

# *What role will telcos play? - Monetize data or serve as trusted third parties?*

Give Customers the Control of their Digital Lives

Digiworld Summit – 2016 – Plenary Session Day 2  
Trust as an opportunity - Players working to provide a safe environment  
17.11.2016



**WE CHOOSE IT ALL**

*Telefonica*

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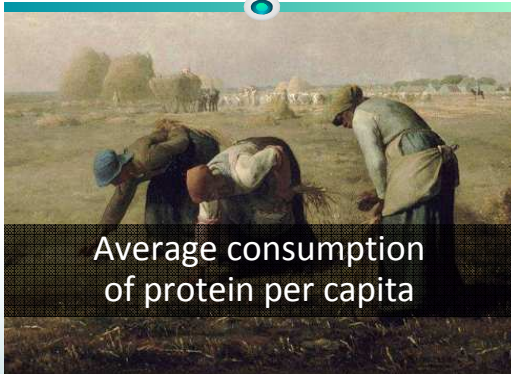
**WE CHOOSE IT ALL**

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# We are at the beginning of a new society

## Agricultural Society

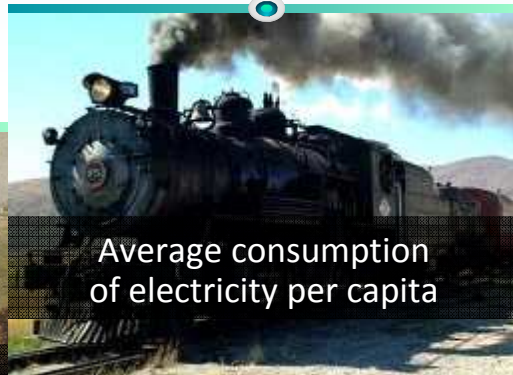
4000 BC ~ 1763



Average consumption  
of protein per capita

## Industrial Society

1764 ~ 1970



Average consumption  
of electricity per capita

## Internet Society

1971 ~ 2015



Internet penetration



# Are we at the beginning of a new society?

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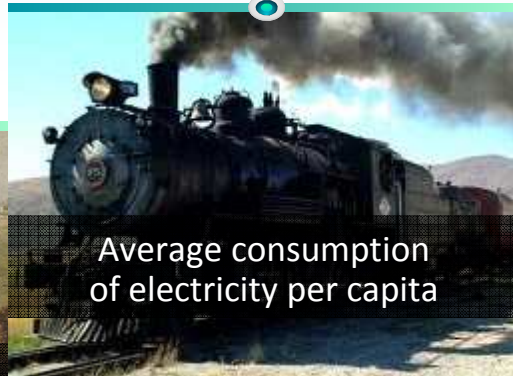
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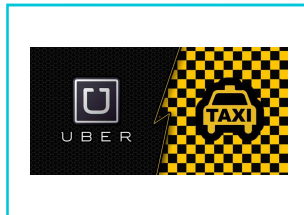


Internet penetration

# It is a revolution: the way of doing things is changing and the essence of this change is not the technology

## New ways to meet demands of consumers in the digital economy

### Transport



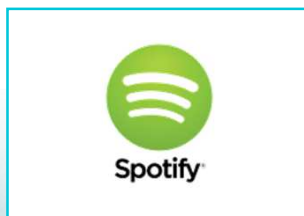
### Hospitality



### Telcos



### Entertainment



### Media



### Finance



- Technology sectors
- Traditional sectors
- Developed countries
- Emerging countries
- Growing Economies
- Economies in crisis



