


Getting the most out of your subscription bundling solution



by **docomo** digital

An NTT DOCOMO Enterprise





As traditional sources of revenue for telcos steadily decline, convergence is the way to go to stay relevant.

And one route to take is partnering with digital service providers in areas such as video on demand (VOD), music streaming, gaming, e-sports, or productivity apps and offering service bundles to subscribers along with the traditional voice and data services.

As bundles continue to gain popularity, they provide benefits and growth for both telcos and merchants while adding value for the consumer. But to make sure you're maximizing your growth opportunity as a telco; you can capitalize on the growth in OTT services with subscription bundling.

Let's look at what bundling can look like for telcos and what the future holds in the space.



The bundling opportunity for telcos

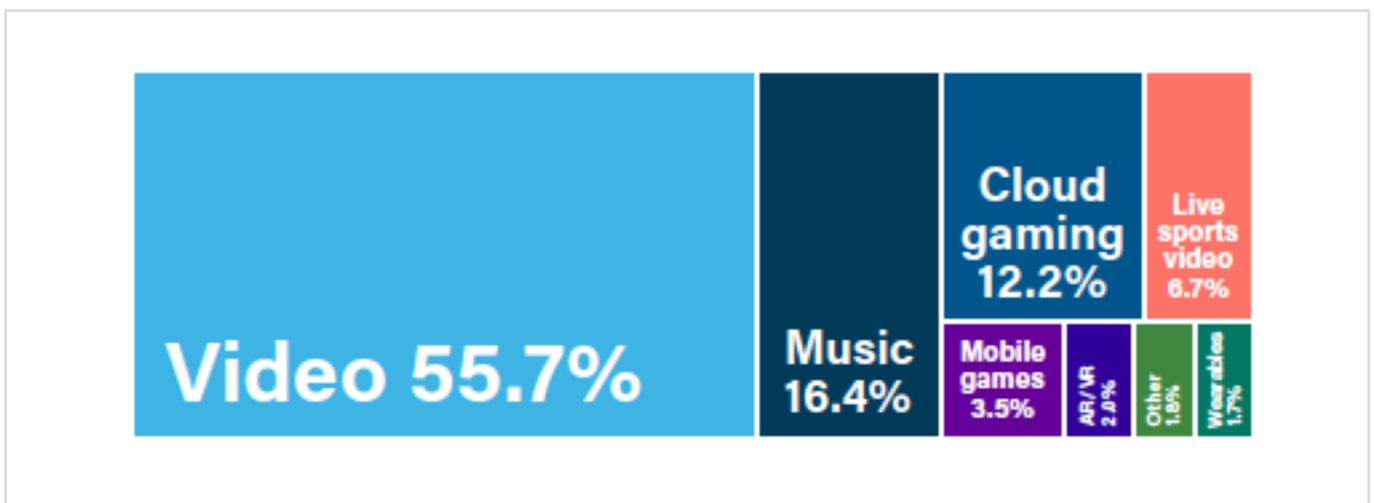
Service bundling has multiple benefits. It helps boost engagement, prevent customer churn, drive loyalty, and generate higher customer lifetime value for telcos. Bundles allow both telcos and digital merchants to bring their strengths to the table – which for telcos include superior marketing abilities, extensive market reach, and demographic data merchants can benefit from.

On the other hand, telcos offering additional services, such as e.g., Netflix, helps bring in

more users, retain existing customers and subscribers consuming much more data as a result.

A big driver for service bundling is direct carrier billing that's also observing considerable growth as a payment option in the last few years. With DCB overtaking SMS and mobile data revenue, telcos can easily move beyond connectivity and accelerate their growth.

