The Changing Face of Communication

Moderator: Rob van den Dam

April 22, 2009

Rob van den Dam: Hello. My name is Rob van den Dam. I am the European telecom sector leader of the IBM Institute for Business Value.

The Institute for Business Value has just completed a major study on how social networking is redefining communications as we know it today, and how it influences the business of telecom providers. Based on this study we launched a report under the title ‘The Changing Face of Communication’ describing the key communication trends and the changing communication landscape, and highlighting the need for telecom providers to embrace social networking in order to protect and enhance their role in the telecommunication industry.

With me today is Chris Pearson. Chris is the global telecom industry leader of IBM Global Business Services and an expert in strategic issues facing the telecommunication industry. With more than 20 years of consulting experience Chris has worked with senior management to develop and execute business strategies.

Chris, thank you for joining us today.

Chris Pearson: Rob, I’m really pleased to be here. Thank you for asking me to come and talk to you.

Rob van den Dam: Okay Chris. The Changing Face of Communication describes how the Net Generation - or the Digital Natives - is at the forefront of shifting social communication patterns. Can you describe the new end-user and how they are using social networking for communication?

Chris Pearson: Yeah, I think this is a really good question to open up with and I think goes to the heart of what we’ve seen in the world today, Rob. I think the point of view - the thought leadership - here really does crystallize a number of themes, a number of trends, that we’re seeing not only in the marketplace but where, you know, our clients are asking us to help them understand the impact on their business and how their business will change.

So I think the key trends really, if you will, one is the Net Generation as we call it, the next generation of users of which there are many in the world not only in the mature markets, the baby boomers in the U.S., Western Europe, etc. but the growing market in India, China, and the growth economies.

This whole generation is growing up in a world which is highly connected, highly used to using technology. It’s quite frightening really if you look at the youth market today how willing they are to accept some of these new trends and technology, how they’ll embrace
them perhaps before maturity’s kicked in. It’s remarkable how much some of these guys will give over on the internet in terms of their private data, which is obviously I think an issue in some respects. And an issue actually that we can talk about a little bit more in terms of how our telco clients can really help the next generation make sure the internet is serving them and that they’re not open to abuse.

So this generation is very different to previous generations: far more technology savvy, far more interested in things that work for them when they need it and how they need it. And the whole social network to me is a great way of describing the vehicles by which some of these aspects are coming together in a community, and a community that people want to belong to. And that’s very important from that social anthropological point of view. It gives them a feeling of belonging, the sense, and that’s so very very important to these guys.

Rob van den Dam: So Chris, how does the behavior of this new consumer impact on the communication pattern? Why and how are the communication patterns shifting?

Chris Pearson: Well Rob, again very penetrating question here. How and why are two completely different questions here. So let’s try and pick those separately.

The “why” I think is because we’re moving from one-to-one communication to many-to-many communication. That next generation of consumer that we’ve talked about absolutely want to belong to a community and a community that’s pervasive—no longer one-to-one chats. Look at the youth market with instant messaging and maybe 20 windows open and having simultaneous conversations. So it’s moving from a one-to-one to a many-to-many if you will. And that’s a trend we’ve seen in the past in terms of information and media.

If you think about some of the things that happened in the media world, in the broadcast world we used to have newspapers which were about informing and being static. We then had radio which was a little bit more up to date. And TV was a little bit more about engaging and exciting. And then the Web world really came about and that was really about interactive entertainment.

That trend is now what we’re seeing happening and that next generation of consumer. The people want to be excited. They want to be interactive with what’s happening in the world.

So that’s the “why” it’s happening.

I think how it’s happening and why it’s happening now is all around technology coming of age. We talked about the broadband access both fixed and mobile. You know, broadband is now an essential service for most of the mature world and in increasing part of the expenditure even in the growth world. Devices, PCs, mobiles, etc. far more prevalent in the marketplace. They’re giving, you know, users very simple access to the broadband connections.

But last but no means least I think that the critical driver that’s causing this to happen now is all around the software, the applications. The Dot-com areas, the software driven access is so very very important. And the interactivity that it’s giving is really what’s turning on the Next Gen com.
So how, why: those are some of the things that are happening and why they’re happening. And, for example in the software, what I’m really talking about is the communication tools, the things like the wikis, the forums, the blogs, the tagging. They’re all now coming together under the proxies of the social network, the virtual world, that are allowing the communities that we’ve talked about to have meaning, to have persistence, to be replicated, and to become real and relevant to that community.

So those are some of the things that are happening and why they’re happening now.

**Rob van den Dam:** Okay Chris. What we see is that the shift in communication patterns and control are altering the communication landscape enabling new entrants with open platforms to compete with traditional telcos and shifting customers away from the traditional telecom providers.

So what do you see as the challenges and the opportunities for telcos and how can they remain relevant in face of changing user sentiment and demand?

**Chris Pearson:** Yeah again this is, Rob, - this is such a fast moving area and I think you’re really covering two points that warrant really us digging into.

