



The Digital Platforms: balance on services provision

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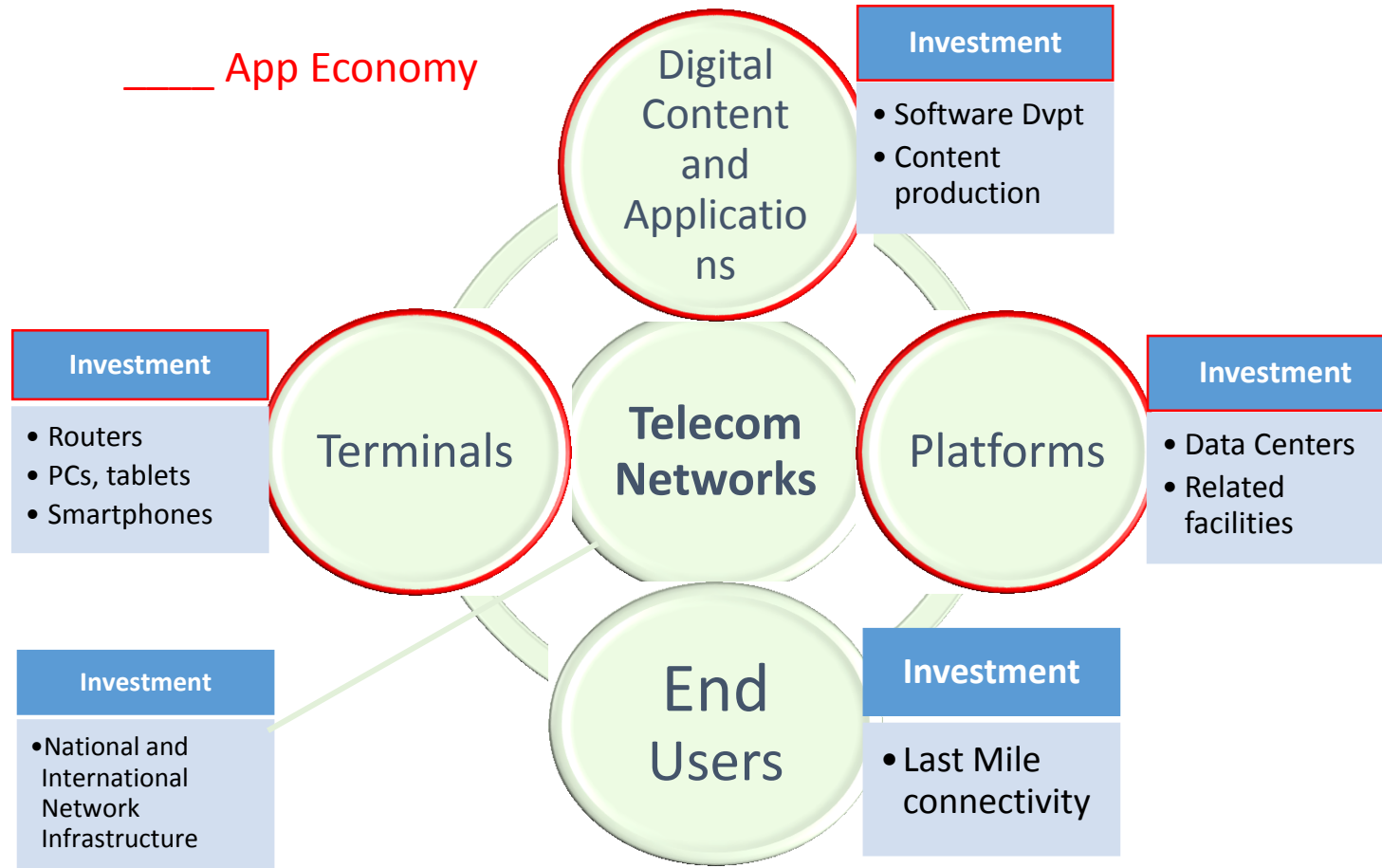