Global OTT Digital Services Revenue Derived

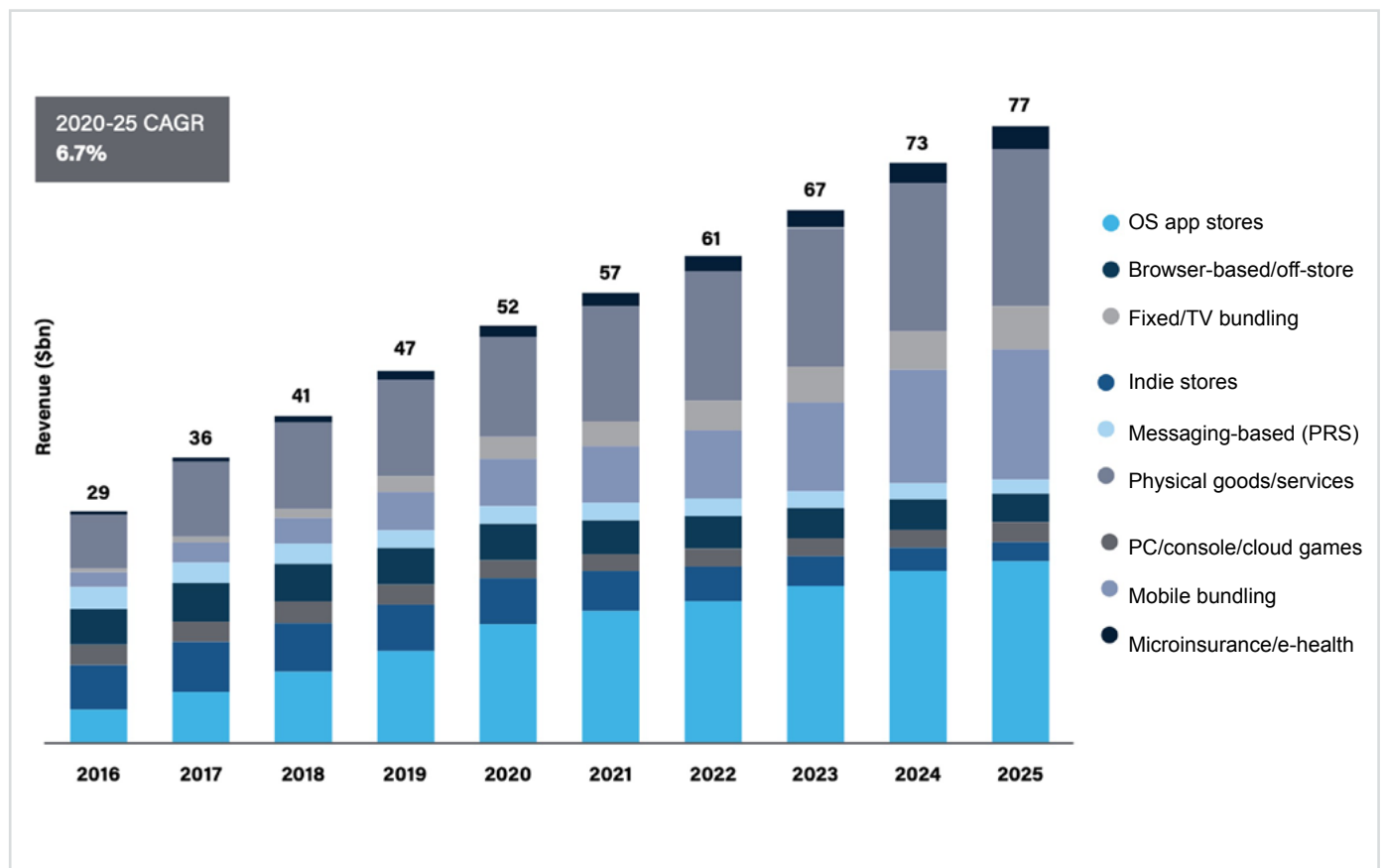


Source: Omdia's Global Carrier-Billing Forecast: 2020-25 and Hamessing the 5G consumer potential (Ericsson whitepaper)

Predictions also show that one of the fastest-growing segments when it comes to DCB-generated revenue is mobile bundling, along with app stores and fixed/TV bundling.

In the diagram below, you can see how it's already doing that, with promising results predicted for the next few years.

