



CommsDay Melbourne Congress

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Good morning.

Thank you for the opportunity to speak.

Today I'd like to focus on one key theme.

That is that change creates opportunities, but you have to grasp them.

Then I'll discuss what Optus and Optus Wholesale and Satellite are doing to help facilitate those opportunities for our customers and partners.

CURRENT CHANGES

So, what are the big changes right now?

NBN.

I don't think we should be asking 'if' the NBN is coming. It's really now a question of exactly when, where and how.

The mobile market.

The mobile market is in an unusual moment of retreat. Fierce competition has driven down prices to the point where total revenue has plateaued.

But just as that has been happening, Optus and Telstra have launched LTE networks.

I'll talk more about what that means for the industry and resellers in a moment, but the short message is that LTE – or 4G – will unlock new growth.

Another other big change is digital services. We're selling a lot of new and usual services these days, including television, online storage, advertising, security solutions and even restaurant reviews.

And let's not overlook the arrival of the over-the-top players.



What's really interesting with over the top is that we're seeing the emergence of many new players that we've never seen before – coming out of nowhere with new software that lets them launch new products over our networks.

WE'VE BEEN HERE BEFORE

This is a lot of change, but we shouldn't panic.

I've been around this industry for more years than I'd like to admit – in fact, I joined Optus in 1992 from Aussat.

And what an exciting industry this is.

I'm confident in saying that we've been here before.

Not only have we survived as an industry, we've thrived over many years despite a clearly unbalanced marketplace. We've done that by constantly innovating.

In 1992, the entire Australian telecommunications industry turned over \$12.8 billion¹.

We sold fixed-line voice and data services. Mobiles were analogue. ISDN was the hot new thing.

By 2002, GSM mobile was well established and dial-up Internet was selling like hotcakes. HFC and DSL were just starting. Total industry revenue had doubled to \$22.4 billion².

Today, in 2012, our industry turns over \$40 billion³.

Optus itself has gone from start-up to more than \$9 billion in sales. We've also become part of SingTel, a company with more than 450 million subscribers across Asia.

When you look at it that way, you realise that change is our norm.

We'd panic if we *weren't* changing.

And Grahame Lynch wouldn't have us all here at these CommsDay summits! We could all just relax and stay home.

¹ Ovum 20 years report

² Ovum 20 years report

³ Budde.com: <http://www.budde.com.au/Research/Australia-Telecoms-Industry-Statistics-and-Forecasts.html>

INDUSTRY OPPORTUNITIES

OK, so we have a number of changes. But what are the opportunities?

NBN

The NBN is going to open up opportunities for small, fixed service providers without an existing footprint to compete on a more level playing field.

We'd welcome that. We want to see smaller players able to grow.

Larger service providers that do have a footprint will find that they can free up enough resources to look at expanding into selling mobile services.

I would also note that anyone planning to resell NBN services should be prepared to manage a range of access technologies.

You do need to be careful, it's not all fibre. Instead, you'll be talking to customers about fibre, satellite and wireless.

Mobile

The continuing change in mobile is also going to create opportunities.

LTE offers new network efficiencies and new levels of network intelligence. This may make it possible to introduce more targeted pricing and a broader range of products and services.

As an article in the AFR noted recently – customers value data differently according to what they use it for.⁴

I do believe the industry will change its approach and start linking pricing more to data usage than to voice.

New entrants

The NBN and changes in mobile as well as satellite will also make it easier for whole new organisations to come into our market.

Postal services, supermarket chains, banks, insurers – perhaps they will all find a place.

THE NEED TO INNOVATE

So, how will we stay ahead amid these changes?

⁴ 'Superfast 4G may boost revenues by smarter pricing', John McDuling, AFR, 24 September 2012, p.15.



The same way we always have. We'll look forward, we'll stay positive and we'll innovate.

Here are some areas where I believe we have to play well.

Customer service

The first is customer service.