Agenda

- The digital value Chain?
- Is the App Economy affecting or encouraging technology developments?
- How do we measure the App Economy?
- Possible regulatory approaches and recommendations

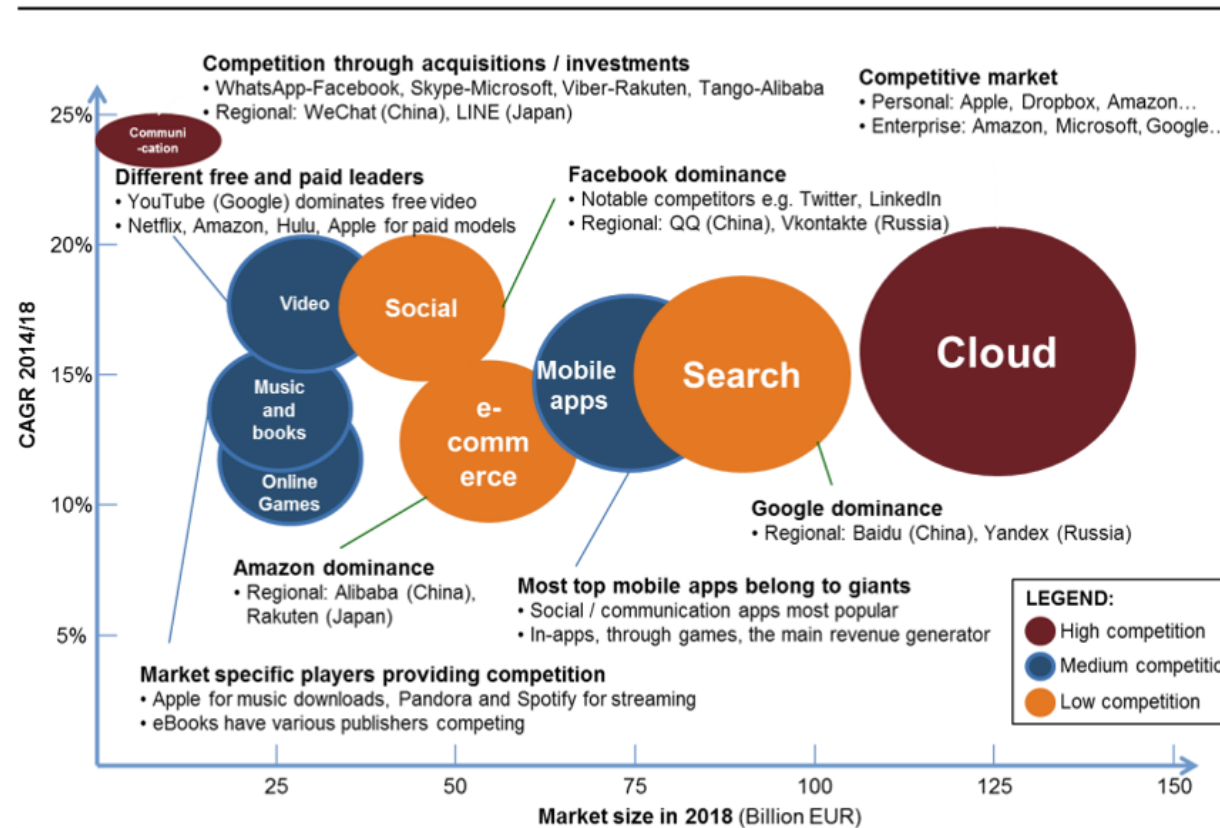
The Digital Value Chain

The digital value chain incorporates many players
Infrastructure operator is no longer the exclusive provider of services.