# We are at the beginning of a new society: which is the next step?

## Agricultural Society

4000 BC ~ 1763



## Industrial Society

1764 ~ 1970



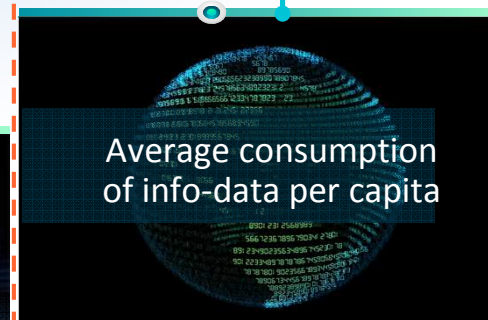
## Internet Society

1971 ~ 2015



## Data Society

After 2015

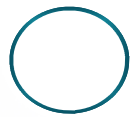


### What data society means?

1. Always connected
2. Data processing
3. Transformation of Business Models

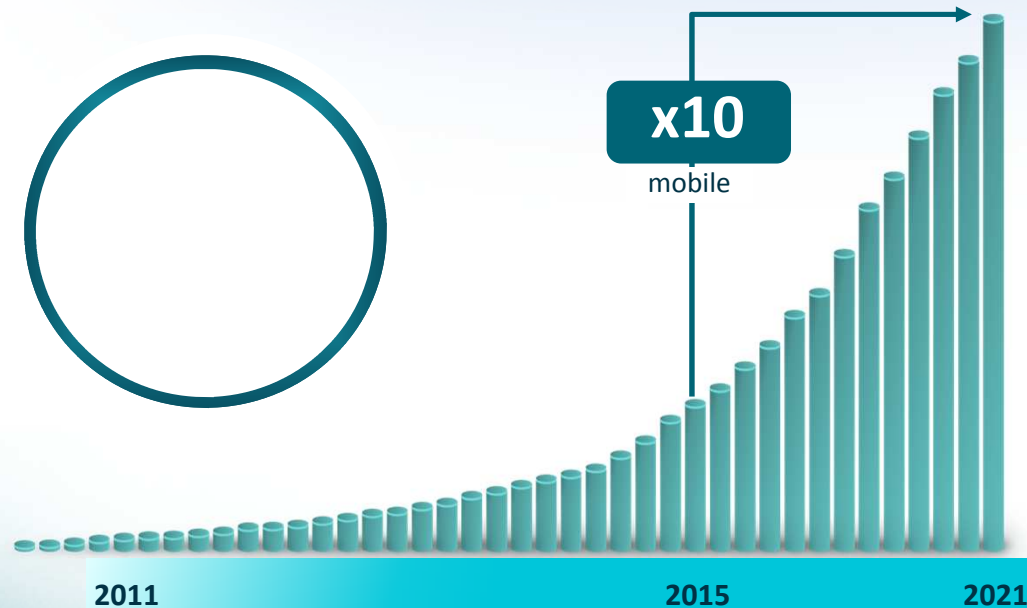
*Digital Economy*





Always connected, generating more and more data

## Exponential data traffic



### Global CAGR 2015 -2021

- +10%** smartphone subscriptions
- +50%** data traffic / smartphone
- +55%** mobile video traffic

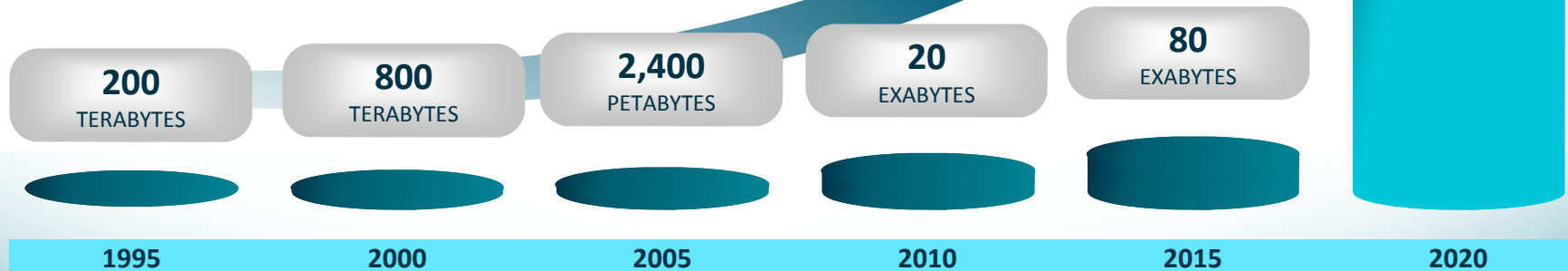


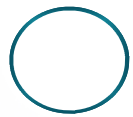
- Data will not only be stored, it will be processed to generate insights