Global Carrier Billing revenue, by segment, 2016-25



Source: Omdia's Global Carrier-Billing Forecast: 2020-25



Research confirms bundling popularity. According to Ovum’s study, 43% of subscribers said they were loyal to their telco because of the bundled services offered. About as much said bundles were the main reason, they were willing to spend more on their telco subscription.

Experience with bundling paid media services with telco plans (% of respondents)



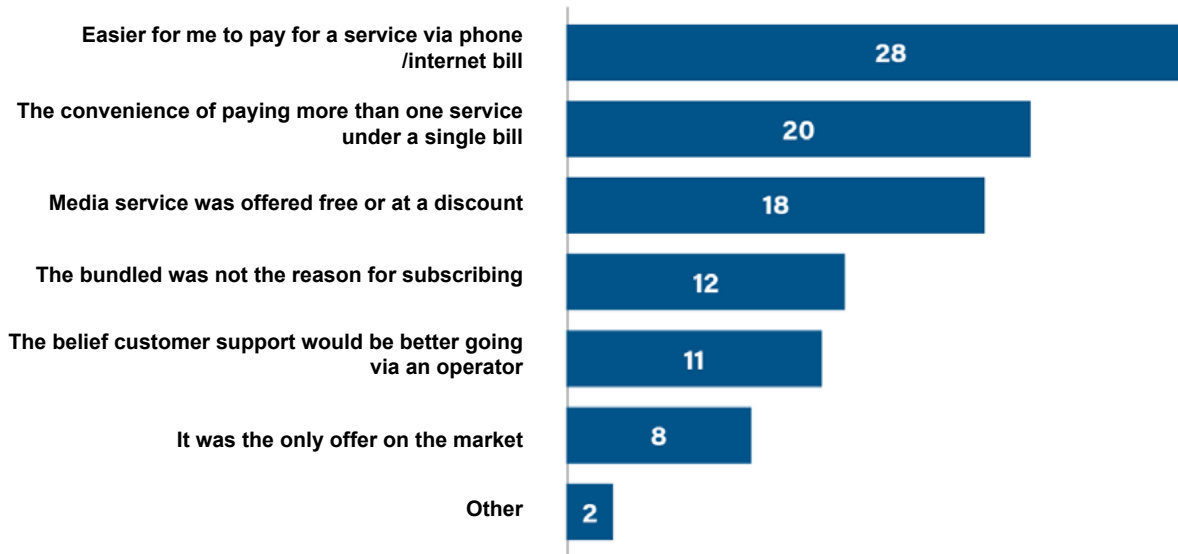
Source: Ovum OTT market study 2019-20

Bundling also helps adapt to the constantly evolving consumer needs, which is crucial especially now, as the habits change due to circumstances like the ongoing pandemic. It also makes payments for digital services easier by allowing users to pay through their mobile

subscriptions with just one bill.

The ease of payment provided by DCB is also the leading factor for subscribers – beating price discounts even in price-sensitive markets like the Philippines, Thailand, or India.

Reasons for purchasing telco plan with bundled OTT media service (% of respondents)



Source: Ovum OTT market study 2019-20

So, it's clear that the convenience of bundling is considerably augmented by DCB, which also boosts conversion rates and lowers abandoned cart rates.

However, for merchants, DCB alone can often be seen as expensive. So, for them, there's a much more significant benefit in bundling their services with the telco.

What they then get provides additional value, such as reduced marketing costs, as they're benefiting from the telcos marketing channels and reach.

Who to partner with for best value?

The key to a profitable service bundle that brings maximum value to all parties involved – the telco, but also the merchant, and ultimately, the subscriber – is for telcos to bring in the right merchant partners.

Since, as a mobile carrier, you have limited capacity for offering bundled services to your subscribers, while the OTT market is getting more and more saturated, you should focus on several factors to evaluate the benefits of bundling with a merchant.

These include:

- The service's market penetration
- The potential for the partnership to drive more subscribers for your telco
- Or to enhance your pricing tiers.

