

Future Business Models – A Hardware Manufacturer's Perspective

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Background

- **New players come into the traditional telecoms market, and pose huge challenges for mobile operators particularly**
 - › Surge of data traffic in mobile network disproportional to revenue generated
 - › Mobile network becomes dump pipe!
 - › Who is making money from mobile Internet services? OTT service providers, Google, Facebook, eBay, Apple...
- **Network operators pass some of this pressure on to suppliers and ask hardware manufacturers to help to:**
 - 1. Control CAPEX & reduce cost**
 - › End-user device spec. become standard, e.g. more Smartphones below \$100 in the market; MBB Dongle price drop from £150 to ~£30
 - › Profit margin of network equipment is shrinking
 - 2. Explore new revenue streams**
 - › Telecom operators are adjusting business strategies and expanding into other areas along the value chain

Market Competition

How to deal with new players coming into the traditional telecom market...

Mobile Operators in competition with OTTs like Apple, Google, ...



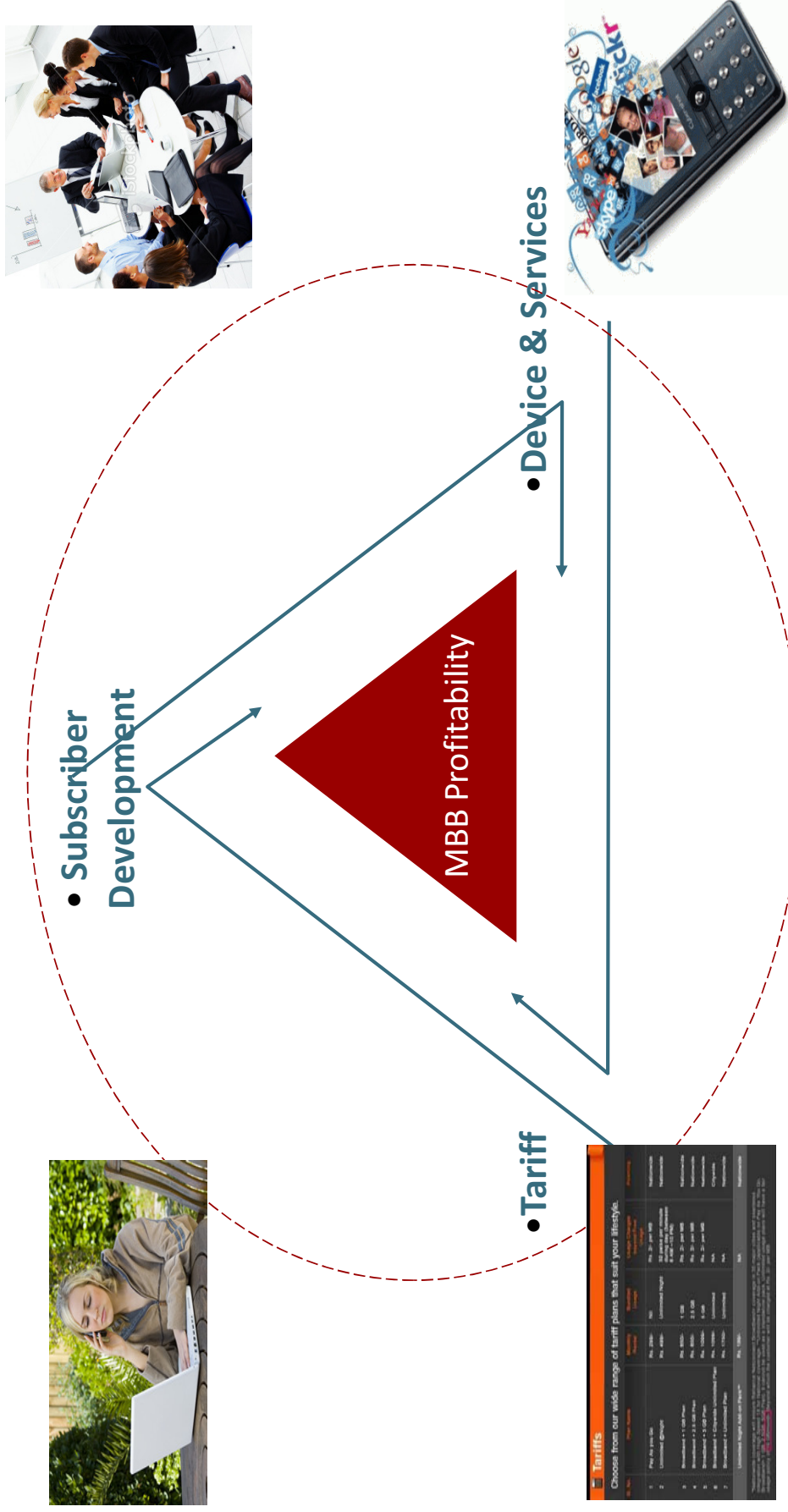
Market Trends

- Social Networks
- New terminal
- New business models
- Apps stores

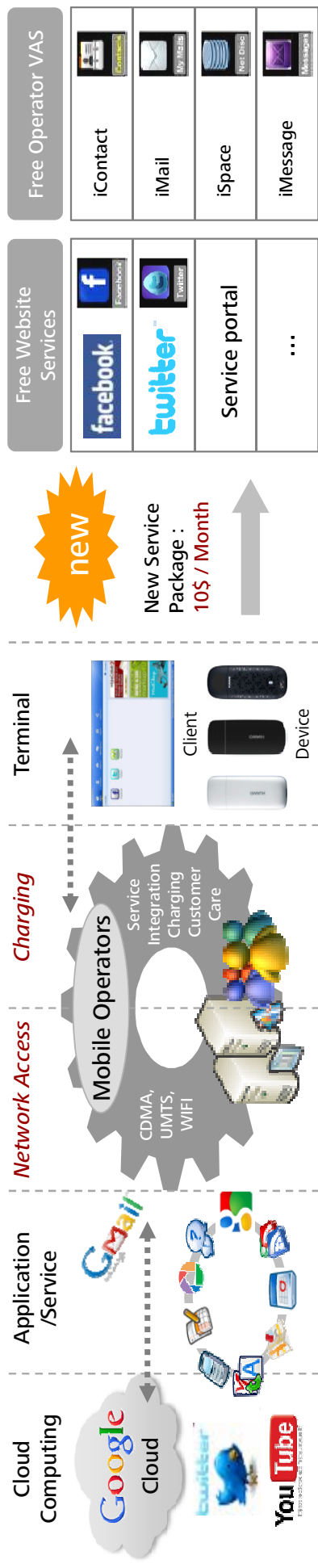
Some thoughts on business models...

- **A successful business model is based on**