Content and Applications market Size

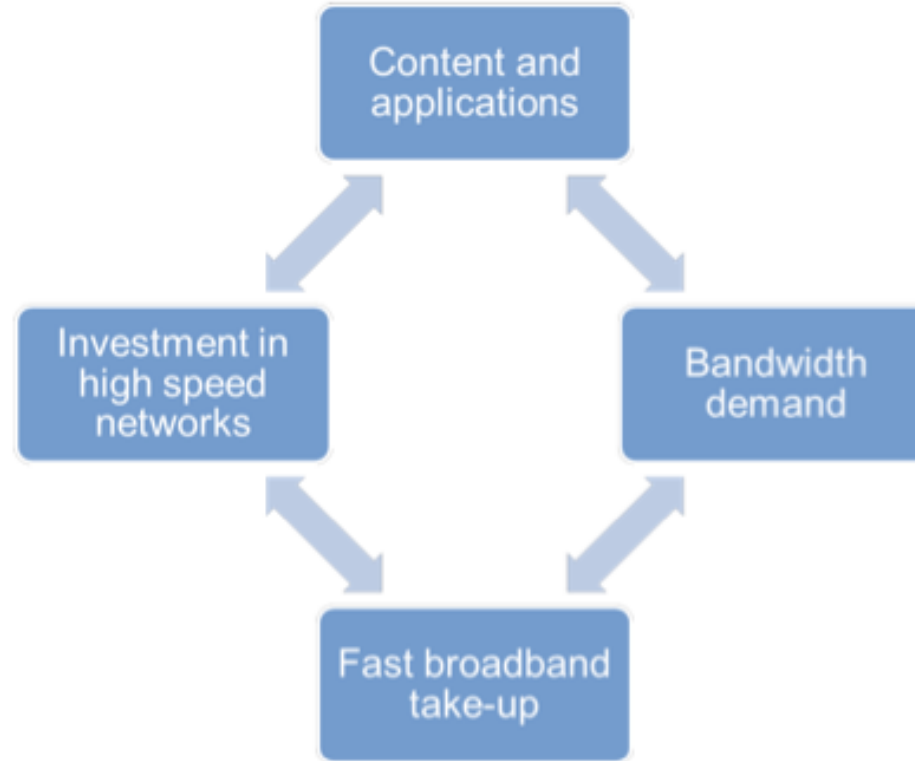
Figure 8: Online services and applications: Market size in 2018 (bn Euro), CAGR 2014-2018 and degree of competition



Source: IDATE (2014): State of Internet services worldwide, December.

Virtuous circle of networks and applications

Applications and content generate user demand – offer services that make connectivity desirable – thereby boosting broadband take-up and leads to new network investment.



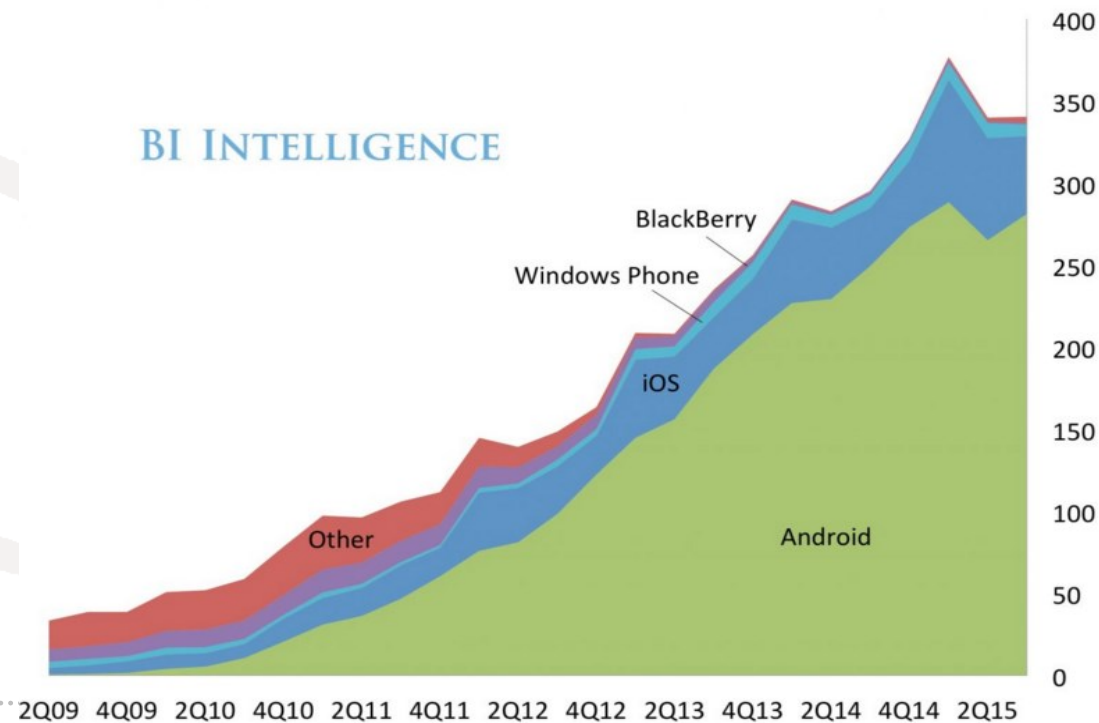
CAPs help push for an alternative revenue model based on data rather than voice services