Yes, the telco market will become more commoditised and more accessible. But it's still a complex product and the customer service experience is very important.

Delivering fantastic customer service will remain critical.

Delivering appropriate customer service for your market niche will also be critical to your profitability.

Content

Second is content.

To avoid commoditisation, we need to combine our carriage offerings with desirable content.

That doesn't mean making movies – though it could. Our focus at Optus retail, for instance, is on getting the right content to customers based on their preferences and our insights into what they like.

We're also focused on enabling them to get content in the location and at the time they want it.

Both these steps involve the use of smart, predictive analytics.

Optus on the retail side – and the SingTel group – have also been making some moves that underscore the growing importance of content.

Earlier this year, SingTel bought the online advertising company Amobee for US\$321 million.

SingTel also spent US\$26.5 million to buy Pixable Inc – a company with a popular smartphone app for prioritising photos on social networks for consumers.

Here in Australia, we just spent A\$6 million to buy Eatability – one of the leading providers of online restaurant reviews.

Bundling and personalisation

We also have to get very good at services and personalisation.

That includes both conventional carriage and new digital services, including content.

Consumers and business customers are expecting more from their communications services, and they're becoming less interested in the underlying connectivity.

They expect everything to come through their smartphone – from a voice call to their banking service – and they expect to remain connected wherever they are.

That's hard to deliver, even for us at Optus. We've invested heavily in our Service Delivery Platform to do it.

We're also investing heavily in network smarts – analytics.

Now we're working on ways to deliver these sorts of intelligent capabilities to our wholesale partners as well.

Examples

I could list a whole lot more that we should be doing but those are really the big three in terms of how we avoid commoditisation and stay ahead as an industry:

- Great and relevant customer service
- Compelling and intelligent content
- Smarter packaging that incorporates new digital services.

We're already seeing plenty of great examples of innovation in these areas of course. I can easily point to three from Optus' wholesale customer base.

Voiamo

Voiamo is tackling the issue of data roaming and bill shock with products tailored towards travellers.

Imagine a mobile broadband service that lets customers access networks globally on month-to-month plans, no matter where they choose to use it.

Voiamo has created such a product, which operates across mobile networks in the USA, UK and in Australia – with other countries to come in the future.

Community Connections

Community Connections is a not-for-profit organisation.



It has developed a suite of proprietary applications that support people with disabilities to live more independent lives. They also help their families and carers.

Those apps provide information such as public transport info to help individuals get from place to place. If users gets lost or need assistance, help is right there.

Users can also receive text and voice messages and reminders from family, friends and other carers. These are displayed on a home screen and might be about their day or what they have to do – such as getting ready for work or going to the doctor.

Kore Wireless

Last but not least, I'm delighted to say we have established a new agreement with Kore Wireless.

In fact, we're announcing that relationship here today. Kore Wireless has also put out a media release that you can look up.

Kore is now the world's largest wireless network provider specialising exclusively on the global machine-to-machine (M2M) communications market.

We're providing wholesale access to Optus' mobile network in Australia as well as roaming access to our partners in the Asia Pacific region so Kore Wireless can provide seamless, global M2M services.

We're expecting to see many innovations coming out of the machine-to-machine industry – from healthcare and security to asset control, vehicle tracking and smart metering.

WHAT IS OPTUS DOING?

What about Optus itself, and my area of Optus Wholesale specifically? What are we doing in terms of looking forward and innovating?

At lot. We're playing a big role in helping foster new entrants and greater competition.

Our basic philosophy is that we need to provide a high-quality, differentiated offering by focusing on meeting the needs of customers and adding value for them.

What we need to avoid – and the industry must avoid – is simply competing on price.

We've been working to make that possible for our direct and wholesale customers.



4G

When we launched our LTE network, we ensured it was available on a wholesale basis to our exclusive partners from day one.

This has meant our partners can immediately take advantage of this leap in technology to deliver the services that their customers want.

We will continue to expand our wholesale 4G offering, just like we did for 3G.