For example, Netflix can be seen as the perfect business case in the UK market, as 1 in 3 households already have a subscription with the service.



Obviously, Netflix is one of the strongest players, but it can serve as a good point of reference when estimating the potential of a service bundle.

Another essential consideration is matching the service to the needs of your subscribers in a way that can ensure both acquisition and retention benefits. This requires knowing what your audience wants (and telcos are equipped with data and KYC tools to establish that).

For example, 2020 and the onset of the pandemic saw a rise in OTT platform usage in general, including video-on-demand platforms. Another category that grew considerably was mobile gaming. Of the total 218 billion downloaded apps in 2020, nearly a third were mobile games.

Another thing a telco needs to establish is the preferred payment methods for the different markets. For example, markets with low adoption of credit cards will likely be more interested in using DCB for online payments.

How to create a profitable service bundle?

Traditional types of bundling

There are several traditional bundling types that are now becoming the foundation for new-generation service bundles.

These include:

Hard bundling

Telco subscribers are offered a free trial to a digital service for a time, as long as they remain subscribed to a telco plan. After the trial period, they are converted into paid subscribers of the digital service.

Customers pay the monthly (or annual) subscription fees through their monthly mobile bill.

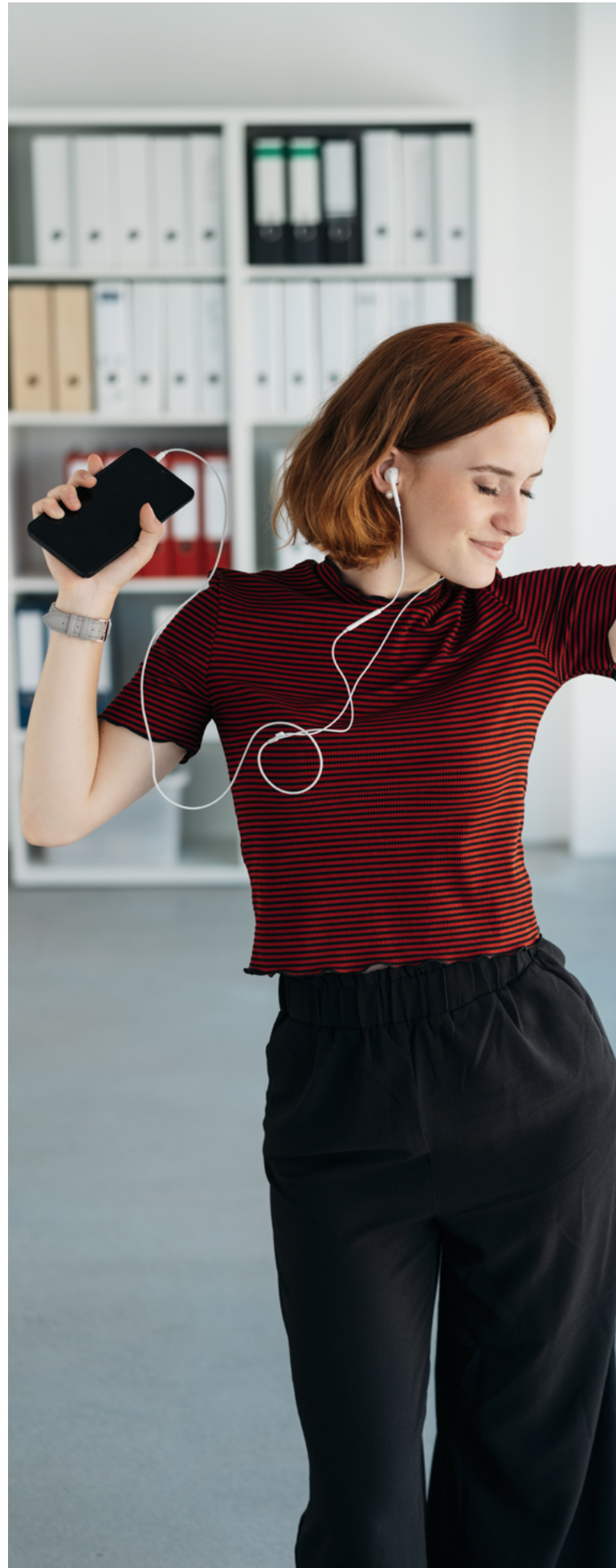
Soft bundling

With the soft bundle model, digital services are offered as an add-on that users can pay for with direct carrier billing separately from their phone bill.