Both sides of the value chain – networks and applications providers – offer value to each other.

- **Should content providers contribute in the investment in telecoms infrastructure?**
- **Is there a trade-off between increased usage of applications and content, and investment in telecoms infrastructure?**

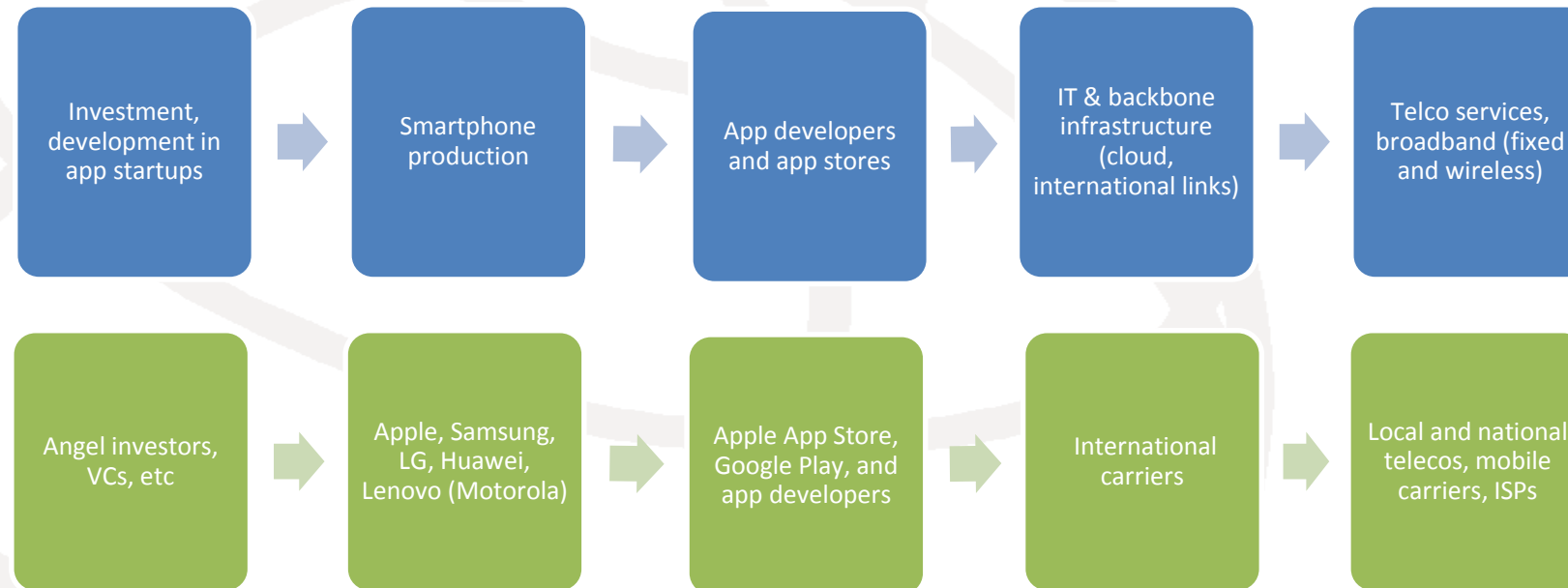
Structure of the App Economy: Market Concentration