## Exponential data volumes

### BIG DATA

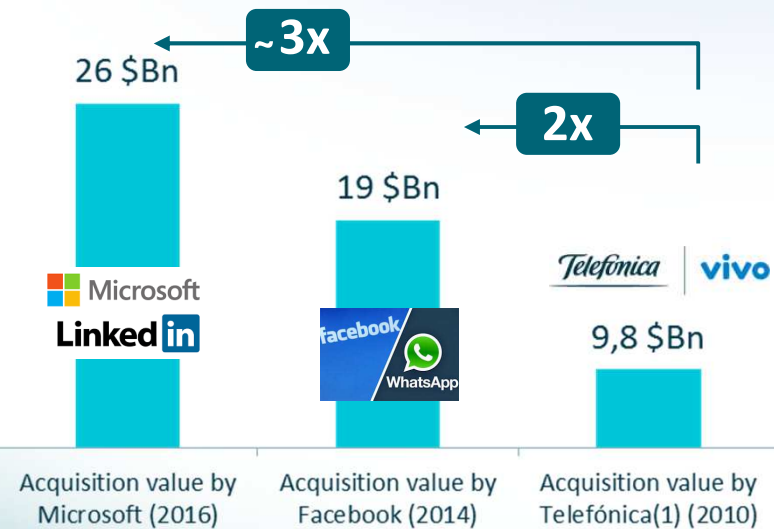
Data / month





## The preeminence of data explains current huge investments

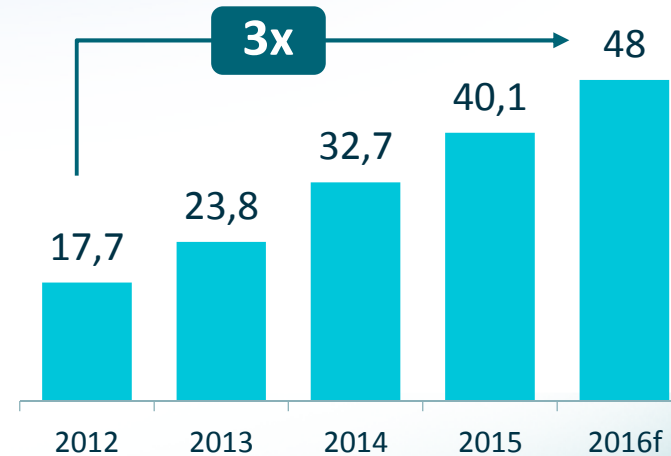
Why to pay 22 €Bn for companies that do not make money?



Why to invest \$8 Bn/year in data centers?

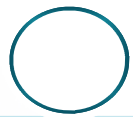
Google

Property / Plants / equipment (\$Bn)



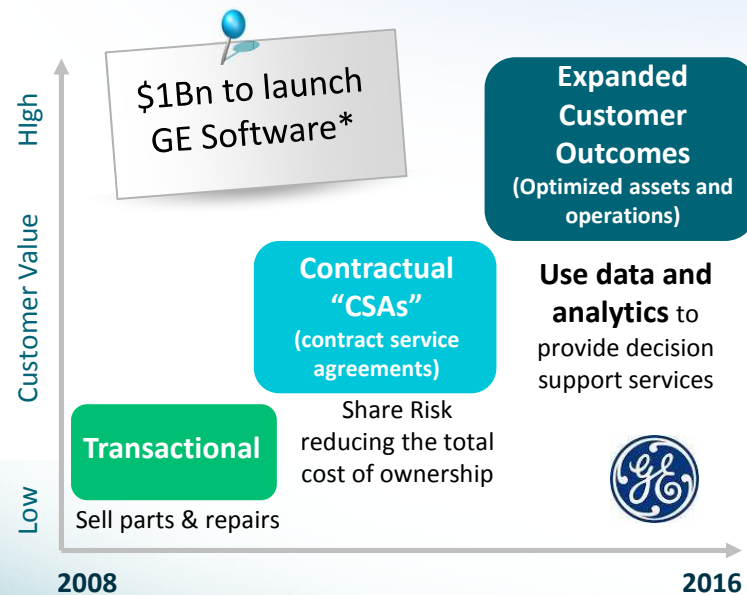
(1) Telefónica acquires Vivo in 2010 for 7.500 €M (9,8 \$Bn)

Source: <https://www.google.com/finance?q=NASDAQ:GOOGL&fstype=ii>



## ... and strategic transformations to seize the data opportunity

### Industrial firms becoming software companies (GE business model evolution)



\*GE Software HQ: A global center to develop & support software applications uniformly across business. Launched in Nov. 2011 to seize the opportunity of Industrial Internet. Software specialists were assembled together at the GE SW HQ (re-location of talent).

