

OTT Player Innovations: Third Quarter 2011

Key developments impacting telecoms providers made in 3Q11 by Google, Apple, Microsoft, Facebook, Nokia et al

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SUMMARY

In a nutshell

This report assesses the relevance to telecoms providers and integrated operators of key developments in the third quarter of 2011 among major over-the-top (OTT) players, primarily originating from the smart devices, software platforms, and Internet spaces. The developments selected are those most likely to impact on the ambitions and strategies of service providers. This report considers examples from Google, Apple, Microsoft, Facebook, Amazon, and Nokia, and covers a range of topics including: smartphones and tablets; the connected and extended home; ID and subscriber management; applications and services; corporate restructuring and mergers and acquisitions.

Ovum view

The influence of major OTT players on the telecoms and digital services landscape can be felt in two main ways:

- the potential to disintermediate carriers from their subscriber bases and from third-party application developers and content providers
- opportunities for partnership on either a business or technology basis.

In terms of disintermediation, service providers are already competing directly with major OTT players in numerous product areas – whether in terms of devices, content, applications, or

communications services – as well as less tangible but equally important attributes such as brand loyalty and affinity, and the size of the communities that are building up around their products.

However, telecoms providers and integrated operators are also competing with OTT players (as well as other kinds of service provider such as traditional pay-TV providers) for the attention of third-party application developers and content providers. This competition occurs primarily in the role of distribution partner but in some cases also extends to the provision of application development platforms on devices and/or in the cloud.

In the longer term, these convergent goals will have profound impacts on both carriers' and OTT players' relationships with their overlapping subscriber and user bases. The greater the success of any one player (or players) in a given domain, the less likelihood there is for others to compete successfully in that same space. The extent of the threat results primarily from their scale, with greater scale in one or more areas increasing the size of the potential impact on other parties.

This is already true to a considerable degree in terms of web-centric and downloadable applications and services. Here OTT players are most able to use their deep expertise in applications software and developer platforms to build compelling user and developer experiences and to attract ever larger user bases to their services. They are also better able to leverage their user IDs to create greater lock-in through the use of federated authentication to third-party applications and content.

However, these capabilities also point to an alternative future in which service providers seek instead to leverage the platform and service capabilities of OTT players to a greater extent than today to increase their relevance to their own subscribers. This can be achieved either through formal partnership(s) or via access to publicly available resources such as development platforms and distribution channels. Some early-stage efforts to do this are already apparent and Ovum expects to see many more emerge in time.

OTT PLAYERS: ASSESSING THEIR IMPACT ON TELECOMS PROVIDERS

What makes a development important?

OTT players' impact on the telecoms value system is driven through the interaction across – and dependency between – a number of key assets they possess. These assets can typically be characterized in terms of the following:

- devices

- own-brand applications and services, including ID management and authentication
- device- and/or server-side (including cloud) application development platforms and services
- third-party content and application distribution channels such as app and content stores.

The majority of developments included in this report fall into one or more of these categories. Final selection for inclusion, however, depends on the level of significance Ovum attributes to the diversity of developments occurring during the coverage period. This is largely determined by the scale of adoption of these assets by end users and third parties, the brand loyalty and affiliation they engender, and the ability and willingness of OTT players to invest heavily in these assets. Key criteria include:

- installed base of devices running particular operating systems
- user numbers for key own-branded products and services, including the number of accounts and IDs issued
- influence over third parties via the size of the captured application developer community, the breadth of content multimedia offering, and the ability to federate IDs as a common authentication system across third-party applications and services.

Highlighted developments are then grouped according to a small number of broad categories including smartphones and smart devices; applications and services; developers and distribution; and corporate developments, financials and M&A.