Subscribers might also be offered promotions, including an extended free trial or discount on the digital service.

Custom bundling

Depending on the payment provider through which you're partnering up with the telco, you might have access to pre-configured turnkey bundle packages you can roll out to your pre-and postpaid subscriber base.



At DOCOMO Digital, for example, we offer pre-configured bundles with the likes of Amazon in music and video streaming and beyond to let you grow digital consumption and reduce churn with targeted bundling offers for multiple segments.

Telcos can drive increased consumption within app stores with limited-period bundles and cash-back offers. Promotions like these let subscribers use services without an upfront commitment.

For telco-OTT bundles, a common solution is tariff bundling. The OTT subscription is added to the telco subscription charges. A telco-OTT bundle also allows service integration, meaning the OTT platform is integrated with the telco's own TV/video service user interface. A telco-OTT bundle also extends

New trends: bundle marketplaces

A new and promising development in the space is bundle marketplaces. A great example is a leading Australian telco we partnered with to create a subscription management service.

It's designed to be a one-stop-shop for consumers allowing them to manage their third-party subscriptions and benefit from discounts and bundled offers from the telco.

data offers, where data consumption for accessing the bundled OTT service is zero-rated, working well for consumers.

All of these bundling types provide telcos with ample revenue opportunity and scope to push innovation further. All are also driven by direct carrier billing as the most convenient and easiest payment method.

The traditional hard bundle model provides a steady source of revenue for telcos and is the most lucrative. While they present some risks for the telcos, the rewards are much greater. On the other hand, while the risk for a soft bundle is smaller, the revenue sharing models will usually vary.

Eligible telco subscribers can bundle multiple new and existing subscriptions in a single platform, including pausing and resuming a service when they want to with a few clicks.

This takes away the clutter of managing multiple OTT subscriptions from the customer, offering a simple user experience. Plus, of course, they can save on each bundled subscription.





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Services that can be bundled include Amazon Prime or the Calm meditation app. The more subscriptions you add, the more you save, which is yet another customer incentive.

This type of bundling leaves more control in the customer's hands, making it a much more attractive deal. It's definitely one direction the market is going in, with similar services likely appearing more frequently in the future.

What's next?

The 2021 edition of Ericsson's annual Mobility Report suggests that 5G services are well on the road to mass-market adoption. The telecommunications equipment manufacturer estimates that over 160 communications providers already deliver 5G services in one form or another, with over 300 5G handset models either announced or launched commercially.

We expect global 5G handset shipments to grow 7% year on year in 2021, despite the current shortage of semiconductors caused by the Coronavirus pandemic.

The telco industry has entered a challenging period of disruption. New ways to fight decreasing ARPU are needed to stay competitive and keep revenues from declining. And that's a fact no telco can ignore any longer.

This means telcos will continue to invest in TV

and video plus other digital content, while the subscription model is generally on the rise.

Globally, bundled subscriptions are increasing, expecting to reach 753 million this year (2021) – and that's only according to pre-COVID forecasts. With the significant rise in digital media consumption since the start of the pandemic (H1 2020), these estimates will almost certainly be exceeded.

So, telcos will need new ways to attract and retain customers as they learn to navigate the mid- and post-pandemic reality. But they also now have the perfect opportunity to provide services that will make them even more central to their subscriber's households. The next step for new generation bundles is now to offer more value and ease-of-use as well as a variety of add-ons, which will likely include smart home and IoT, services for connected devices, and so on – definitely a market category to keep a close eye on.