### ... and building in-house capabilities

Telefonica

> 500

Experts of Data Science and Big Data

Research at Google

>1.115

Experts of Data mining / visualization, Art. intelligence, computing & statistics and economics

Data economy grows in the context of the Digital Challenge

## The Challenge

Digital Economy is Economy itself

Digital Life is Life itself

The rules of the game





Data for what?

Storing data could not serve  
any **purpose**, but ....

Data can **enrich** customers'  
lives, and **benefit** society

## A wide variety of benefits derived from the use of data

**Data for Social Good**



Pandemic disease  
information

To prevent crime

**Data to increase  
services efficiency**

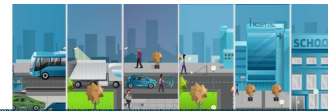


Intelligent Transport  
Systems



Pre-positioning  
Emergency Services

**Data to face world  
challenges**



Smartcities

Primer desafío de IoT para el Agro  
Conteo remoto de polillas Lobesia Botrana  
Inscripciones hasta el 13 de Noviembre



Smart Agriculture

**... or even to improve  
Gov. official statistics**



The Billion  
Prices Project @  
MIT

More accurate daily  
inflation series

But also data  
generates fears ...

Sometimes for  
good reasons

## Negative perceptions



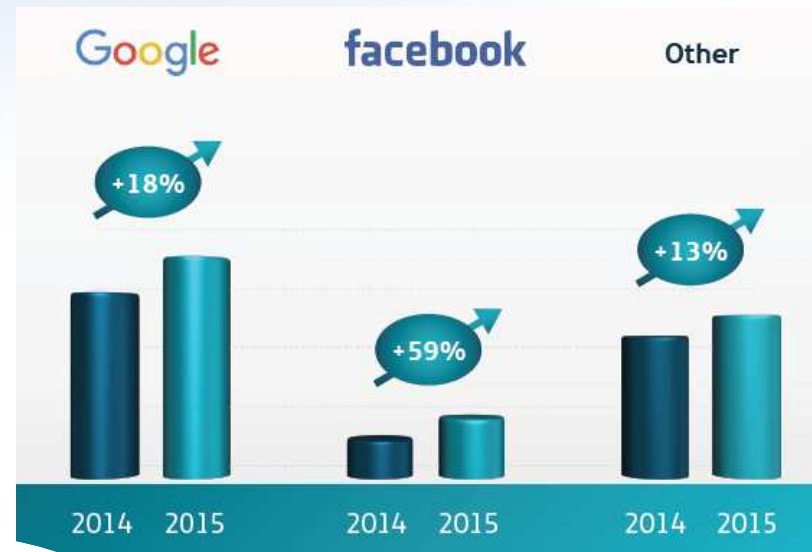


Partially connected with OTT business model, where revenues are directly linked to commercial and intensive usage of personal data ...

Advertising spending per channel (US, \$Bn)



Advertising Revenue (US)



## ... and associated problems in Transparency ...



**ars** TECHNICA SIGN IN ▾

LAW & DISORDER —

### TOS agreements require giving up first born—and users gladly consent

Study says participants also agreed to allow data sharing with NSA and employers.

DAVID KRAVETS - 7/13/2016, 12:20 AM

98%

... of university students<sup>(1)</sup>, didn't bother the TOS before signing up for a fake social networking site



They agree to provide their first-born child as payment for the service

10  
pages

The terms of service was 4,316 words (10 pages)

16'