SMARTPHONES AND SMART DEVICES

Google buys Motorola Mobility for service integration and IP (September 2011)

Overview

Google's \$12.5bn acquisition of Motorola Mobility looks set to drive forward Google's ambitions to integrate mobile, the Web, and the cloud in the face of slow adoption of its Google TV adoption within the home. It should also give Google access to at least some of the profit enjoyed by Apple through hardware sales. It will also secure the company's smart device position in terms of intellectual property, with a portfolio of some 24,000 patents attached to the deal. Fears that the move may destabilize the Android community, leading to widespread abandoning of the platform

by OEMs seem off the mark to us. The only credible off-the-shelf alternative, Windows Phone, offers a similar competitive threat from Microsoft. Only Samsung is in a position to break ranks, in our view.

Disintermediation effect

Increased vertical and horizontal integration in a vendor offering leaves increasingly less room for maneuver for third parties, except as partners within its ecosystem. With Motorola Mobility as part of its armory, Google potentially has a more integrated consumer offering in the making than any other OTT player, Apple included. Certainly Google currently has a stronger portfolio of applications and services than its key rival. In Ovum's view, deep integration and the ability to source from as few suppliers as possible are set to become key attributes of key players in the extended home as consumers desire more holistic experiences of digital content and applications. Failure to deliver on this vision will become an increasing impediment to other providers' ability to sell similar propositions.

Partnership potential

While Google may ultimately be in a position to furnish consumers with all the devices and many of the services that they require, it will still need help from third parties in areas such as additional applications, network access and capabilities, and probably also customer service. Major network operators are eminently well suited to providing such attributes to Google and to seek extremely equitable terms for doing so.

Android activations exceed 550,000 per day as Google's latest quarter revenues exceed \$9bn (August 2011)

Overview

The pace of Android device activations continues to surprise despite regular suggestions from industry watchers that it is plateauing. Numbers revealed by Google CEO Larry Page on the company's 2Q11 earnings call show Android device activations up 50,000 per day over the previous figure disclosed in late June. (They may now be in the vicinity of 1 million per day.) Android device activations are also likely to be running significantly ahead of those for iOS devices, which stood at 275,000 at Apple's company's last declaration in October last 2010. Google's revenue grew 32% to a record \$9 billion in the quarter.

Disintermediation effect

As a multi-vendor platform, Google's potential addressable market for Android was always going to be bigger than that for Apple's iOS. The surprise (if surprise it is) is just how quickly Android has scaled those heights. With Android's success comes greater influence for Google over the mobile (or more accurately multi-screen) computing and services environment. However, this pales into insignificance against the combined success of major OTT players in the mobile space. This has fundamentally altered the balance of power in the mobile value system in terms of value-added content and application services.

Partnership potential

Clearly partnership opportunities continue to exist with Google for Android. While its growing footprint may be of concern to carriers, the greater diversity and opportunities for third parties in the Google ecosystem generally (compared with iOS at least) may go some way towards mitigating the fear that affected parties such as operators rightly have of Google.

iOS device growth continues to impress as Apple reaches new heights (August 2011)

Overview

In what is now a familiar story, volume shipments of all smart devices in Apple's portfolio grew significantly in its third quarter 2011. The company sold 20.3 million iPhones in the quarter to June 25, up 142% over the year-ago quarter. It also sold 9.3 million iPads during the quarter, up 183%. Apple also revealed that over 15 billion applications have now been downloaded from the App Store by an installed base of over 200 million iOS device users. The App Store now offers over 425,000 apps, including 100,000 native iPad apps.

Disintermediation effect

The competitive threat to carriers from Apple remains the same: the bigger the footprint of Apple devices in its subscriber base the less opportunity there is to influence those subscribers, except in subtle ways. Whether the benefits of bringing more high-end users on expensive tariffs onto its networks offsets this disadvantage is for individual operators to calculate.

Partnership potential

Partnership opportunities with Apple remain open, although whether carriers will be happy to continue accepting its highly proscriptive T&Cs in the long term is unclear as yet.