 - › A good understanding of the ecosystem and value chain
 - › Correct business strategy and value proposition
- **Here we are focusing on network operators' business model – not the one between vendors and operators**
- **Network operators may adopt different business models for different areas**
 - › Consumer: traditional voice? mobile broadband data?, mobile internet services? VAS?...
 - › Enterprise services, new business areas, such as M2M, eHealth, media service (IPTV? Mobile TV?)
- **As a vendor, Huawei's strategy is to support network operators business strategy, and provide high quality competitive products**
- **Current hot topics**
 - › How to monetize **mobile broadband(MBB) service**
 - › How to develop new business streams e.g. M2M and eHealth

MBB - Three Key Factors Determining MBB Profitability



MBB – More Bundled Device + Services Offerings in the Market



new

New Service Package : 10\$ / Month



Free Website Services	Free Operator VAS
facebook	iContact
twitter	iMail
Service portal	iSpace
...	iMessage

Select: High value & light traffic

Control: Charging by URL

Deployment: Free content & VAS

Mobile Operator:

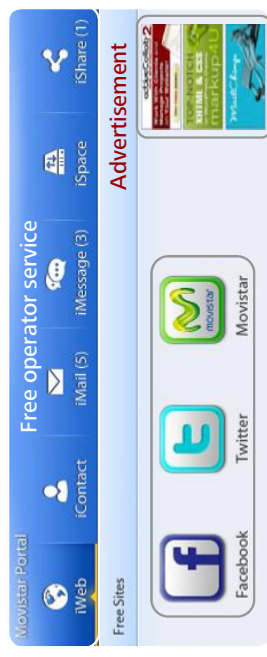
- Favourable Internet experience to attract youth
- Attract the high value users with light traffic
- Development of value-added services

End-User:

- Reduce the cost-to-entry of MBB service
- Reasonable price with valuable package

