

#### Anne Bouverot, Director General, GSMA Oberthur Annual Convention 2013 Tuesday, 29 January 2013

It is a pleasure to join you here today, and I thank Xavier for inviting me to share with you some of the things the GSMA is working on. Over the next 45 minutes or so, I will offer our perspectives on mobile operators across various market segments and the services and technologies that will be shaping the future of mobile. And of course, my presentation will underscore the fact that SIM cards and services that leverage them, such as NFC and identity, are now recognised by operators as key priorities.

## **Mobile Market Segmentation**

One of the main focuses for the GSMA is to work with our mobile operator members to identify the opportunities that are going to drive the mobile industry forward. We have nearly 800 operator members around the world, across markets that are in very different stages of development.

In order to gain a better understanding of the opportunities and challenges facing our members across the globe, we recently conducted a market segmentation exercise based on a range of criteria, such as the deployment of 3G+ technologies, the penetration of smartphones, and the percentage of non-voice/messaging revenues. As you can see on the slide, we have defined four market segments.

The "Discoverers" are those operators in emerging markets such as Southern Asia, Nigeria and other countries in Africa, characterised by very low penetration of 3G technologies and smartphones, and their revenues are still predominantly based on voice services, massively prepaid. They are busy increasing mobile coverage and providing relevant local services, and by 2014/15 we think they will all have moved into the next segment.

This next segment is the "Fast Growers", operators in developing markets such as China, Eastern Europe, Central and South America and South Eastern Asia. These countries gather nearly half of the world's population. As you can see here, we see a greater adoption of both 3G technologies and smartphones, although still not more than 50% in most cases. They are rolling out 3G networks and concerned about smartphone affordability, and thinking about how to develop mobile Internet services for low ARPU segments.

Moving further up, we have what we call the "Connected Players", which are found in mature markets, primarily Western Europe. Penetration levels of 3G in these markets are quite high, nearly 70%, and smartphone penetration is also quite high. About half of the customers are postpaid and the revenue for operators less voice-centric. They are very challenged, as their revenues are stagnating or even declining, while data traffic on their networks is exploding and they are facing competition from new players coming from the Internet world. They need to handle ever-growing data traffic and deploy 4G networks, and find ways to innovate and strengthen customer engagement.

Finally, we come to the "Digital Pioneers", or operators in advanced markets such as North America, Australasia, the Nordics and East Asia. The hallmarks of these mostly postpaid markets are extremely high penetration levels for 3G and also very high smartphone adoption. As you can see, non-voice services comprise a much higher proportion of their revenue. Their challenges are the monetisation of their network investments and the integration of mobile into adjacent industries.

Clearly, the operators that we work with have different business profiles and therefore, have very different requirements of the GSMA in terms of how we can help them move to the next phase of development.

### **GSMA** Initiatives

The GSMA engages in a wide range of activities, but this slide highlights the strategic initiatives we are undertaking with our operator members, as well as our associate members, including companies such as Oberthur.

These key initiatives include Future Communications, such as joyn and voice over LTE; Transactional Services, such as NFC and mobile money; Connected Living, which will see nearly everything, and everyone, in our lives connected via mobile; Mobile Identity, which provides secure electronic identification and enables a variety of applications and transactions; Network APIs, an initiative to standardise a series of network APIs, allowing operators to expose their network assets to developers, for the creation of new and more compelling applications; and Spectrum, which focuses on securing the critical spectrum resources the industry requires to support mobile services now and into the future.

I won't go into each of these programmes, but I would like to highlight a few that I think are particularly relevant as we look at the evolving role of the SIM.

# The Connected Life

Mobile services are changing the lives of billions of people around the world. We have more than 6.8 billion mobile connections today, representing more than 3.2 billion individual subscribers. I would like to pause there for a moment, as these numbers are not very intuitive – we are saying that less than half of the world's population, about 45%, has access to mobile. This is due to multi-SIM ownership in prepaid markets where customers optimise their spend, and multi-equipment with smartphones, tablets and laptops in mature markets. And this shows that there are still ways to go to reach more of the world's population.

But these numbers start to look actually quite small if you compare them to the forecasts by the GSMA and Machina Research, where we predict that we will get to 25 billion connected devices by 2020. This transition will see us having many connected devices in our lives, whether it's our mobile enabled health monitor, our connected car, or smart meters monitoring our energy consumption.

And of course we will all be carrying an array of dazzling consumer electronic devices. Glen Lurie, the President of Emerging Devices at AT&T often states that there is not a device out there that cannot be improved by the addition of mobile technology. I believe he is correct.

# The Digital Life

As we march down this road to a connected life, we are also moving towards a fully digital life.

Who could believe that the CD, introduced in 1982 and heralded as the long-term future of music, will soon vanish into history?

And so it is with books, newspapers and magazines. In the United States, in 2010, Amazon sold more electronic book than physical ones. And of course the publishing business is working through the new economic models required to survive in this digital world.

We all now use digital cameras and store our pictures on computers or on our phones and tablets. In 2009 Kodak announced that it had discontinued its iconic slide film, Kodachrome.

In the last two years we have seen physical tickets and boarding passes start to disappear.

We're starting to see the emergence of digital wallets.

Finally we are also starting to see the first moves to digital identities, carried on our smartphones, a development that the GSMA finds very interesting, which is why this is now one of our key initiatives.