- The dominance of the existing big app companies as the home to the two dominant app platforms may prove to be a barrier to the growth of the app economy in developing countries.
- However, despite this concentration, other countries such as, in Asia have shown that a vibrant national app economy can be developed based on the specific preferences of the domestic market (e.g. China).



The App Economy Value Chain

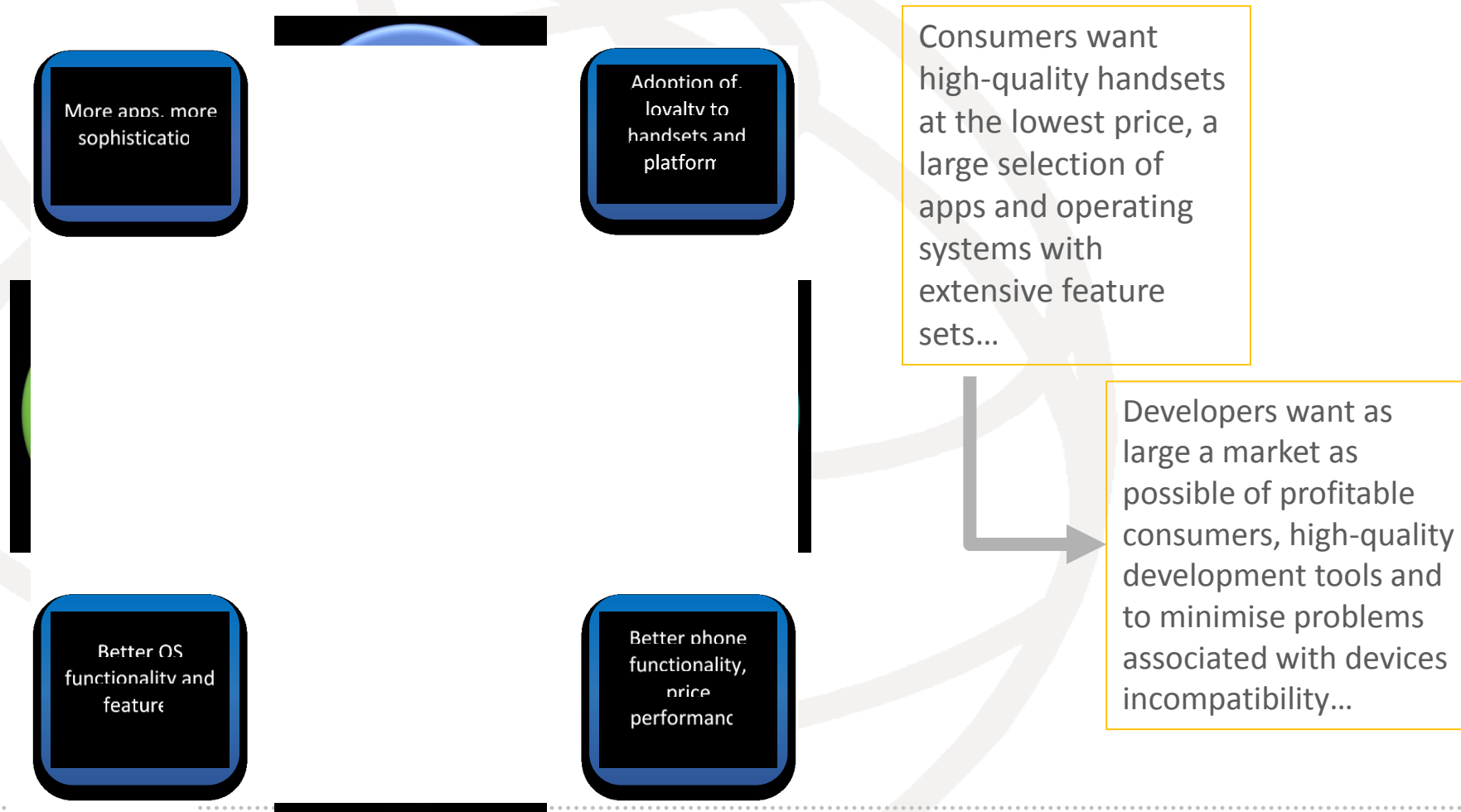
One starting point for developing a definition of the app economy is to understand the app value chain.