Nokia continues Symbian resuscitation with new Belle phones (September 2011)

Overview

The latest Symbian version, named Belle, will provide the software horsepower behind a range of new handsets, including the 700, 701 and 600, the first touted as Nokia's smallest smartphone. All three feature Symbian Belle's single-tap NFC sharing and pairing capability, as well as six home screens, live widgets in five different sizes, a pull-down menu and taskbar to access notifications from any home screens, and further enhancements to the web browsing experience. As was the case with Nokia's earlier announcement that it would be offering Symbian Anna update to users of some older hardware, owners of some more recently shipped hardware will receive updates to Belle. Ovum has forecast Symbian shipments of 59.8 million units in 2011, falling to 2.7 million in 2016.

Disintermediation effect

Nokia's need to keep Symbian going in the medium term has clearly driven it to rethink its upgrade path, both in terms of new devices and for refreshing old ones. Whether this will be enough to persuade long-term Nokia loyalists to stick with the brand in the face of ever stronger opposition from Android, in particular, is unclear and could dramatically impact carriers' attitudes to the brand. However, the company seems to have been left with little choice given that it won't be able to rely on its partnership with Microsoft to cover all bases for some time to come.

Partnership potential

Nokia will be relying on its carrier partners to help drive sales of its new devices, especially in the face of the huge momentum currently propelling Android forward. On the upgrades front it is probably not in carriers' best interests to push these too hard, although it should not prohibit users from upgrading if they want to.

Qt to help Nokia target "next billion", keeps company in the platform business (August 2011)

Overview

Recently installed Nokia SVP Developer & Marketplace Marco Argenti told developers at the Nokia Connection 2011 event in Singapore that Qt will form the basis of the company's push to bring the "apps" phenomenon to the next billion users, both in developing and developed markets. The news surprised many as Nokia had previously implied (if not actually publicly stated) that it was

withdrawing from the handset software platform business after pensioning off Symbian and relegating MeeGo to an R&D role. How Nokia plans to use Qt to target the next billion is not yet clear, however.

Disintermediation effect

Nokia has given out numerous mixed messages of late in terms of how it plans to address its strategic concerns in the non-Windows Phone segments of its market. It now appears that Nokia will not be abandoning the platform space entirely and that Qt will form the basis of a new platform strategy for its other devices, possibly even high-end ones (although the MeeGo-based N9 is still being described as the only Nokia device that will use that operating system). Bringing smartphone-like capabilities to the lower end of the market could create new opportunities for carriers but may also create confusion for the application developers and consumers that it will rely on to succeed.

Partnership potential

It is too early to say but we can expect that Nokia will need operator partners to help it back and promote "Qt Phones" (or whatever they might be called).

Microsoft admits to slow Windows Phone sales, says tablets are PCs (August 2011)

Overview

Speaking at the company's Worldwide Partner Conference 2011 in Los Angeles, Microsoft CEO Steve Ballmer said sales of Windows Phones, although numbering in the millions of units, were still "very small". Nonetheless, Ballmer said he expects to see "a lot of progress in that market competitively as we move forward." More than 20,000 applications are now available for the platform and user response to the devices has been extremely positive. At the same event, Windows Phone boss Andy Lees turned the discussion to tablets, arguing that consumers "want people to be able to do the sort of things they do on a PC on a tablet." This has been taken as further evidence both that Microsoft will not use Windows Phone for tablets or that it will create another OS for such devices. Desktop Windows, both in its current Windows 7 incarnation and in the forthcoming Windows 8, looks set to take that role.

Disintermediation effect

The danger here is that Microsoft both misunderstands the smartphone and tablet markets and that future tablet devices based on its software will prove uncompetitive. If this proves to be the

case, investing too much in these devices and the ecosystem that surrounds them may not prove fruitful for carriers. However, Ovum's belief is that Microsoft will begin to experience a renaissance in small form factor portable devices driven by advantageous partnerships with OEMs such as Nokia and the quality of its product, which appear competitive among very stiff competition, if not yet fully leveraged.

