and Google Android. Open platforms mean outsourced innovation, as they allow third-party developers to add value to products. Open operating systems can also save costs for terminal vendors and minimize the entry barrier; therefore, they are probably most relevant for tier-2 terminal vendors and start-ups. Conversely, migrating existing terminal software to new operating systems is expensive and time consuming.

Current open platform universe

The number of alternative platforms creates many problems for the development community, to the detriment of software development. An open platform may not be all that open, anyway. Contributing to the Android software project, for instance, requires a contributor license and a royalty-free licensing arrangement of intellectual property rights. Google possesses full ownership of the Android roadmap.

Apple's OSX is open for developers to add functionality and new services to the iPhone. However, Apple has set up a process for adding applications and services to App Store through which it can reject those that compete with its own solutions and offerings.

There are no "free lunches," and no matter how open an operating system might look, it always comes down to profitability. The most decisive factor is the size of the customer base. A large one, together with secured revenue commitment from the customers, creates a successful formula. Apple works by locking in customers through iTunes, and Google through its end-user information ownership contract.

The attractiveness of an open operating system differs among consumer segments. However, consumers are no strangers to customizing, or adding functionality or services to their devices; future mobile devices will in many cases be similar to personal computers, and this means consumers will already be familiar with the environment and operating system.

How far consumers will actually go depends on the interface and how easy the application store or operating system is to use.

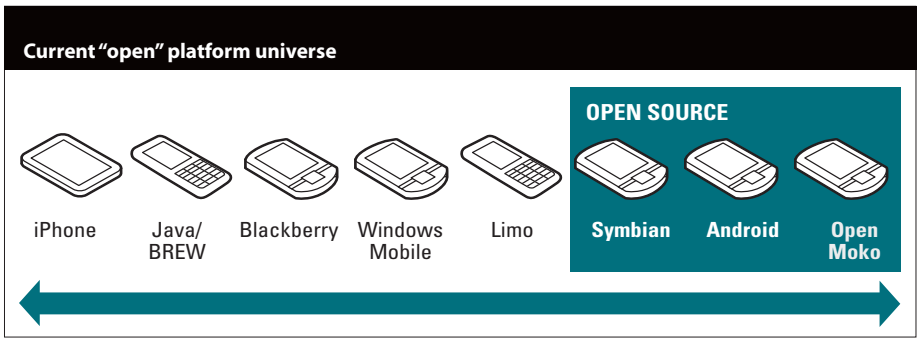
Reducing the barriers

There is an ongoing race between telecom players and computer and internet-companies to reduce barriers for developers and maximize reach in the mobile domain. The race for "owning user data" and data mining has just started, and only time will tell how the different stakeholders will exchange and trade information. One example is Google Gears, the browser plug-in that adds a wide set of new features, including geolocation capabilities. A JavaScript executing in the browser asking for the location via the application programming interfaces provided gets the data from a Google-controlled location server instead of the telecom operator's system. This case exemplifies the strategic value of providing easy access to underlying enabler mechanisms.

Today, most mobile vendors have their own proprietary terminal platform environment and application ecosystem. There are a number of different dialects of Java environments, and application developers face many difficulties in securing a rich user experience over a wide range of platforms and mobile devices.

Which operating system will establish dominance? There are no clear winners in sight. Symbian Foundation, Apple OSX, and Android are candidates but Palm webOS and Microsoft Windows will challenge the mobile world as much as the PC world. It's just a matter of time. In true convergence, a mobile operating system cannot stand on its own; it depends on what is on the server side.

Mobile devices might take a similar path to that of the personal computer, from its introduction in 1981, with the IBM PC, to the modular concept we have today. PCs can be tailored to suit different needs, as



can the operating system. Successful PC vendors are making the packaging so simple that consumers don't need to worry about functionality. Their main challenge is to choose the ultimate PC machine – laptop vs. stationary vs. media center. The consumer offerings are bundled with strong brands, and the third-party software ecosystem is huge, enabling high-speed innovation.

Challenges to the operator role

Telecom operators have a stable consumer relationship and are typically perceived as trustworthy, honest, respectable, helpful, and knowledgeable (*Source: Ericsson Consumer Lab Branding study 2008*). Consumers also are loyal to their chosen internet and computer brands, whether at home or at work. They do not readily change their mail account, messenger service, browser, music store, social networking tool, and so forth for operator-branded alternatives.

The PC and internet industries are challenging the telecom tradition with new priorities, claiming that user experience wins over a long list of technical features, and that fast application development is key.

Introducing open platforms invites the innovative force of the internet world into the mobile domain. Vigorous internet brands will attract consumers to mobile services, and accelerate usage and data traffic.

These initiatives have spurred the mobile industry to open up its environments and execute changes. In the long run, the consumer will be the overall winner and will experience a rich world of service and device offerings. Telecom operators need to cooperate with internet companies – they should act now to secure a competitive position in the evolving value chains but also continue to build on their customer relationships. Operators need to encourage the diversity of consumer services and devices that enter the market. This transformation shares similarities with what has happened in other industries, for instance, retail.

Leading retailers have successfully established a strong customer relationship with a strong lock-in effect. Retailers own the premises and cash registers, and have trained employees working in the stores. Retailers not only sell their own brands but also resell a large number of third-party branded products.

Retailers have an expertise in maximizing product exposure, for instance by placing the "must have" products in the rear of the store. A link to the customer is maintained via electronic membership and credit cards, which are excellent tools for mining data on buying patterns and executing directed advertisement and rebate campaigns.

There are many possibilities for telecom operators to evolve in this direction. In addition to running their communication core business, operators can extend their role as resellers of third-party applications. By bundling devices and services they can create offerings targeted to each customer segment. Subsidized packages and graphically attractive home screens will speed up service adoption.

Leverage your network assets

Operators are in excellent position to act as the gateway between independent service developers and telecoms. Operators own many assets that add value to mobile services; for instance:

- User data, usage information, and data mining capabilities
- Ability to guarantee different bandwidths, quality, security
- Billing systems, including easy micropayment handling
- Automatic device configuration
- Content distribution network capabilities
- Geolocation, network status, video, and voice capabilities.

These assets should be packaged in an easy-to-access way that reduces barriers for developers and maximizes reach in the mobile domain for third-party developers.

It is not likely the telecom world will overpower the internet players, given their current grip on the device market, services, and consumers. Instead, the two sides must learn how to cooperate and create a win-win situation. The combined usage of network assets, reach, economies of scale, and unleashed power of innovation will take both parties forward. ●

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