## The Connected & Digital Life

The move to a Connected Life, and a Digital Life converges on your smartphone. It's a well-used statement, but when people leave home, they are far more likely to forget their keys or wallet, than their mobile phone. Smartphones have become the essential companions in our lives.

Your smartphone will be able to carry your wallet, identity, keys, music, books, photos, tickets, loyalty cards, mail, itinerary and the list goes on. As these smart devices become the most powerful and important items in our lives, we also need to remember that they carry some vulnerability given the precious and confidential information they now contain.

### **NFC: The Critical Link**

This is a topic that is near and dear to my heart, as I have been heavily involved in NFC for a number of years, since when I was with France Telecom Orange before joining the GSMA.

NFC is the critical link between your digital life and the connected world. It will be the technology that allows you to make transactions. And of course, the possibilities for these transactions are nearly endless.

**Ticketing** – With NFC, travelers can use their handsets to purchase or amend electronic tickets and immediately download the ticket and store it securely on the handset. They can check-in for flights and use their phone as their boarding pass. Additionally they can access timetables or other important travel information.

**Payments** – In retail, the obvious application for NFC is tap and go payment, but there are also other useful applications such as the ability to access to information and services via NFC tag-enabled ads.

**Loyalty** & **Couponing** – There is a simple and powerful case for uncluttering your wallet and replacing all of your transport and retail loyalty cards by simply storing them on your NFC enabled phone. The ability to receive and redeem coupons and personalised offers is also an obvious application, and one that greatly enhances a consumer's shopping experience.

**Access Control** - Mobile NFC can also be used for access control across a number of areas. It can create mobile "keys", replacing traditional keys with NFC-enabled access to buildings or vehicles. It can offer automated hotel check-in and room access, as well as entry to personal homes. NFC can also be used for secure PC login, replacing traditional password-based PC security schemes.

# **Mobile Identity**

The creation, management and use of digital identity have become critical issues over the past two decades. As a growing percentage of the world's population makes ever-greater use of online and digital services, the notion of identity has become more complex and multidimensional. At the same time, identity theft and associated fraud have become an ever-greater burden on society and businesses.

Today, a typical consumer has around 26 different online user names, but only 5 different passwords. Worldwide, it is estimated that some 148,000 computers are compromised by hackers and malicious code every day. The annual cost to businesses has been estimated at over US\$350 billion, and that figure continues to rise.

This situation represents a substantial opportunity for mobile operators, for whom the provision of secure, authenticated services backed by diligent fraud prevention measures is an established part of daily business.

By offering their customers more direct control over the management of their identities, while giving other service providers the opportunity to enrich their offerings to consumers, mobile operators can become central players in the management of safe transactions and secure identity verification.

Mobile identity services unlock a new range of opportunities from secure access to personal data and financial and eGovernment services to secure NFC transactions, digital voting and life events registration, such as births and deaths.

## **Connected & Digital Life Imperatives**

Clearly, when a large part of your "life" is on your phone, there's an expectation that it will meet a number of high standards that consumers expect. They are imperatives for your Connected Life and your Digital Life.

Of course, global reach is something we just expect.

Secondly, we need interoperability and portability of services. In a global world and economy, it would be very impractical if your identity documents could not be transferred from one phone to another, or across different networks. The mobile industry has always been committed to the principles of interoperability and portability

Thirdly, we need a very high standard of security. The mobile operators provide that security through the SIM card, which is certified and standardised, and provides the bank levels of security. The SIM can support multiple services and most importantly, it is the only solution that can be securely updated over the air, so that services can be terminated in the case of theft or loss.

And finally, the mobile operator community is committed to the principles of privacy and transparency as to how your personal information is used.

When it relates to paying with your phone, to managing and storing confidential information, to your identity, you need to have a high level of trust and confidence in the company looking after your information. And the challenge is to be able to do it in a simple and intuitive way, so that customers accept it. We believe that mobile operators deliver that level of trust.

### **SIM: Central to Mobile**

I firmly believe that the SIM is a strategic differentiator for mobile operators. It has been a critical element for mobile operators since the development of the GSM standard, as a simple mechanism for authenticating devices to mobile networks, and for users, it is the component that makes a handset "theirs". It now has much greater potential, as we are carrying more and more of our lives in our phones and using them for payments and much more. Second factor authentication is becoming important to electronic commerce, and the SIM is a unique platform for this – this is also something the Internet does not possess. And at the same time, other players are looking at how to make do without SIM cards.

Since I joined the GSMA almost 18 months ago, we have decided to focus on this much more strongly. We are working to provide leadership in enhancing the role of the SIM card, and in promoting the SIM as a platform for new services where things like security, interoperability and privacy are critical. We have positioned this as a strategic focus for our operator members, and we are encouraging cross-industry developments in this area.

To address this, we have created a new GSMA SIM Steering Group, which offers greater strategic focus for the SIM feeding into our other projects, in particular NFC and Mobile Identity. And I believe it also provides an important opportunity for the entire industry to align and to help influence GSMA activities related to the SIM. Oberthur is heavily involved in the SIM Steering Group, and Jerome Ajdenbaum has been appointed the Vice Chair of the group, on behalf of all SIM manufacturers. We held the first meeting of the SIM Steering group in London two weeks ago, bringing together about 45 attendees, primarily operators and SIM vendors, but also some handset makers

Thank you all for your time today. I hope you have found these perspectives on mobile operators interesting, and are convinced of the strategic importance that they place on the future evolution of SIM cards. We count on you to work with us and with the industry on this.