Partnership potential

Nonetheless, there are clearly considerable opportunities for operators to sell Microsoft-powered devices as well as to become a powerful advocate for such devices, if they so wish.

First five BlackBerry 7 OS devices hit the market (September 2011)

Overview

The launch was RIM's largest ever with 225 carriers and distribution partners around the world supporting it. The new devices – which all feature touch screens – include the classic form factor Bold 9900 and 9930, the slide out Torch 9810 and the full touch-screen Storm 9850 and 9860. The latest BlackBerry 7 OS introduces an improved WebKit-based web browser with optimized HTML5 performance, as well as numerous other enhancements to core apps. Improved performance of all devices is underpinned by fast CPUs and dedicated graphics processors. Ovum forecasts shipments of BlackBerry OS smartphones of 64.3 million in 2011.

Disintermediation effect

The main competitive threat presented by RIM at present is that its devices may not prove as popular as their maker hopes. RIM increasingly looks set to trail the “big three” device software platforms, all of which are under the stewardship of companies with far deeper pockets and greater influence over the broad mobile, web and digital content ecosystem. Nonetheless, this could play into carriers' hands to some extent with RIM likely to entertain deeper discounts than it might otherwise do.

Partnership potential

RIM remains an important partner for carriers but it may be necessary for those carriers to push RIM harder to remain relevant in tomorrow's device and product portfolios.

HP ditches webOS, causes cheap tablet scramble (September 2011)

Overview

As part of a major restructuring that will see HP acquire UK-based enterprise search vendor Autonomy for around \$10.2bn, HP said it was evaluating selling off its Personal Systems Group and will cease operations around its webOS devices, including the TouchPad tablets and Pre smartphones. Prices on HP TouchPads were subsequently slashed to under £100 (\$100 in the US), creating a massive consumer surge that saw all remaining inventory sell out in a matter of hours. HP said it “will continue to explore options to optimize the value of webOS software going forward”, although a final decision has still not been taken at time of writing. Samsung has been suggested as a possible buyer.

Disintermediation effect

Only indirectly. What is very clear is that even a company of the size of HP is struggling to justify and keep up the level of investment and commitment necessary to compete with Apple, Google, and Microsoft in the smart device space. Taken in light of the other major events in August we should expect further consolidation with fewer, bigger providers dominating the “extended home” through more vertical and horizontal integration of devices, software, and services. Samsung is the only obvious candidate to join the OTT “elite” and is likely to step up its own software and services activities in response.

Partnership potential

Not as such, although HP has said it may make more TouchPads available before ceasing production entirely. That said, this does indicate that otherwise hard to shift non-iPad tablets will sell at the right price, albeit not one likely to lead to good margins.

Samsung may look for device platform alternatives post Motorola-Google (September 2011)

Overview

Rumors suggest that Samsung could either greatly deepen its interests in its own Bada platform or possibly acquire HP’s webOS, now that that company appears to be giving up its interests in PCs and smart devices. It has also been suggested that Samsung could cooperate with Korean rival LG in building a new device software platform with which to challenge Apple, Google, and Microsoft. Samsung is on course to become the largest shipper of smartphones in 2011. It also announced earlier in 2011 that it had sold over 2 million connected Smart TVs in three months.

Disintermediation effect

It is not beyond the bounds of possibility that Samsung may choose to take control of its device software platform destiny in light of Google's acquisition of Motorola. Certainly, Google's own entry into the hardware business will change the OTT player landscape, with Samsung potentially feeling that its efforts to challenge Apple for device supremacy will be undermined without control of its own software platform. While Ovum would not typically advise companies to embark on such a path, Samsung is perhaps the only vendor outside of the usual OTT elite that could pull it off successfully, providing it embarks on such a venture with its eyes – and wallet – fully open. A more independent Samsung could then become a greater threat to operators as it seeks to build its own user base.

Partnership potential

Samsung has long been a friend to carriers and there is little reason to think that such a strategic reorientation will effect that situation, although – as described above – it may also increasingly bring it into greater conflict with carriers' own plans for value-added services and subscriber "ownership".

