

The changing face of communication

Social networking's growing influence on telecom providers

People are communicating more things to more people than ever before, and not just by phone anymore. Internet-enabled communication models are gaining audience, attention and market share at the expense of traditional telecommunication providers (Telcos). Can Telcos fight back and find new growth opportunities in this rapidly changing ecosystem? The challenge is not just in understanding the technology, but also the unfolding fundamental shifts in human communication behavior.

The face of communication has changed dramatically over the past few years. Traditional Telcos, which have historically dominated the arena of two-way interpersonal conversations, are increasingly being challenged by new market entrants that use open platforms to meet diverse and rapidly changing user wants and needs.

Social networking Web sites and services, such as Facebook, MySpace and Cyworld, have become primary communication media for a new generation of digitally aware consumers. Driven by high broadband penetration, maturing “social software” and affordable, mobile Internet-enabled multimedia devices, these sites and services are making inroads with enthusiastic users and garnering the attention of advertisers, consumer product companies and enterprises that are using social media to reach their customers, build brand loyalty and communicate with geographically dispersed employees, customers, suppliers and partners.

The widespread social networking phenomenon reflects shifts in two long-term communication trends. First, there is a shift in communication patterns – from point-to-point, two-way conversations, to many-to-many, collaborative communications. Secondly, control of the communication environment is transitioning from Telcos to open Internet platform providers, enabled by better, cheaper technology, open standards, greater penetration of broadband services and wireless communication networks.

The combined effect of these trends is altering the competitive landscape in communications and giving rise to emerging business models that include:

Open and Free – This model features companies that offer one-to-one communication services, but through an open Internet platform and at no – or very little – cost. These services potentially threaten traditional services such as long distance calling and mobile roaming.

Gated Communities – Companies using this model focus on many-to-many communications, rather than point-to-point, within telecom-controlled environments. They are a “walled-garden” for operator-led collaboration services and are likely to appeal to users and enterprises that desire secure and reliable communication environments.

Shared Social Spaces – This rapidly growing model facilitates collaboration on the open Internet. Key players include social networking sites such as MySpace and Facebook. These providers have the potential to become integrated communication platforms. Besides gaining audience share, these services pose an operational challenge to Telcos as they “piggyback” on existing communications infrastructure, imposing capacity and cost issues for network providers.

In the short-term, as the industry transitions to more open and collaborative communication models, the traditional model will likely remain dominant. Over the long term, however, the industry can expect a shift toward models that facilitate collaboration and sharing, with Shared Social Spaces attracting a more significant and impactful share of communication time.

Over the short to medium term, Telcos should focus on laying the foundation for a more open and collaborative future to:



© Copyright IBM Corporation 2009

IBM Global Services
Route 100
Somers, NY 10589
U.S.A.

Produced in the United States of America
April 2009
All Rights Reserved

IBM, the IBM logo and ibm.com are trademarks or registered trademarks of International Business Machines Corporation in the United States, other countries, or both. If these and other IBM trademarked terms are marked on their first occurrence in this information with a trademark symbol (® or ™), these symbols indicate U.S. registered or common law trademarks owned by IBM at the time this information was published. Such trademarks may also be registered or common law trademarks in other countries. A current list of IBM trademarks is available on the Web at "Copyright and trademark information" at ibm.com/legal/copytrade.shtml

Other company, product and service names may be trademarks or service marks of others.

References in this publication to IBM products and services do not imply that IBM intends to make them available in all countries in which IBM operates.

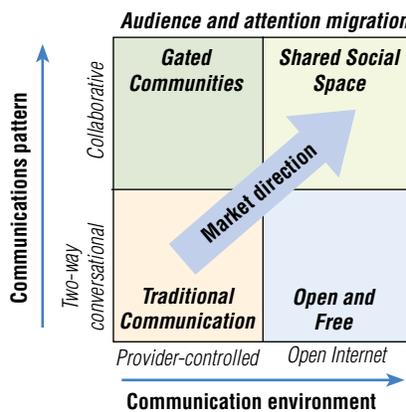
- Take advantage of the window of opportunity in mobile social networking
- Bolster their capabilities to serve the evolving, broader communication needs of enterprises
- Partner with, or acquire, existing players, to proactively develop the capabilities required for success
- Enable other participants in the value chain access to telecom capabilities, in this way generating additional revenue
- Use network and computing infrastructure optimization techniques to reduce the cost of delivering high bandwidth content, and develop business models to capture value from third-party traffic.

Over the long term, Telcos should:

- Embrace a broader definition of communication – one that encompasses everything from two-way conversations to many-to-many communications – and align the organization with this reality
- Create a more compelling cross-platform, fully integrated experience across mobile, fixed and IPTV services.

A new ecosystem is emerging from these long-term shifts in communication trends that will require bold, significant changes by existing telecom providers as highly resourceful Internet information providers and IT companies enter the communications space to claim a larger share of communication time.

Shifts in communication control and patterns give rise to new business models.



Source: IBM Institute for Business Value analysis based on publicly available data from eMarketer, Datamonitor, Skype, ABI Research and The Radicati Group, Inc.

To request a full version of this paper, e-mail us at iibv@us.ibm.com

How can IBM help?

- **Strategy and Business Modeling:** Define strategies and develop flexible business models around social networking and Web 2.0.
- **Network and Computing Infrastructure Consultancy:** Build infrastructures that reduce the cost of, and capture value from, high-bandwidth, third-party traffic and other emerging social networking applications.
- **Customer and Usage Intelligence:** Perform and apply a telecom's unique ability to gain insight through Social Network Analysis and Customer Analytics.
- **Selected Social Networking (SN) solutions:** Deliver SN-embedded communication applications, linking and federating multiple sites, and integrating the Service Delivery Platform with Web 2.0 collaborative tools to create innovative social network solutions.

Key contacts:

IBM Institute for Business Value: Ekow Nelson, ekow.nelson@uk.ibm.com

Telecommunications Industry:

- Global** Chris Pearson, chris.pearsoni@uk.ibm.com
- Americas** Judith A. list, jalist@us.ibm.com
- Europe** Ingo Zimmerman, ingo.zimmerman@de.ibm.com
Mario Cavestany, m_cavestany@es.ibm.com
- Asia Pacific** Nick Gurney, nick@au1.ibm.com