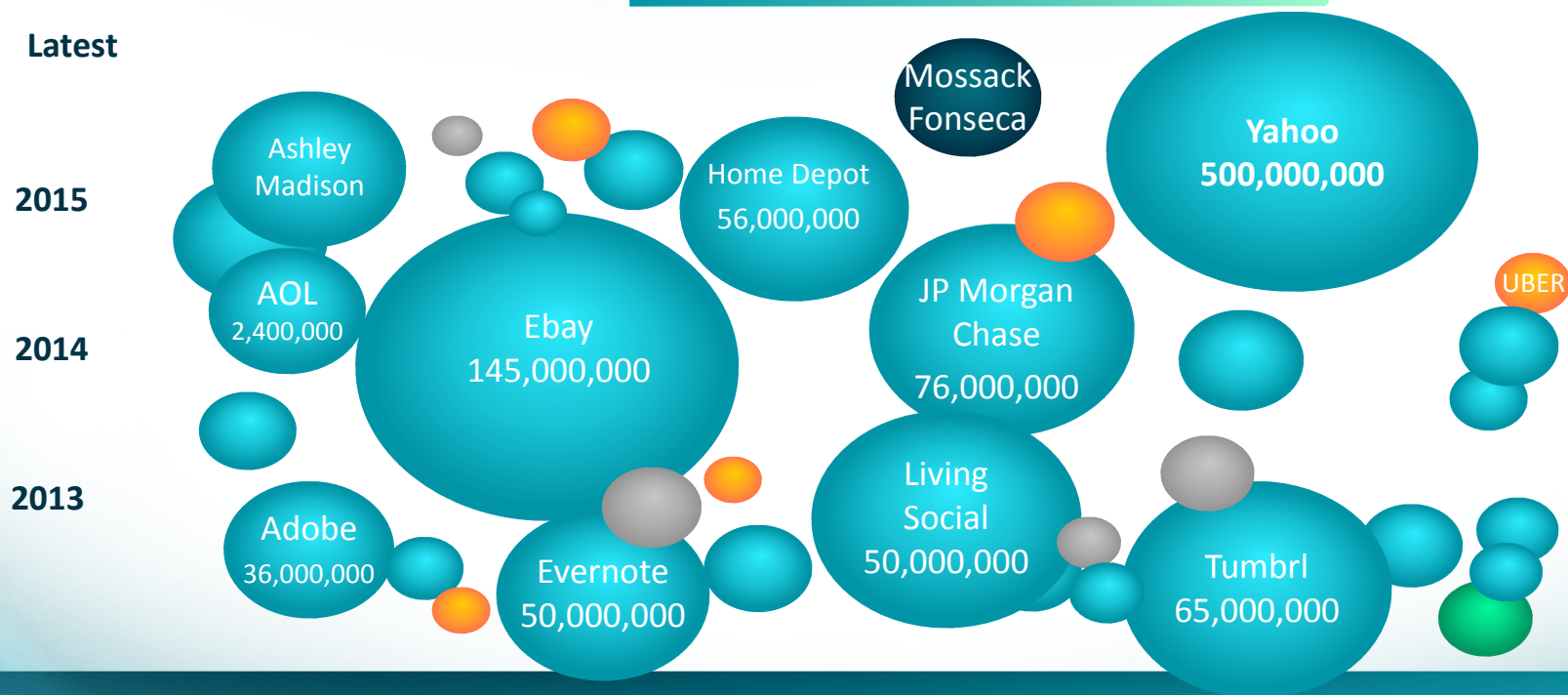
... minutes is the average adult TOS reading time<sup>(2)</sup>

(1) 543 University students involved in the study.

(2) For readers, average TOS reading time was 51 seconds. The average adult reading speed is 250-280 words per minute (TOS should have taken 16 minutes).