APPLICATIONS AND SERVICES

Google+ adding functionality but struggling for users? (September 2011)

Overview

As expected at the time of its launch, the Google+ social networking application has added a social gaming platform for developers, in obvious competition with Facebook. Games are accessible to users from the top of their Google+ stream page and includes Angry Birds, among others. Google+'s tendrils are also spreading out through other Google properties, including YouTube, where its "Hangouts" functionality can now be used to allow users to create on-the-fly viewing parties with their friends. The same functionality has also been integrated into Google's new "Magnifier" music blog. Google has indicated that it now has around 40 million users of Google+ although doubts remain that its initial rapid expansion will continue. Bime Analytics has reported that some 83% of Google+ accounts are currently inactive, although this is not unusual for social networks.

Disintermediation effect

What this appears to demonstrate is that even Google can't buy itself a massive and active social network simply by delivering new functionality. Nonetheless, if successful, Google+ will fill a major gap in Google's armory in the developing battle for users and usage between major OTT players. This in turn would increase the gravitational forces around Google with potentially negative consequences for other value system players.

Partnership potential

Partnership opportunities around Google+ still look minimal for now. However, with services such as gaming now being embedded in the platform and the ability to use Google+ to support social activity around other applications, that could change. More broadly, there may be potential to partner with Google to use its services on a white-label basis.

Facebook Messenger gets a life of its own on mobile phones (September 2011)

Overview

Facebook Messenger allows Facebook users to send and respond to one-to-one group messages in realtime from a mobile phone in a way that integrates with their Facebook profiles as well as with Facebook Chat and Messages online. Facebook Messenger will also let users pull in contacts from their mobile contact lists. The application is currently offered as a downloadable app for iPhone and Android phones but its features are also being made available via SMS for other mobile users.

Disintermediation effect

Facebook messages are an important part of the Facebook online experience but have largely been neglected in Facebook's mobile apps, barring some third-party applications. The launch of a standalone Facebook Messenger changes that and as such opens the way to Facebook's 800 million-plus users adopting the service when on mobile, potentially at the cost of operator-mediated messaging technologies such as SMS and MMS.

Partnership potential

Potentially. Facebook Messenger will certainly benefit from SMS integration if it is to reach its largest possible addressable market. Beyond that Facebook could potentially make a good partner

for carriers in the communications-led applications space, although such partnerships have not been forthcoming so far.

Facebook integrates Skype video calling into chat service (August 2011)

Overview

The news – which makes it possible to Skype video call from within Facebook’s website – marks the deepest integration yet between the two services, and exposes Skype’s functionality to the 800 million active users of Facebook. To use the service, users simply set their Facebook Chat status “online”. Skype-powered video calls can then be initiated from either the chat box or by clicking on a friend’s profile and clicking a “call” button if they are online. Messages can be left in friends’ message inboxes if they do not answer. Skype previously announced the ability to instant message Facebook friends or to “like” and comment on Facebook statuses from within Skype.

Disintermediation effect

Although this functionality is currently confined to the desktop it will sound clear alarm bells for many telcos, for which communications remains a business cornerstone. As with Google’s activities in the space, weaving voice and video calling into the fabric of a heavily networked application (or applications) may begin to alter user behavior around those communications technologies on a broad scale, such that they develop less commitment to hitherto more convenient means of achieving similar ends. This seems an extremely logical move by Facebook and Skype and may owe something to Microsoft’s backing of the former and ownership of the latter. Expect this integration to stretch to additional screens in time.

Partnership potential

There looks set to be increasing scope for carriers to partner to enable such services more widely, albeit possibly at the expense of their own services.

