



White Space in ICT

Key issues within the industry and how market insight
can help address them

A White Space white paper

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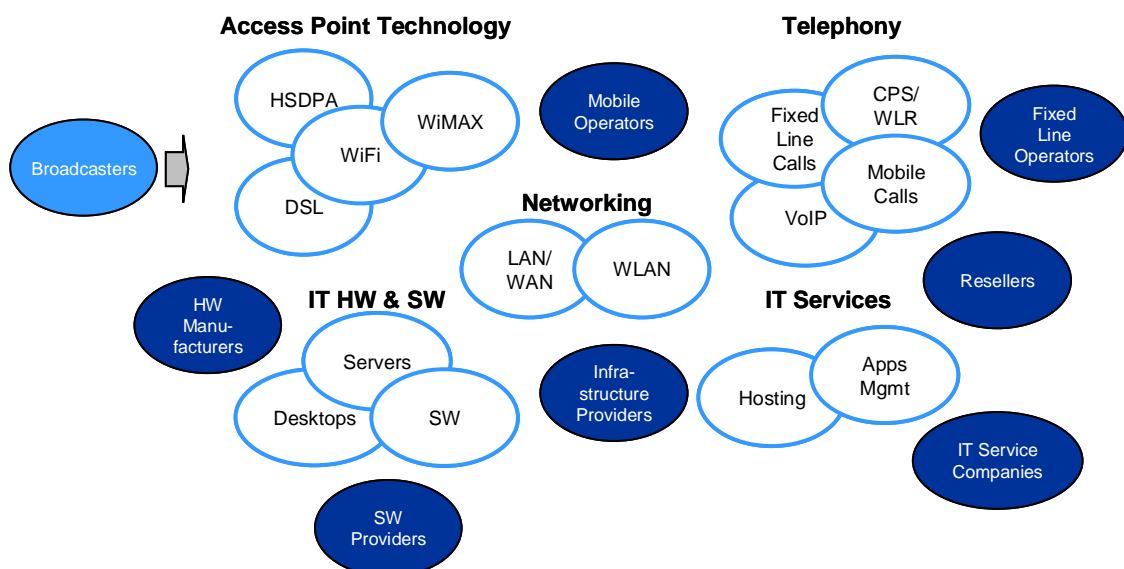
Introduction

ICT refers to companies and their respective suppliers and customers, offering products, services and solutions which are associated with information and communications technology. ICT is a highly dynamic marketplace, where new technology is continually forcing a re-invention of the market landscape. This white paper examines three key issues in the marketplace, and assesses how marketplace research can help address them.

1. Convergence of existing markets

10 years ago, IBM and BT had nothing in common. But now the worlds of IT and Telecoms have converged, with further convergence of other markets just around the corner. Companies who were previously strategic partners now find themselves competing for the same outsourcing contracts, whilst those in previously separate technological niches, such as 'hosting' or 'broadband' find themselves offering substitute products. Most recently, even broadcasting organisations such as BSkyB and NTL (now Virgin) find themselves competing with the likes of Pipex and Orange for share of consumer Broadband.

There are now a vast number of different but overlapping technologies, leaving all types of providers competing with each other:



This convergence of markets is creating new challenges and opportunities. For some companies, it has opened up new markets for expansion, with low barriers to entry. For more established companies, it has increased threat to their traditional sources of revenue. Understanding all of the available options, and how best to take advantage of them in different geographies, is a major challenge for all ICT companies: decisions made now will shape competitive advantage for the next decade and more.

2. New technology and infrastructural investment

As well as technological innovation causing a convergence of existing markets, some technological breakthrough's are starting to create substitute products. Previous crippling operator expenditure on infrastructure to support new technologies such as 3G, has left most companies deeply suspicious of new infrastructure investment. Companies are now only in a position to invest in technologies that complement their existing networks and will therefore need to make choices as to which technologies they invest in. For example, will they choose to invest in HSDPA or WiMAX? Both are, in reality, substitute products. Are either really necessary?

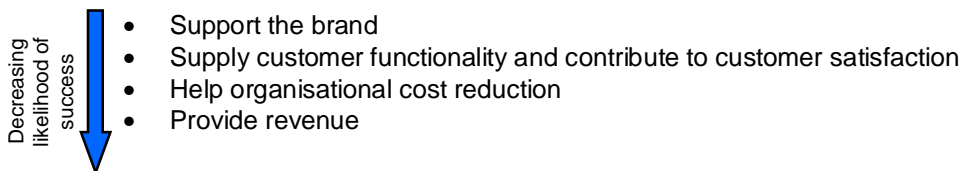
The decisions that will be made on forward infrastructure strategy will not only have a profound effect on the operators themselves, but on all of their suppliers and stakeholders as well.