Unlimited	\$199/month
1G	\$99/month
500M	\$69/month

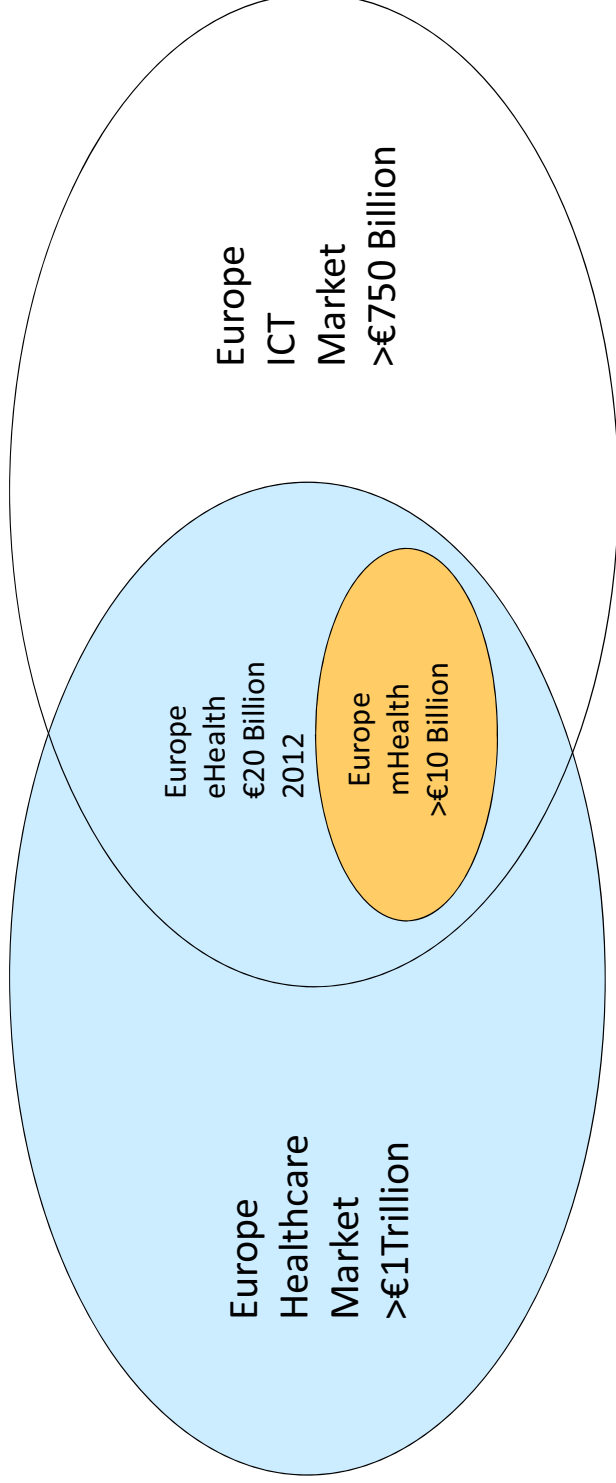
Example: MBB Tariff



Free website service

Device Dashboard

eHealth - Opportunities in Europe eHealth Market



