Moving Down the Value Chain
A personal view

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Aiko Pras
University of Twente
the Netherlands
a.pras@utwente.nl
1998 Vision Telco Operators

• Data transfer will be so cheap, that profit can no longer be made

• In order to survive, Telco’s must move up in the value chain
1998 My Doubts

- Why wouldn’t it be possible to make profit on cheap data transfer services?

- How would a Telco get content from content providers?
As time went on...

- Telco’s invested in Music portals
  - iTunes, Amazon, ...
- Telco’s invested in Video portals
  - iTunes, etc.
- Telco’s invested in TV content
  - Versatel: Dutch football league; SwissCom
- Telco’s invested in TV content creation
  - Telefonica: EndeMol
- Telco’s invested in imode, UMTS, ...
  - There would be a killer application, wouldn’t it ......
As time went on ...

• Telco’s failed in moving up the value chain
  – Billions were lost
  – Moving down the drain ...

• Content is not sold by Telco’s, but by other, global players
  – Apple iTunes (music, video, ...)
  – Google (search, youtube, maps, ...)

Is it safe to assume that ...

- Telco’s will never be able to move up the value chain?
- Control over network and content will always be separated?
- I have doubts, again
Observation

• A company like Google is creating its own, internal, but worldwide network
• Capacity of this network is huge
• With current fibers (Lambda’s) such network needs not be expensive
• Google peers directly with many operators
Some thoughts ...

- Wouldn’t it be possible that your house gets directly connected to google?
- You would than have two network connections: Internet and Google
- Technically this might be rather simple
  – (ADSL virtual channels, VLANs, Lambda’s)
- In this way Google would be able to guaranteed QoS for its main applications
More thoughts

• If Google can do this, what about:
  – Apple
  – Microsoft
  – Ebay (skype)
  – ...

• Will content providers move down the value chain?

• Will control over network and content remain separated?
Final thoughts

• Is this scenario realistic?
• Will this be the end of the “free” Internet?
• What will be the role of Telco’s?
• What are the technical challenges to make this happen?
• Why did we, 10 years back, fail to predict this?