## ... and Security

### Security breaches. Stolen records



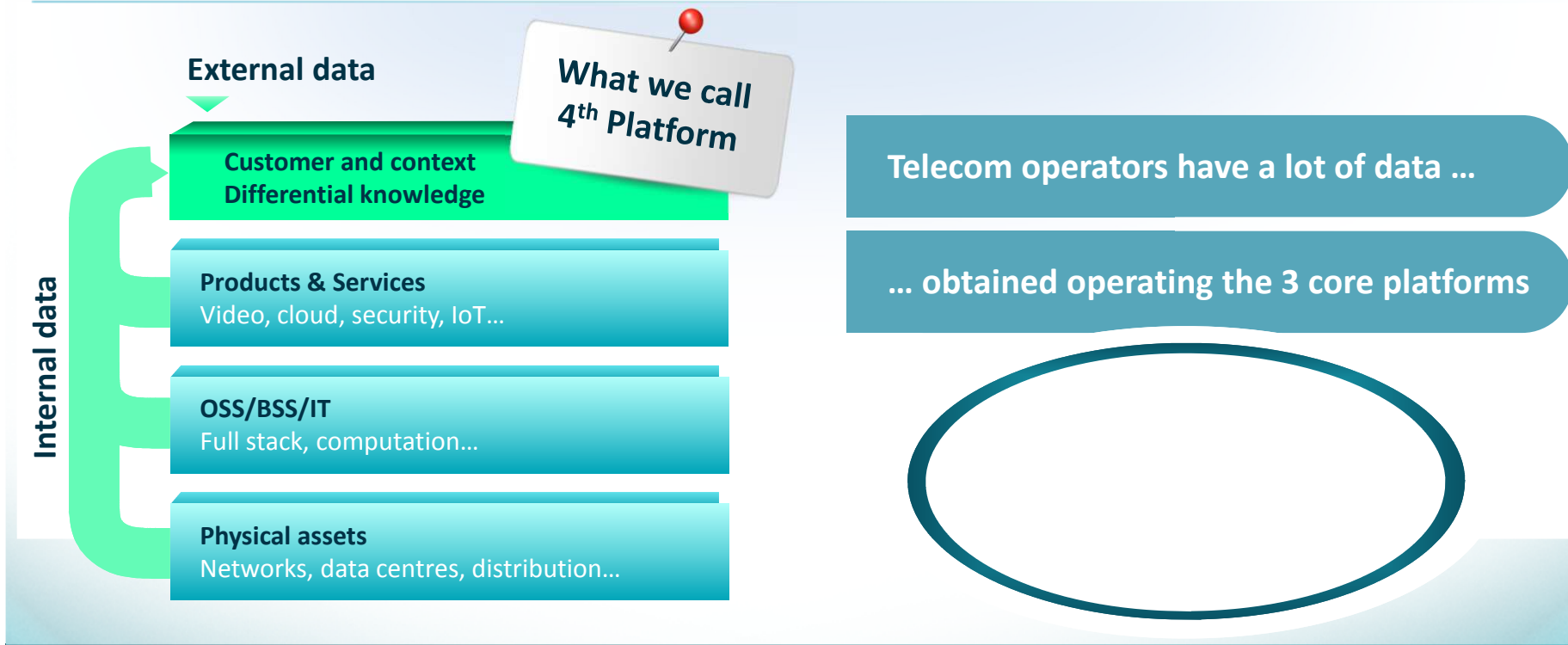
Source: [www.Informationisbeautiful.net](http://www.Informationisbeautiful.net)

As a result, the management of data is now in the public agenda, and confidence is becoming a business challenge





# The big question: Is there any space for Telco Operators in this world?



Telco Operators manages different data than OTTs

# Which could be the Telco proposal?

## Our own data space

- Managing **our own data**
- Different business, **different approach** than OTTs
- **Different position** on consumers data: we do not need to sell customers data
- **Respect & Trust** on customers data



## Value and Trust

- Our customers want **value** for their personal data. They want confidence
- We believe we are in the **best position** to provide **digital confidence**
- We can **provide value** to our customers for all the data that we hold