Source: Systems Knowledge Concepts (www.skc.net.au)

All the economic activity in the app value chain that is required to deliver apps and their associated network functionality to end users.

The 'virtuous cycle' of the App Economy ecosystem



How do we measure the App Economy?

How do we measure the App Economy? (1)

- The traditional measure of economic benefit or increases in social welfare is ‘value added’.
- The apps economy is about a ‘barter economy’ – app companies offer services and functionality in return for attention and personal information.
- Since the statistical collections that directly measure the value of the app economy are not available, it is suggested three different ways in which the impact of the sector can be measured:
 - The Value Chain and Consumer Surplus Method
 - Capital Value Method
 - Productivity Method
- The emergence of the App Economy has prompted widespread industrial change. However, quantifying the scale and scope of these changes is complex.
- There are significant economic impacts of the App economy especially when it is estimated that in Europe up to 2% of the labour force (depending on the market) is already engaged in the App Economy.

How do we measure the App Economy? (2)

Value Chain
Method



Capital Value
Method

Productivity
Method

The capital value method measures the value of equity – which in turn is dependent on investors perspective of the future profit streams that the sector may generate.

The productivity method measures how the output of the app economy will influence economic activity in other areas and facilitate new industries and activities.

method is aimed at size of a sector – e.g., how es it directly and indirectly omes are generated? This d approach to measuring of a sector. It would also ate of the level of value umers over and above enerated.



Possible regulatory approaches

The debate on optimal regulatory approaches

Different perspectives on the app economy and its regulation

REGULATORS



- Security
- Rules
- Law
- Risk management
- Cyber-war
- Cyber-crime
- Protection of assets
- Protection of society
- Protection of privacy
- Protection of traditional market players
- Labor protection
- Syndicates
- Control
- Enablement of international digital spaces
- Enablement of cross national technologies
- Norms
- Consumer protection
- Enablement of a digital single market



DIGITAL



- Free economy
- Boundless communication
- Full transparency
- Business opportunities
- High rewards
- Freedom of ideas
- Money
- Open society
- Open economy
- Open government
- New ideas
- New ways of working
- Flexibility
- Connectivity
- Global village
- Innovation
- Entrepreneurship

Recommendations (1/2)

- Undertake a review of the regulations applicable to network operators and OTT players
- **Update the licence conditions** and as required provide deeming provisions for non-resident OTT providers etc.
- **Assess and continually monitor** the state of competition in the market
- **Collaborate with tax authorities**
- **Promote and facilitate ubiquitous broadband** (especially wireless broadband)

Recommendations (2/2)

- Ensure adequate and up to date **data protection, privacy and cyber security legislation** based on global exemplars
- Establish **co-ordination procedures between other sector regulators**
- Engage in **greater public awareness and advocacy campaigns** in relation to digital/ICT services
- Regulators must **engage more broadly with education and training sector**

Studies on App Economy



- GSR 16 Discussion Paper :
The Race for Scale: Market Power, Regulation and the App Economy available at: www.itu.int/en/ITU-D/Regulatory-Market/Pages/bestpractices.aspx
- Impact of the ICT App Economy/ OTT services on national socio-economic growth - Case study of South Africa and Ghana – under preparation
- ITU Study on Policy and Regulatory Aspects of the App Economy – under preparation

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Thank you

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