3. New channels to market

Traditionally sales within ICT have been driven through a mixture of F2F and telesales channels. However, over recent years, many ICT providers have looked to engage with end customers in new ways, focusing heavily on the e-channel and indirect sales through resellers.

The indirect channel is now being used by almost all operator-level companies and allows them to find a low cost revenue stream, primarily from SME and residential end customers. Selling through resellers is seen as a reliable and stable way of approaching smaller customers who, on an individual basis, are not valuable enough to approach directly. It works particularly well where companies are selling commoditised products, where larger providers struggle to achieve the proximity to market demanded by customers who are ultimately driven by price and quality of service.

The role of the e-channel on the other hand, is much more controversial. Originally companies thought that the e-channel would be a revenue-generating stream in itself, inspired by confidence around the dot.com boom. However, very few companies have managed to achieve this. Consequently, the use of the e-channel now has become more diverse:



Only organisations such as Dell, who sell easily componentised and configurable, transactional products have successfully generated significant revenue from the e-channel. Most ICT sales are inherently more complex and require a phone-call at the very least, if not a F2F meeting in order to seal the deal.

Other organisations have managed to reduce their overall cost bases by reducing the number of phone-calls their inbound enquiries or customer services lines take, by ensuring that most simple queries can be answered online. However, very few have managed to quantify exactly how much they have saved.

The impact of a website on brand support or customer satisfaction is just as difficult to assess, but at least it is easier to get a feel for in more qualitative ways, such as by assessing user journeys and aligning image and messages with brand features.

However, international and industry boundaries are now being broken down, and all types of customers are now not only mentally benchmarking your performance within your own direct competitor set, but with their wider experience of the online channel. Customers of ICT

companies also use developed e-commerce sites such as Amazon.com, and many have experience of using websites of US ICT companies, which set their expectations of what to expect more generally. Understanding their expectations, and how to meet them, is crucial if the e-channel is to be used effectively and not actually have a negative effect on brand image and sales.

Finding the White Space

Changes in technology, convergence of market spaces, and a focus on new channels have had profound effects on the industry, at all levels of the value chain.

At first, new entrants are primarily able to compete on price, but as markets settle and companies aim to avoid the previous 'price-war' mistakes of which Worldcom (now MCI) and Energis fell foul, understanding the true needs of customer segments and how to position against competitors, becomes far more important. Whilst for those companies defending large market shares, market insight has always been essential, it also needs to be an iterative and ongoing process as the lay of the land is constantly changing.

Large companies tend to work hard to understand how to gain customers from their larger competitors, more often than not, because at some stage there has been cross-fertilisation of staff and business practices. However, they understand very little about the thousands of smaller businesses who are attracting SME and consumer customers through localised sales approaches and a focus on personal relationships. On an individual basis, these smaller competitors are of no threat whatsoever, but taken as a collective, their ability to steal market share is much more powerful.

This is where market landscaping becomes invaluable- in quickly and effectively mapping and clustering these small competitors into manageable groups exhibiting homogenous sales and marketing strategies. Only through this level of insight, can organisations give their sales staff the intelligence to be able to quickly identify the behaviour-type of any given competitor, and which sell-against messages will be most effective, given the target customers involved.

To take this one stage further, by cross referencing competitor cluster sales and strategies with your internal customer data you can work out where the your customer base is at threat and which customers will be more easier to acquire due to a lack of competitor activity and targeting.

Insight can also be extremely useful when making decisions as to which technologies to back for the future. Knowing the answer to questions such as these are invaluable:

- Who is already investing in certain technologies?
- What previous investments or current infrastructure will have a bearing on future investment?
- Who are organisations talking to and what level of relationship do they have?
- How does the profile of their end customers affect potential investment decisions?
- What are the end customer trends which will drive preferences?

E-channel development can also be greatly assisted by insight. The ability to investigate the approaches other organisations have taken to the e-channel, out of industry or out of geography will reveal which web-upgrades are essential and which are costly and yield little reward in terms of brand support, customer satisfaction, cost reduction and revenue generation. By gaining the correct insight in the relevant areas, the risks associated with investing in this area can be minimised, with management able to make decisions which build true competitive advantage.

For more information on how White Space's market insight services can support your management decision making, please contact:



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