Skype looks to platform future and deep integration (September 2011)

Overview

Skype has launched an App Directory for third-party applications integrated with Skype’s telephony service. The directory, which currently only lists a selection of apps integrated with Skype, is basic at present but could form the basis of a future Skype “app store”, potentially using Skype Credits billing for paid-for apps. Skype has also launched Skype Access, an app for Apple iOS devices that provides Skype calling for a nominal charge (also based on Skype Credits) on a network of

over 1 million Wi-Fi hotspots that Skype has aggregated in the US. The company also announced the acquisition of GroupMe, a startup combining text-based communications with social and location features. Earlier this year Skype said it had achieved over 30 million simultaneous users on one day.

Disintermediation effect

Under Microsoft's ownership Skype looks set to evolve into an enabling platform and basis of an ecosystem that will take it beyond simply a sophisticated, if perhaps under-exploited, communications application. The company is promising deep levels of integration with Windows Phone to rival Apple's FaceTime, among other initiatives. Making Skype part of the core experience of Windows Phone devices and removing barriers to use (such as Wi-Fi access) has clear implications for communications service providers, which will also be looking to exploit new opportunities to make communications more seamless and useful.

Partnership potential

While it is not yet clear which way Skype will develop in terms of partnership opportunities, it is Ovum's belief that the service is likely to become part of Microsoft's proposition to engage with carriers on a deeper level, as we have discussed in previous reports. Such opportunities are, in Ovum's view, well worth exploring.

Android Market gets multimedia makeover (August 2011)

Overview

The upgraded Android Market (currently only available in the US) has added movie rentals and book purchases to its existing application download offer. Videos or books purchased via Android Market are available across all the user's Android devices or via the Web, with no need to download or sync (although a download option is available for videos). Google has also tweaked the content discovery and personalization elements of the Android Market app.

Disintermediation effect

This is clearly part of an effort by Google to build greater relevance for consumers in terms of its third-party content and services offering. This is no doubt at least partially a response to efforts by other suppliers such as Amazon to leverage Android devices as a means to build their own mobile content offerings. However, it was also inevitable that Google would look to develop its own multimedia offering for Android as part of its efforts to provide a one-stop shop for Android device

users and to increase its relevance to third parties. Such efforts obviously impact on the content strategies of mobile operators.

Partnership potential

While this is currently a US-only proposition, there is every likelihood that Google will introduce similar upgrades to Android Market in other territories in time. Unless carriers wish to leverage Android Market as a sales and distribution channel for content there is probably little room for partnership here.

iCloud leads Apple's latest drive for cloud relevance (July 2011)

Overview

iCloud marks the fourth attempt by Apple to entice user of its devices into using cloud and media sharing services but is untypical of the company's previous efforts in being both fairly broad in scope and free to use. Key features include the former MobileMe email and productivity apps and a range of tools aimed at delivering a seamless content sharing experience across Apple devices over Wi-Fi. These include automated backup and storage of media and apps, syncing of apps, music and books purchased from Apple between devices, and a new photo syncing facility. The music syncing service can be extended to music not purchased from Apple via iTunes Match, which attempts to match and replace files in a user's library with those from Apple's catalogue for an additional \$24.99 annual fee. iCloud was made available to users with the release of iOS 5.

Disintermediation effect

Certainly iCloud reduces the scope for any other supplier – carriers included – to offer storage, backup and sync services to Apple devices, although its inability to support non-Apple devices will fundamentally limit its addressable market. As for the productivity tools element of iCloud, making these services free could help bring Apple back into play in terms of broader cloud services – which could later prove valuable for additional single sign on/ID dependent strategies – although the company faces a difficult job persuading users of other services to migrate over.

Partnership potential

In the services arena, there is little or no opportunity to partner with Apple, except as a third-party provider of non-competing services.

RIM launches social music service, BBM Music (September 2011)

Overview

BBM Music, based on BlackBerry Messenger, offers a cloud-based, community-built music library that is shared among BBM Music friends. Users can select music and create play lists from a catalog of around 10 million songs from leading music companies including Universal Music Group, Sony Music Entertainment, Warner Music Group, and EMI. RIM is charging users a monthly fee of \$4.99 to download 50 songs pooled from their friends' playlists, with users having the option to change 25 tracks on their list each month. RIM has partnered with Omnifone for both technology and rights negotiation. BBM Music is currently on trial in the UK, US, and Canada, and is expected to roll out to 18 countries. RIM claims over 45 million BBM users today. Ovum forecasts mobile music revenues of \$3.8bn in 2011 rising to \$7.6bn in 2015.