One thing I really like about working on the wholesale side of our business is that we get work with really innovative partners.

I know that they will come up with new combinations of 4G and other products that we haven't even thought of to meet the needs of their particular customers.

I'm always really excited to see that sort of innovation brought to the market.

NBN

For the NBN, Optus will help create the platform for a vibrant and competitive fixed-line sector.

As I said earlier, we're very excited by the potential that NBN gives us to provide truly national reach and a level playing field for all service providers.

Optus Wholesale is working extremely closely with NBN. We already have more than 10,000 customers using our NBN satellite services and we will build out to all 121 of NBN's terrestrial points of interconnect – or 'POIs'.

We launched our NBN aggregation service in November last year. This means service providers can leverage Optus' scale and expertise to deliver NBN services, without the time and expense of building to all of the NBN POIs themselves.

I'm pleased to say that iSeek Communications was our first customer for this new aggregation service, and we have continued to bring on additional service providers since launch.

Our strategy with NBN is to be modular and very flexible, so that service providers can tailor services to meet their specific requirements. That might be national aggregation or backhaul to specific POIs.

Optus Wholesale will also launch high-quality consumer and small business voice services over NBN, and we'll follow quickly with a suite of complementary digital and cloud services.



In addition, we will offer a Virtual ISP service for non-traditional service providers that want to provide NBN services in the future. The VISIP platform will deliver NBN and other Optus broadband access services as the NBN is rolled out.

As you would expect, Optus is continuing to invest heavily in our domestic and international capacity to ensure that we will be able to meet the insatiable growth demand that we're seeing for IP.

By 2016, Australian IP traffic is predicted to have grown four-fold, a compound annual growth rate of 34%.

The amount of data that will be transmitted via IP networks will be the equivalent of 2 billion DVDs per year, 128 million DVDs per month, or 174,000 DVDs per hour.⁵

That's truly staggering.

Finally, let me note that we believe that the NBN and the existing wireless networks are complementary. They will both remain critical in the future.

Digital services

That's the NBN, now let's look at digital.

I'm delighted to announce today that we are launching new digital services for wholesale partners.

This is a watershed for Optus Wholesale. It's the first time we are offering wholesale services that go beyond the scope of mobile, mobile broadband, fixed-line and satellite services.

Those services are Quickflix and F-Secure and they will be available to wholesale customers on ULL and NBN.

Quickflix provides customers with entertainment through streaming hundreds of movies and TV shows on-demand or by choosing from one of Australia's largest ranges of DVDs delivered by mail.

F-Secure protects customers' online interactions and irreplaceable digital content through award winning internet security and online backup services.

SpinTel is currently trialling the Quickflix service and Exetel is trialling the F-Secure service.

⁵ Cisco Visual Networking Index, May 2012.



We're very excited about these announcements. And it's just the beginning.

These are the sorts of services that will let our partners to differentiate, broaden their revenues and retain customers with new value-adds.

Going forward, Optus will continue to expand the array of value-added services that it makes available to wholesale partners.

This will include products offered from the SingTel Digital Life group, as well as other third-party service providers such as F-Secure and Quickflix.

LOOKING AHEAD

That wraps up what I wanted to say today.

I started talking about the issues that make us all nervous:

- The changes we are all experiencing
- The opportunities we need to grasp through innovation
- How Optus and Optus Wholesale and Satellite is working to help you do that.

There are threats as well of course. But I hope I've convinced you that we're good at change.

We find ways to offer distinct, exciting and high-value products based on each new technological possibility.

We do that through innovation – and we can never stand still. Today that means exploring convergence and digital services.

It also means exploring new business models, including those that take us into new territories such as advertising, content delivery, personalisation and machine-to-machine communications.

We certainly have the technology to do it.

Optus has the commitment to competition and this industry has the capacity to make new, valuable and differentiating services available to customers.

I hope you have the appetite to embrace the opportunity. And I hope you enjoy the ride.

Thank you.