Source: EU

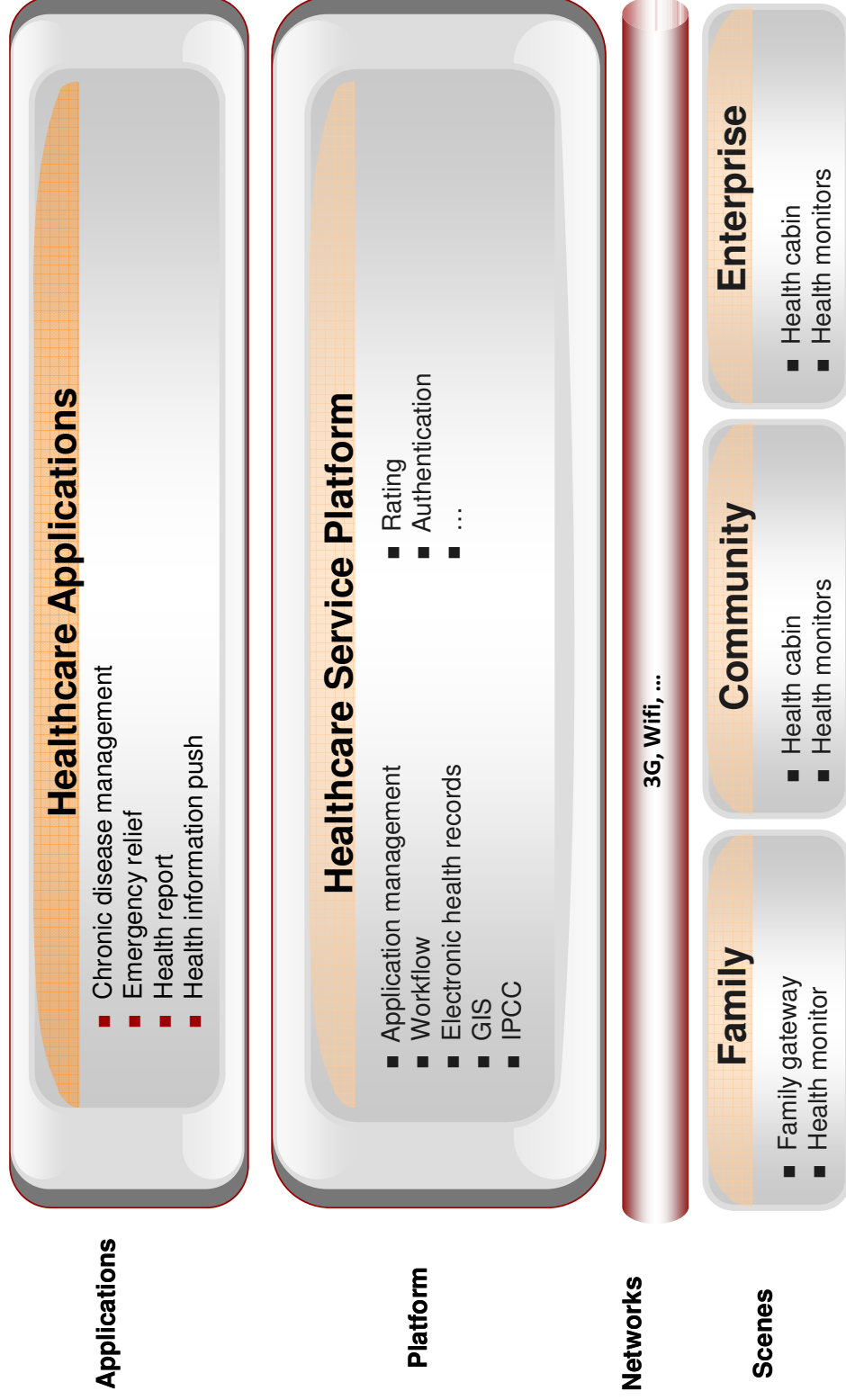
Source: McKinsey

Source: EITO

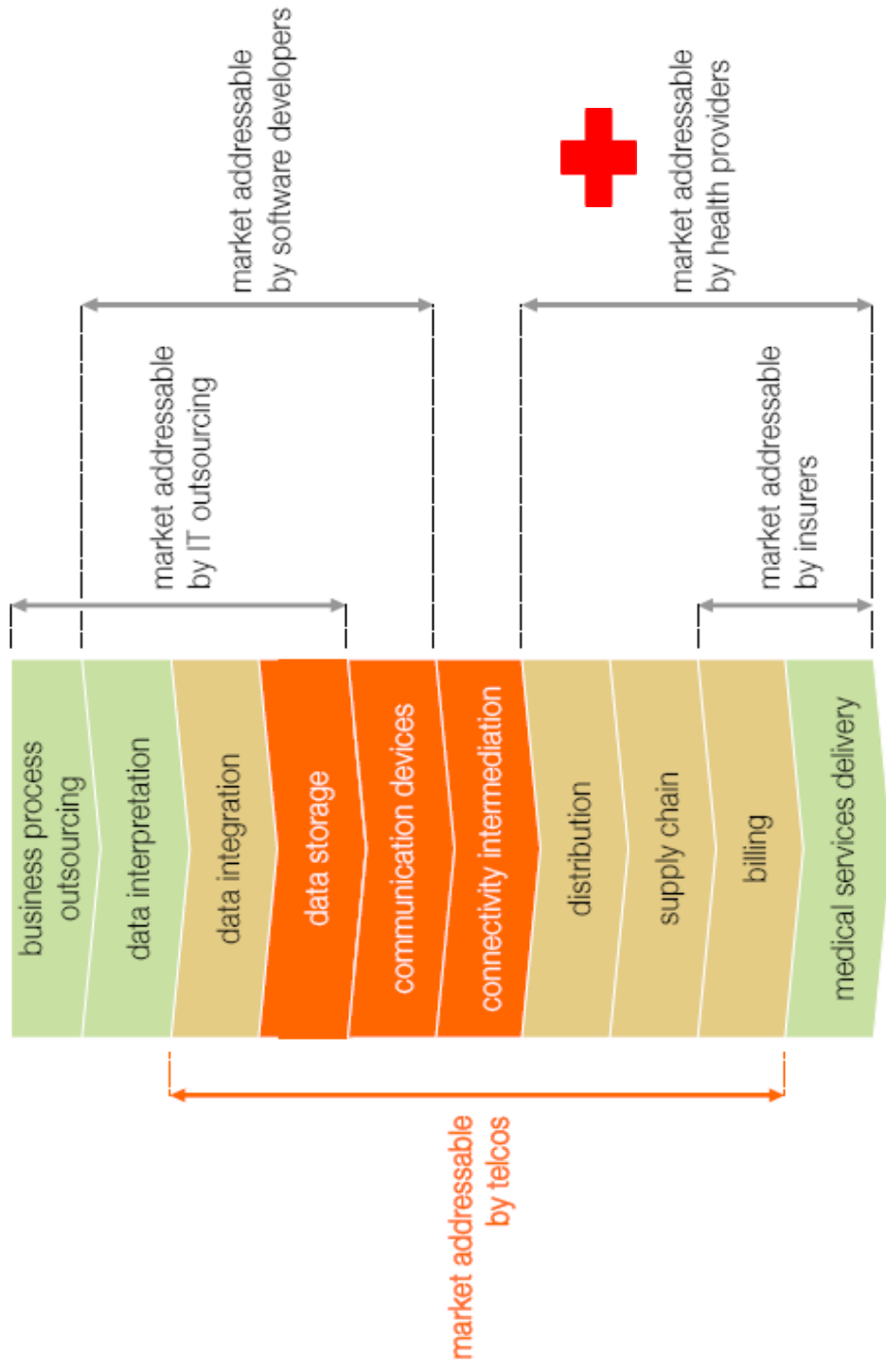
- **Devices**
 - > Medical
 - » Mobile
 - > General
 - » Smartphone
 - » Tablet
- **Networks**
 - > MBB
 - > FBB
 - > WiWi
 - > M2M
- **Solutions**
 - > Monitoring
 - > PERS
 - > eMedecine
 - > Mobile Medical Equipment
 - > Mobile Health IT
 - > eHospital