Disintermediation effect

While relatively inexpensive, BBM Music appears quite a complex proposition with a potentially limited return on investment for users. However, RIM has presumably carried out considerable behavioral research that indicates that BBM Music's novel approach will play well to its intended demographic, especially teenaged BBM users. This could therefore have a negative impact on carrier-branded music offerings. The company certainly deserves points for trying something different.

Partnership potential

This would appear to be a RIM-specific offering in which case the only partnership opportunity is likely to be in marketing the service as a reason to buy BlackBerry devices.

Nokia backs location and commerce for renewed services relevance (July 2011)

Overview

Former Nokia services product head Michael Halbherr will lead the new Location & Commerce business – which includes Navteq – as SVP with a mandate to develop new types of integrated social location products and services for consumers. The unit will also develop platform and local commerce services for device manufacturers, application developers, Internet services providers, merchants and advertisers.

Disintermediation effect

With its device platform ambitions now diminished and its existing services business far from prosperous, Nokia has taken the opportunity to increase its relevance in a key strategic area moving forward: key enablers and cloud platforms. Certainly online applications such as Nokia (nee Ovi) Maps are class leading in their functionality (e.g. 3D city views at maps.ovi.com) and suggest that the company's partnership with Microsoft is perhaps more equal than many commentators have thought.

Partnership potential

As a provider of cloud enablers and platforms there may be reason for mobile operators to engage with Nokia if they wish to leverage these capabilities in their own services.

DEVELOPERS AND DISTRIBUTION

Apple's in-app purchasing restrictions lead content publishers to rethink iOS strategies (August 2011)

Overview

The Wall Street Journal, Amazon, Kobo, and Barnes & Noble all removed their stores from their iOS applications during July, along with hyperlinks to or mentions of their online stores, as Apple began to enforce its T&Cs on in-app and out-of-app purchasing for applications in its App Store. Users of these apps can still download and read all content purchased elsewhere, however. Google Books was pulled from the App Store completely. The moves follow Apple's backtracking on its previous demand for 30% of the price of in-app purchases and indicates an increasing unwillingness of at least some content publishers to kowtow to Apple's demands. HTML5-based apps look to be the favored alternative, where such alternatives have been sought.

Disintermediation effect

The loss of high profile content providers from the Apple ecosystem – if it became widespread and permanent – could begin to alienate Apple users from iOS devices. That displeasure could have knock-on effects for service providers that support iOS devices in their subscriber bases.

Partnership potential

Clearly, Apple continues to offer a worthwhile go-to-market opportunity for many content providers where they wish to use that channel. However, it is apparent that the App Store is far less

attractive where content providers sell either high-value content and/or subscription-based services to iOS devices.

APPENDIX

Methodology

This analysis relies on deep knowledge of both operator and service provider strategies around value-added services and an understanding of the impact of key OTT player activities in aligned areas. Highlighted developments are filtered and contextualized through this lens as well as considerable primary and secondary research over many years. The developments themselves are derived from a number of sources on a month-by-month basis. These include: press releases, company financial reports, equity analyst reports, official blogs of target companies, ICT news sites, other blogs, web forums, briefings, and ad hoc conversations with OTT players, as well as extracts of new Ovum research.

Further reading

- Adjacent Player Profile: Apple (OT00006-004)
- Adjacent Player Profile: Google (OVUM052160)
- Adjacent Player Highlights: First Quarter 2011 (OT00007-002)
- Adjacent Player Highlights: Second Half 2010 (OT00007-003)
- Telecoms in 2020: devices and platforms (OVUM051688)

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