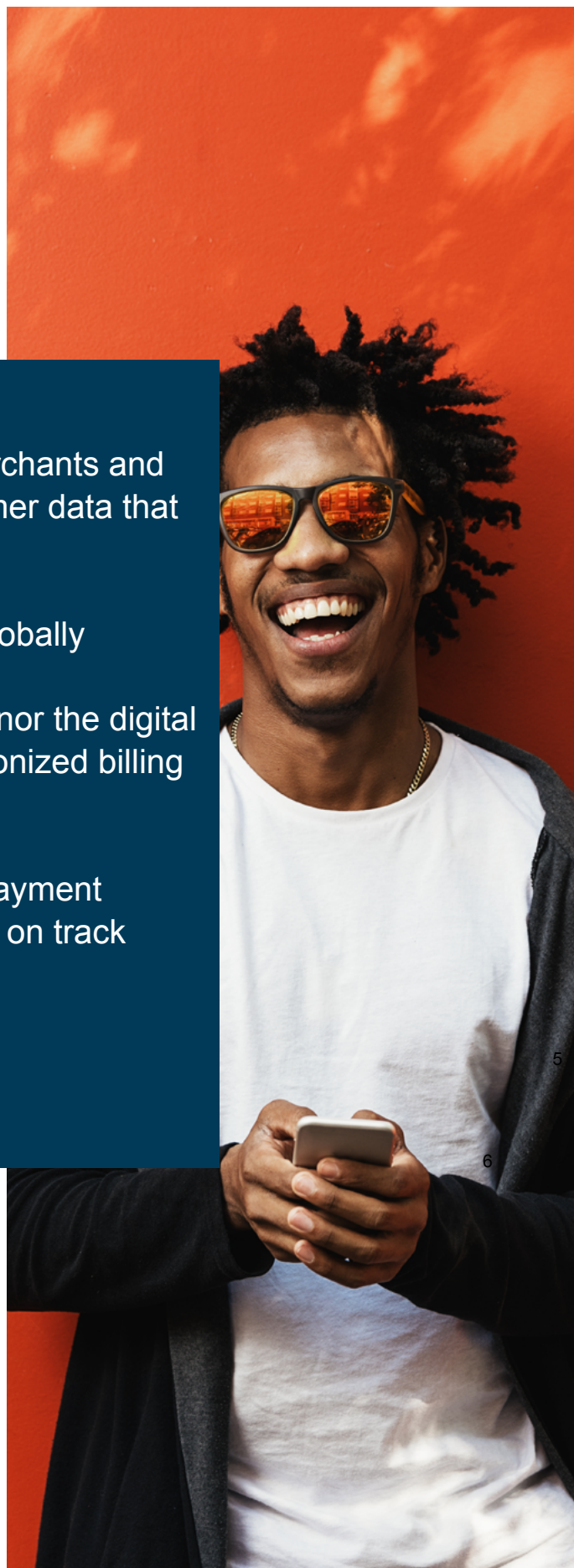
Partner up with a digital merchant through an experienced payment service provider

If you're wondering how to find the right digital partner and make the most of this relationship, get a trusted digital payments partner who can help you create bundles and promo packages while offering established merchant relationships.

With DOCOMO Digital, you get access to:

- A pool of the world's leading digital merchants and their audiences – and extensive customer data that comes along with those relationships
- Leading direct carrier billing services globally
- Payment reconciliation, so neither you nor the digital merchant has to worry about unsynchronized billing cycles or multiple currencies
- Expert knowledge in local and global payment regulations, making sure you're always on track
- And much more.

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ABOUT US

DOCOMO Digital is the international payments business of NTT DOCOMO. We partner with carriers, merchants, OTT services, app stores and payment providers in both developed and emerging markets around the world.

We solve the challenges of customer acquisition and retention, regulation, and complexity for our partners with alternative payment methods such as direct carrier billing and digital wallets. Our robust managed services platform and coverage across carriers and the most locally relevant payment methods enable faster time-to-market, especially for streaming, gaming, eCommerce, and productivity application providers.

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