Kutcher's Down with OTT, Carriers Not so Much

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I was impressed by Ashton Kutcher's keynote at CTIA. In fact, I'm going to go out on a limb and say that he was one of the best keynotes I've seen at either CES or CTIA, and I'm not even a huge fan of the characters he plays on TV. It's possible, that at 35 years old, Kutcher might also be one of the youngest keynote speakers at CTIA, aside from perhaps Spotify's co-founder Daniel Ek who spoke at last year's convention in New Orleans.

Kutcher's age puts him squarely in the sweet spot for a number of technologies. He grew up right along with the Internet. He came of age with social media, and I'm guessing he's had a mobile phone in his pocket since the early days of the Nokia bar phone. It'a all part of his life and he really gets the implications of technology on our lives and society, as well as the consequences and possibilities, which he articulated with intelligence and thoughtfulness during his talk.

But it wasn't Kutcher's youth or celebrity that afforded us such an interesting perspective. Rather, he came to the show as an engaged investor in cutting-edge tech startups. His opinions and comments were not tethered to or reined in by a particular business model or allegiance to a brand. I wonder how many keynotes have come to CTIA, sat in front of an audience of wireless executives from major carriers, and told them that they are in danger of losing business to a de-centralized model of Over-the-Top players that can offer a better, cheaper user experience? Not many.

While his opinions might have drawn guffaws from some attendees, or outright anger from others, it's straight talk from people like Kutcher that proves most valuable to a maturing industry. An objective viewpoint that discards the party line can prompt a few daring souls to envision a future that might not be entirely comfortable but may in the end be inevitable.

I recently spoke with Steve Leonard, executive vice president and general manager of Bandwidth, a company that has a very keen interest in many of the major OTT players. With over 35 million registered phone numbers, Bandwidth currently powers and routes connections, whether over its own IP network or through the (Public Switched Telephone Network) PSTN, for Google Voice, Skype, Vonage, What's App and more. Bandwidth is also owner of the Wi-Fi-centric Republic Wireless.

Leonard says the truth of the matter is that new OTT solutions are actually slowing.

But the current field, he says, is comprised of large players that cover a range of needs with their various business models. Skype, for instance, makes most of its revenue off low-cost international calls, while Vonage is based on a per subscription model. Regardless of whether more players enter the space, Leonard says the switch to IP-based networks has already shaken up the carriers, as well as the industry.

"We think [the tipping point] has already happened," Leonard said, noting that the carriers' tendency to fight innovation has once again left them far behind the curve. "They fight and drag their feet so long that consumers just find their way around it.”

Leonard says the same thing happened back when the carriers maintained tight control over the homescreens on their devices in an effort to keep out unwanted apps. "Eventually, Apple and Google opened up their own storefronts and did it better than the carriers could."

The same thing has happened here with OTT. The carriers initially fought innovative services like Google Voice and Apple's FaceTime, but consumers eventually found their way to them regardless.

Leonard points out that where voice is concerned, the carriers simply have not kept up with the pace of change. For instance, many consumers are getting their first phone number through OTT players like Pinger. "With Pinger on the iTouch...you've got 6- and 7-year olds getting a number that they might want to keep for the rest of their lives," he said.

We constantly talk about how IP-based networks have changed this industry, but how often do we really want to look at the extent to which they have done so? (Well, I'll concede that the CFOs at carriers small and large are well aware.) It's hard for me to really comprehend that as recently as 2000, I experienced physical pain after looking at my cell phone bill and noticing that my girlfriend had gone WAY over on voice minutes. That girlfriend is now my wife, so it wasn't a deal breaker, but that was certainly a time that validated the term "bill shock." And yet here were are 13 years later and going over on one’s voice minutes is the last thing on the wireless subscriber’s mind.

As Kutcher noted during his talk, Wi-Fi in conjunction with OTT VoIP and messaging apps really could suffice for a good portion of our connectivity needs. Granted, it's a big leap to say that's all we would need. I'm guessing most of us will always require some kind of connection for when we're away from the house. But how many people in 2000 would have believed we'd be streaming HD video over wireless networks? Then again, given capacity constraints and growing data demand, how

long will we be able to wirelessly stream HD video over a carrier's network?

Leonard says it's a brave new world indeed, and while he's excited about the switch to IP, he says the FCC needs to be vigilant and guide the industry, as well as consumers through this transition.

"I think there are some things that need to get figured out," Leonard said, noting that he thinks the FCC will have to make sure that consumers are protected in a way that is consistent with current laws and regulations that exist for telephone companies.

"I'm also a little concerned about how we're going to keep order," Leonard added. "For better or worse, the bad people can tend to figure out new technology a bit faster than the good people sometimes. We have to keep our eye on that and make sure we don't lose sight of protecting consumers at the same time as driving innovation. You ask about volatility – if we piss off the consumer, we're all in trouble."

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