## What does Telefonica want to do? Data for customer benefit

### Give the Data Back to customers

1 To ensure that customers have...

Control of their personal data

2 To guarantee that customers...

Have a choice

3 To ensure that data is used to ...

Enrich lives

4 To help business to...

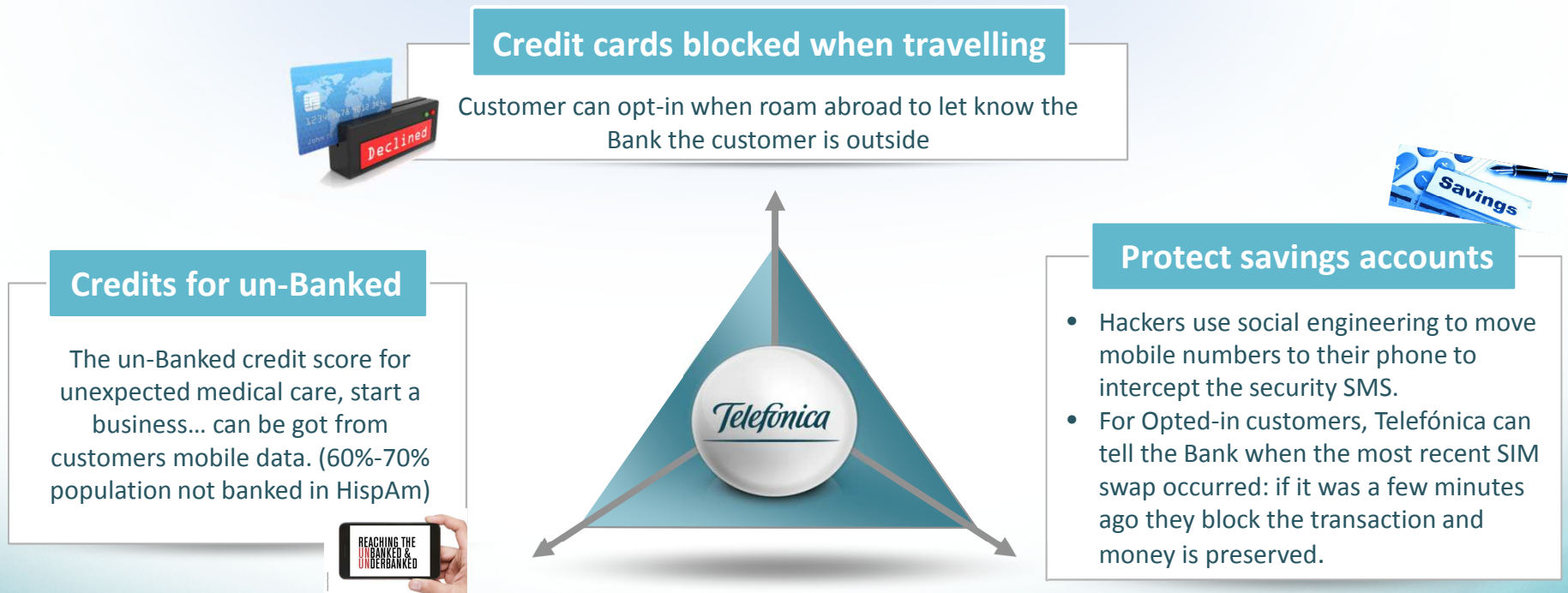
Make better decisions

5 To deliver...

Society benefits

We have identified hundreds ways to help customers through the information we hold on them

## Some examples where Telefónica is working on show, not just big-data, but also tiny data, can enrich experiences with third parties





We want our customers to have a choice: we want to give back the control to the customer