So perhaps if we go to the first question, “What about the new entrants?” again follows very clearly on from what I think we’ve just been talking about. And the software-driven approach, the software access, that’s really where the internet brands, the over-the-top providers are really coming into this market. They’re using their brand, they’re using their competencies, they’re using their skills in data, in community management, in mashups, etc. to really generate the excitement in this area.

And so I think, you know, they are coming in with a radically different approach with a radically different business model. Many of these guys do not have the infrastructure costs that the traditional service providers - fixed, mobile, ISPs - have and they’re coming in with models that are causing the telcos to really carry the cost whilst the revenue, if there is net new revenue, is not flowing to the telcos. It’s flowing actually to the over-the-top providers. So there’s some really interesting business model changes that are happening here and some very fundamental shifts in the economics.

I think the challenge for the over-the-top - because it’s absolutely not an easy ride for them - is how do they monetize what they’re doing and how do they create value.

And what I really see into the second part in terms of some of the challenges for our traditional service providers, Rob, if you will, is the whole development of the ecosystem. You know, as I look around and I look at different clients undertaking responses to these challenges, threats, and opportunities there isn’t a single business model, there isn’t a single model emerging that’s prevalent and globally consistent. There are a number of models.

But the concept of ecosystem and different players coming together in different parts of the value chain is absolutely, I think, a model that resonates. So the challenge for our telco clients, our service provider, is what and how do they want to play within that value chain. Do they want to be a retailer? Do they want to be a white label of services? Or do they want to focus on certain parts or niches of the value chain and communication
chain? So our challenge and our opportunity and some of the things you’ve laid out very
nicely in your white paper in The Changing Face of Communication is to look at the value
chain and how they want to contribute.

And I think to me it’s - one of the areas that they could really look at is how they could
enable identity management, presence, and location within some of the OTT providers and
therefore collectively create value.

And last but no means least to me, I think the biggest opportunity is for our service
providers to look at the analytics agenda with their core competence in network
management, SLA management, and real-time predictive understanding of transactions
from the traditional network side. Moving that from the network enterprise space to the
consumer space using that to understand consumer behavior, network - social network
behavior and helping the OTT providers to monetize that and create even more value I
think does represent a phenomenal opportunity for our clients.

Rob van den Dam: Thank you Chris. So “social networking” is a key concept not only for
consumers but also for enterprises and for consumer brands in terms of doing business.
“Collaboration” and “sharing”: are these the key words for success in the near future?

Chris Pearson: Rob collaboration and sharing I think are two very important
characteristics of the social networking space. And this isn’t collaboration and sharing just
from, you know, a MySpace, a YouTube user-generated content. I think again the IBV
paper here is very good in the analytics. And I think the consumer research that we’ve
undertaken recently will really support the fact that this is a move not just in the consumer
space but also a move into the enterprise space.

And I do see in today’s economic world and the threats and the challenges that the
economic crisis in certain parts, the cash crisis, has caused is that the enterprise space, if
you will, the business space, is also looking to see how we can embrace the social
networking collaboration. Sharing concepts to change their business model from both a
cost economics perspective, as well as how do they move into adjunct and adjacent
markets.

So from a cost perspective I would expect them to see how they could collaborate, share
information using very similar sorts of techniques to the consumer space but using it for
remote virtual research and development, for remote and virtual proposal development,
etc. So that the moving to knowledge management, knowledge workers, I see, is a very
great opportunity for cost reduction as well as service improvement.

I also think there’s an opportunity here to bring in to the enterprise space things like
telepresence which will bring, you know, the video conferencing facilities, the video calling
facilities that we’ve had on the radar screen for a long time: they’re really going to become
mainstream. So lot’s of exciting things coming through here both in the consumer space
and in the enterprise space.

And I think again the Smarter Planet campaign from IBM has absolutely crystallized in my
mind the way that telcos can participate in this value chain, in this social networking space.
Our Smarter Planet is all about instrumented, interconnected, intelligent world. Well that’s
exactly what our telco clients can start providing to other enterprises with things like the
telepresence, the unified communications, as well as providing it in a cost-conscious, cost-controlled mechanism.

So absolutely exciting time, Rob. Really a fabulous scenario is plying out there in the market. And one I think, you know, IBM is well placed to help our clients, not only with the thought leadership that you’ve got in things like The Changing Face of Communication, but also working with clients to build targeted roadmaps from where they are today, bridging towards that future. Creating strategic opportunities as well as helping them in the very short term understand and navigate what really is a very very complex set of issues.

Rob van den Dam: Chris, many thanks for sharing your insight into the future of communication and IBM’s report on the impact of social networking on the business of telecom providers.

This was Chris Pearson, global telecom industry leader of IBM Global Business Services.

To find more about IBM’s The Changing Face of Communication report please visit us at the Web on www.ibm.com/gbs/changingfaceofcommunication.

Thank you for listening.