Source: CSMG

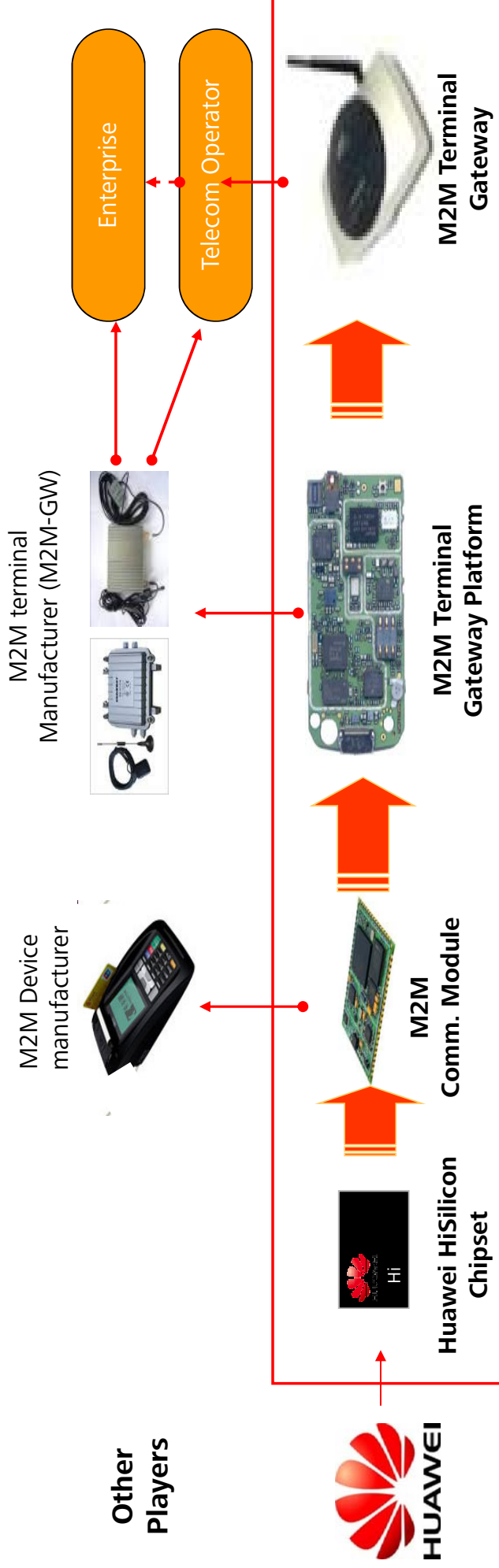
eHealth Platform



M-Health Value Chain



Huawei M2M Terminal Products



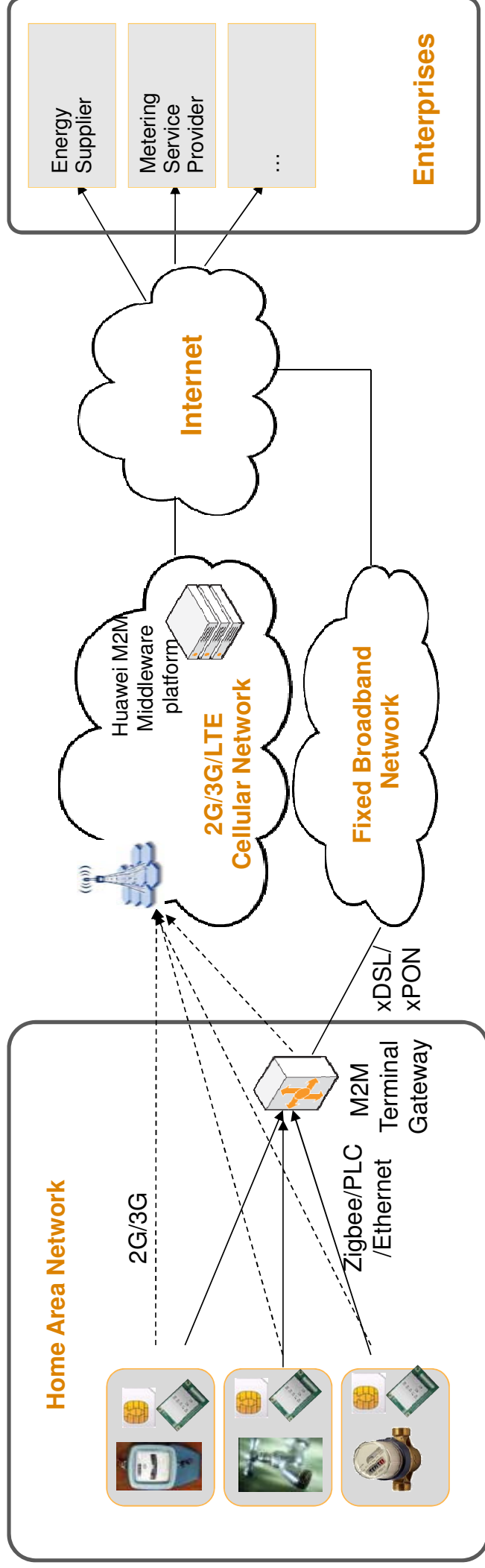
Huawei provides **three levels of products**:

1. M2M Comm Module
2. M2M Terminal Gateway Platform
3. M2M Terminal Gateway

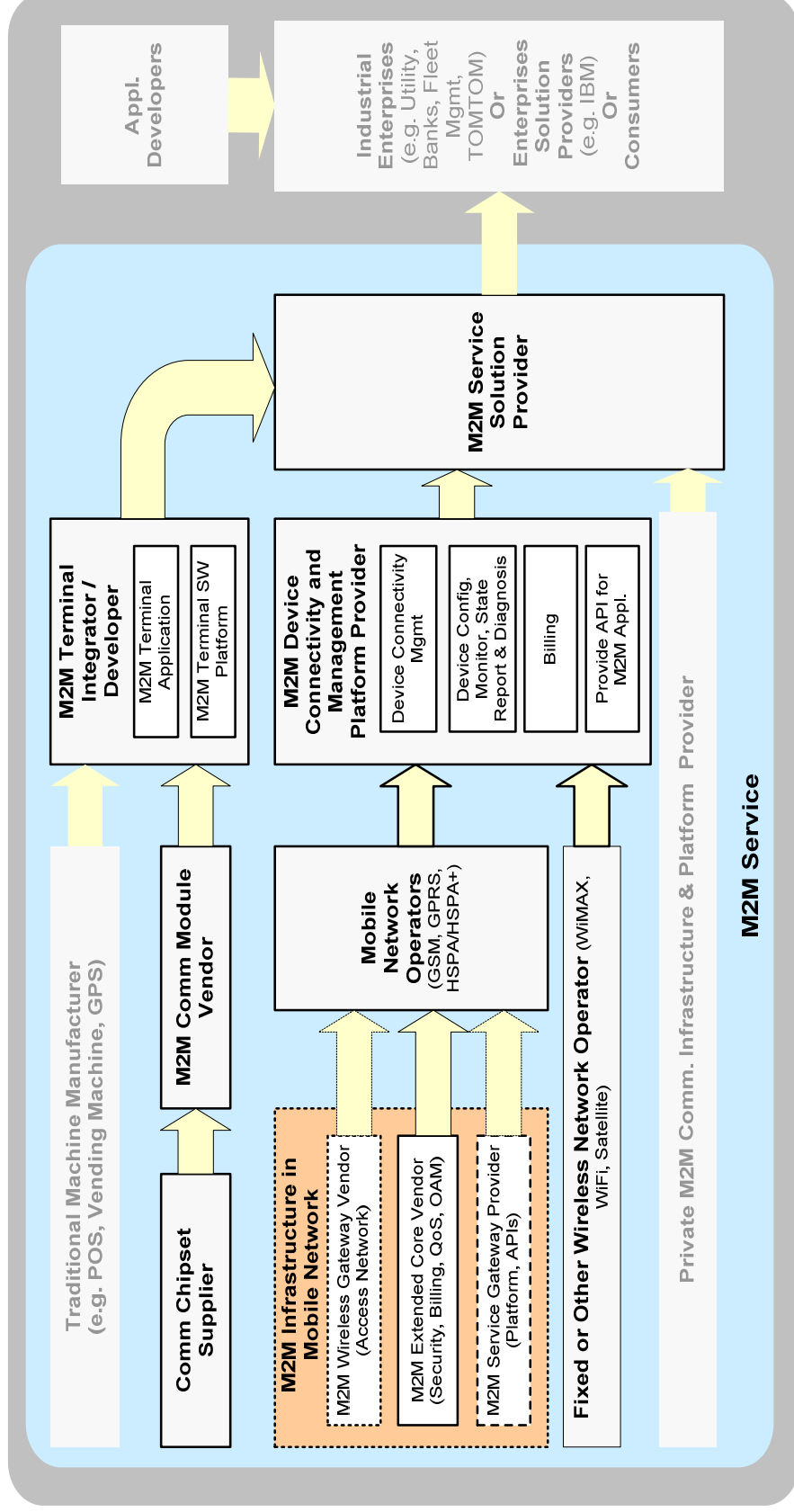
Huawei's Current Smart Metering Offerings

- 1. Huawei M2M Terminals:
 - a. M2M Module
 - b. M2M Terminal Gateway (incl. platform)

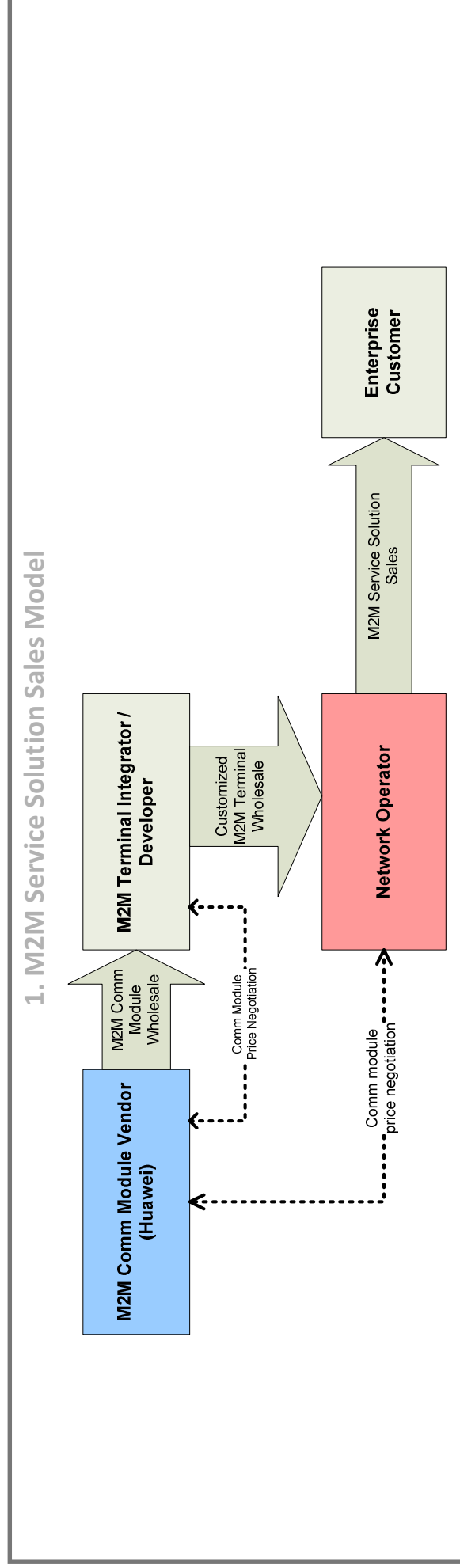
- 2. Huawei M2M Platform for Mobile Operators