### Digital Introvert

- **Protect** their privacy
- **Stop** being tracked

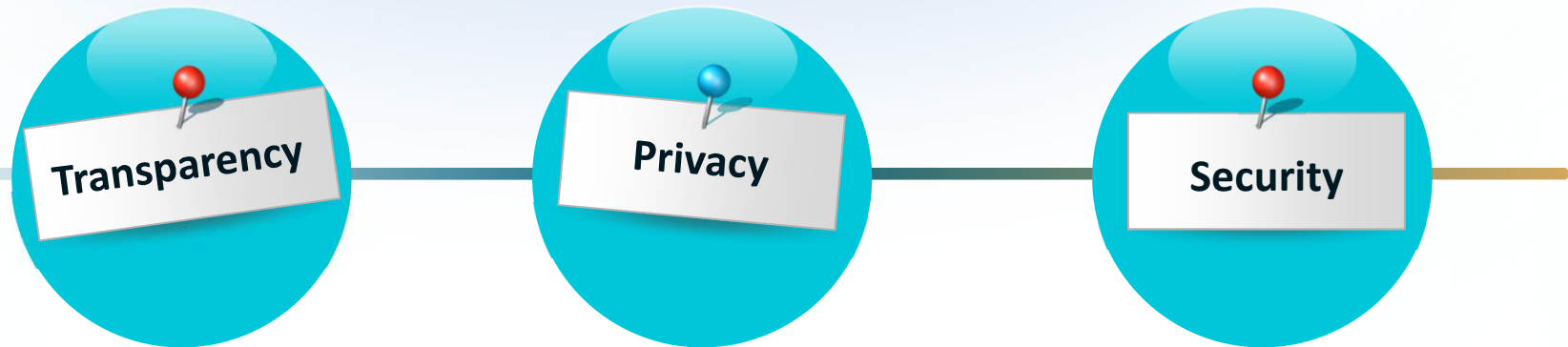
It's  
your  
choice

### Digital Extrovert



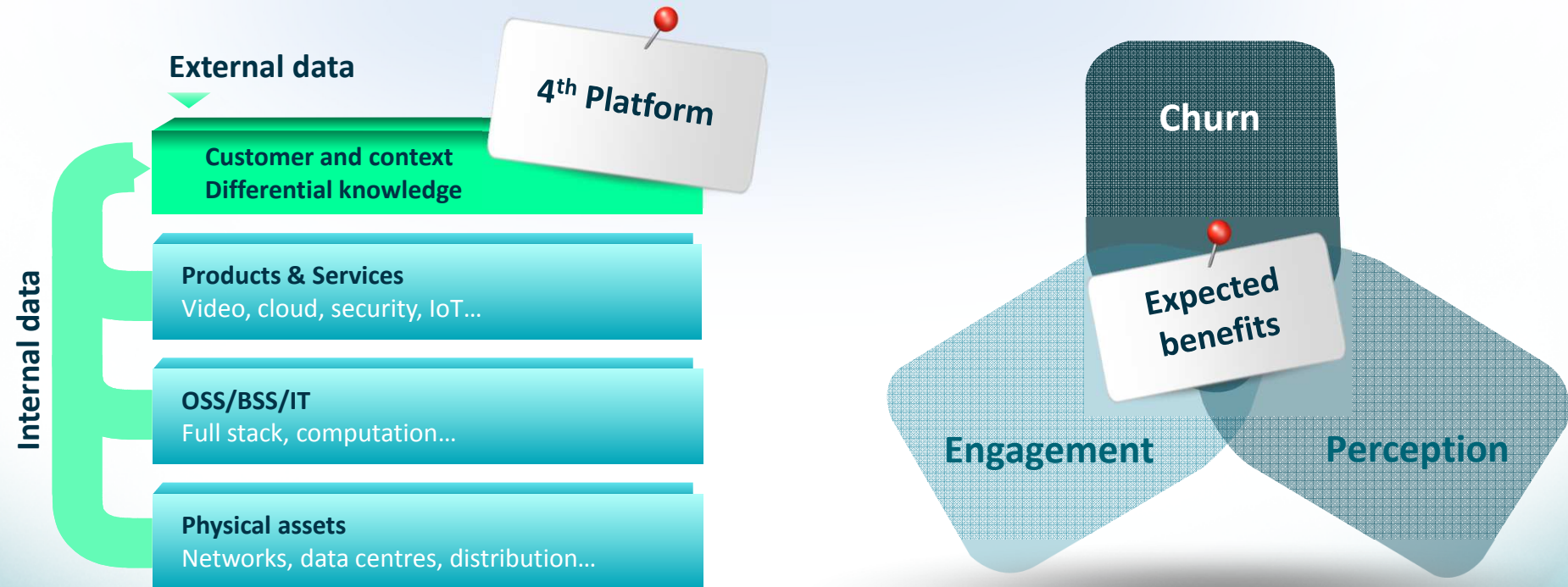
- **Engage** with brands they are in love with
- Receive **rewards** and **incentives** on return

Also working on **Digital Confidence**: providing the basic tools



But then, where does the money come from?

We don't expect to get direct money from it, since customers already pay us



**A new approach to solve the traditional challenge of Telco operators:**  
**The relationships with their customers**

Not all customers have the same needs: helping business customers

*Telefonica*

## LUCA, the Big Data Unit



Helping business customers to  
take advantage of their data

- Anonymized, aggregated & extrapolated data, **can provide insights for businesses**
- **Great value for:**
  - Efficient planning
  - Financial Services, Retail, Insurance
  - Consumer Goods, Outdoor Media...



## And data can help us to make decisions

DECISIONS  
*based*  
on *BIG*  
*DATA*

- Real time contextual campaigns
- Churn reduction
- Video content recommendation
- Fibre / LTE deployment
- Financial risk control and finance policies
- Talent engagement
- Fraud & failure prevention

Preserving **Data privacy** and **Data sovereignty**

At Telefónica, we put the **customer at the center**

## OTHERS

The customer is the product

Advertising

Lack of security

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The customer has control  
over his digital life

Trust

Privacy and Security

*Telefónica*

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