People who need people: harnessing the P2P base as a target market

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Who I am and what I do

- European Telecom Analyst/Global Telecom Strategist.
- Two years ago I started to focus on the bear case for the incumbents – changes in technology and consumer behavior that will disrupt traditional business models.

For more information…

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Background

- My professional interest in this subject:
  - Telcos control broadband pipes
  - They are battling cannibalization of their core business
    - VoIP & voice/video IM (some of these are P2P applications)
    - Cellular substitution
    - Cable triple play
  - They don’t want to be reduced to a “dumb pipe”
  - They think they have to do content too

Market size and nature

- OECD data shows a jump from 7m concurrent P2P users in April ’03 to 10m one year later. Users collectively share 10 petabytes of data.
- Seven of the top ten file sharing countries are in Europe. In France and Germany nearly 1% of the total population engages in file sharing.
- A platform shift is occurring. Fast Track users have been stable since late 2002, but the total market has grown significantly.

The platform shift

Recipients of the shift, e.g., BitTorrent, indicate a more intense interest in video.
Video is a European passion

Source: OECD

Imposing costs

- In France 31m films are downloaded each month, but from non-commercial sites. 19% of internet users in France have downloaded films, but only 4% have paid for them.
- P2P accounts for c.80% of broadband ISP traffic. CacheLogic estimates European ISPs will spend EUR100m this year on transit costs alone.
- Blue Coat found that 39% of P2P users in the US do so on corporate networks.
- ISP Tiscali sued by Belgian rights group for not degrading or blocking P2P traffic.
- French ISPs agree to disconnect P2P users when issued with court order prompted by labels/studios.

It’s popular, it’s big, it’s costly – but is the market worth having as customers?

The OECD study observed that in France, P2P users were just as likely to be high earners and actually more likely to have university degrees. This contrasts with the US experience.

Scenario 1: Affinity product

April 2004 launch – ATA-based VoIP product marketed to Morpheus global user base. Morpheus claimed 122m downloads at the time.

Scenario 2: Affinity product

July 2004 launch – targeting 2.7m eDonkey users

Scenario 3: Affinity product on steroids
Voipster

- White label P2P telephony solution with PSTN breakout
- Targeting B2B and ISP markets
- Aiming at global IP peering with other platforms

Peerio

- Out of nowhere into the market with four contracts in hand.
- Embedded product strategy – think “Intel inside”
- Claims compatibility with H.323 and SIP.

Scenario 4: Give the user some

Employing DRM to allow syndication of purchased content to friends for a commission

Scenario 4a: Give the user some

- Could this model be applied to an enhanced version of TiVoToGo? Or to open-source platforms like Torrentocracy?

Scenario 5: Ad hoc viral marketing

- FORMobile from Forbidden Technologies uses Bluetooth to distribute video content between Symbian-based phones.
- SMS used for billing authentication and for user permission in the case of free promotional content.
- Wi-Fi equivalents exist (Pocketster), but not with the same intent.

Closing thoughts

- Evidence suggests that the market in Europe may have embraced video file sharing on a more widespread basis than many other markets.
- Demographic profiles suggest this may be a viable market for those able to harness it.
- Early examples of cross-marketing to P2P users seem to validate the attractions of the market.
- Further possibilities are opened up by viral marketing and P2P content syndication models.