M2M – Value Chain



Possible M2M Business Model & Prices (1)



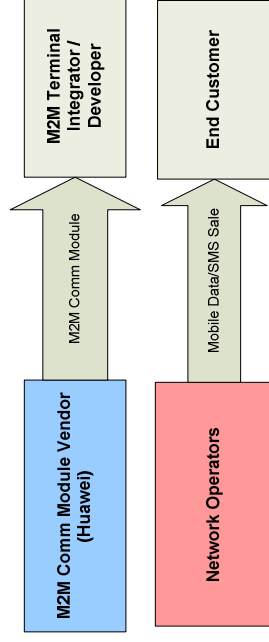
- In this model, operator chooses Terminal Integrator and Module Vendor for customized M2M devices.

- **Price scheme:** may vary from app. to appl. A typical scheme is flat M2M service fee, for example, fixed 10-yr contract with £15/yr per SIM.

- **Case analysis:** In the UK, there are about 26 million electricity and 22 million gas meters. If VF's market share is about 20%, its annual income from providing M2M service to utility companies could be $48 * 20\% * 15 = £144$ million/yr

Possible M2M Business Model & Prices (2)

2. Direct Sales Model



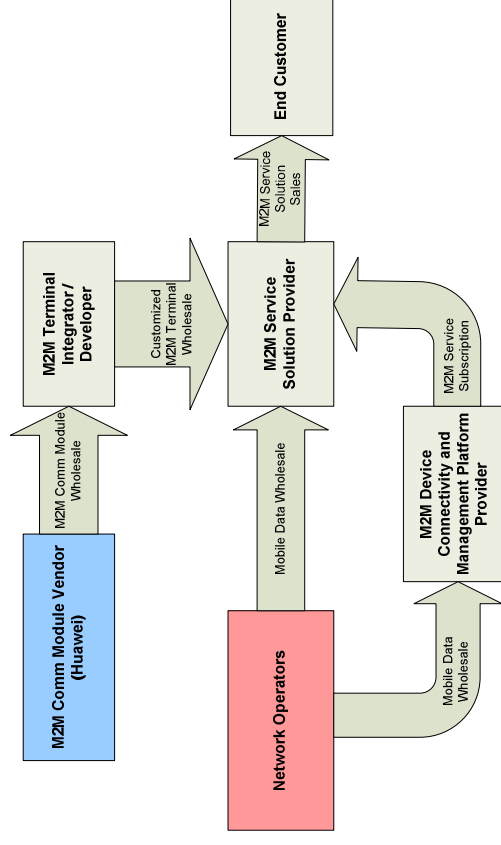
- In these two models, Network Operators sell mobile data service or SMS to other M2M Service or Platform Provider, rather than M2M service.

- Is a “data pipe” in M2M business

- **Price scheme** varies. For example:

- Monthly data bundle: £10/mth for 3GB
- SMS bundle: £5 per 500 msg

3. Wholesale Model



In summary

- New players are putting pressure on existing operators
- This has an impact on manufacturers
- Operators need to adapt their business models
- MBB is one example in the consumer space
- There are many opportunities to create new enterprise opportunities
 - > eHealth
 - > M2M

Thank You

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