Super Bundling: What Telco Leadership Needs to Know About Securing a Wider Role in the Subscriptions Market

An Omdia analyst-led report, featuring interviews with telco market leaders and proprietary data, commissioned by Bango.

Guillermo Escofet, Principal Analyst, Omdia

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Methodology

This report is based on one-to-one interviews with top decision-makers at telcos in Asia, Europe, and North America, as well as the extensive insights and data that Omdia has gathered over many years of tracking, sizing, and analyzing the telco bundling market.

Omdia is a data, research, and consulting company with a global team of analysts who offer intelligence and strategic insight across the IT, telecoms, and media industries.

Executive Summary

Telcos have become major distributors of video and music streaming subscriptions and have the potential of doing the same for the many other services joining the growing subscriptions economy.

The more services telco subscribers add to their mobile, broadband or pay TV bill, the more telcos can fight off their two biggest challenges: customer churn and falling ARPU.

At the same time, consumers are struggling to pay and manage the growing number of subscriptions they own, and subscription providers are not only finding it increasingly expensive to acquire new users, but many are being undercut by tech-giant service bundles (e.g. Amazon Prime and Apple One.)

Telco super bundling is a new kind of offering that is emerging allowing consumers to subscribe to a wide array of services via a single place and one bill for easy management and content discovery, as well as price discounts. Unlike tech-giants' walled garden bundles, telco super bundling can span any number of services from any number of providers, on a pick-and-mix basis.

But there are technical and commercial complexities to telco bundling, which are being made all the more challenging by the CAPEX constraints that many telcos are currently operating under. Without outsourcing, it will be very difficult for telcos to fully exploit the telco super bundling opportunity.

Introduction

Telcos are Already Big Video Subscription Distributors

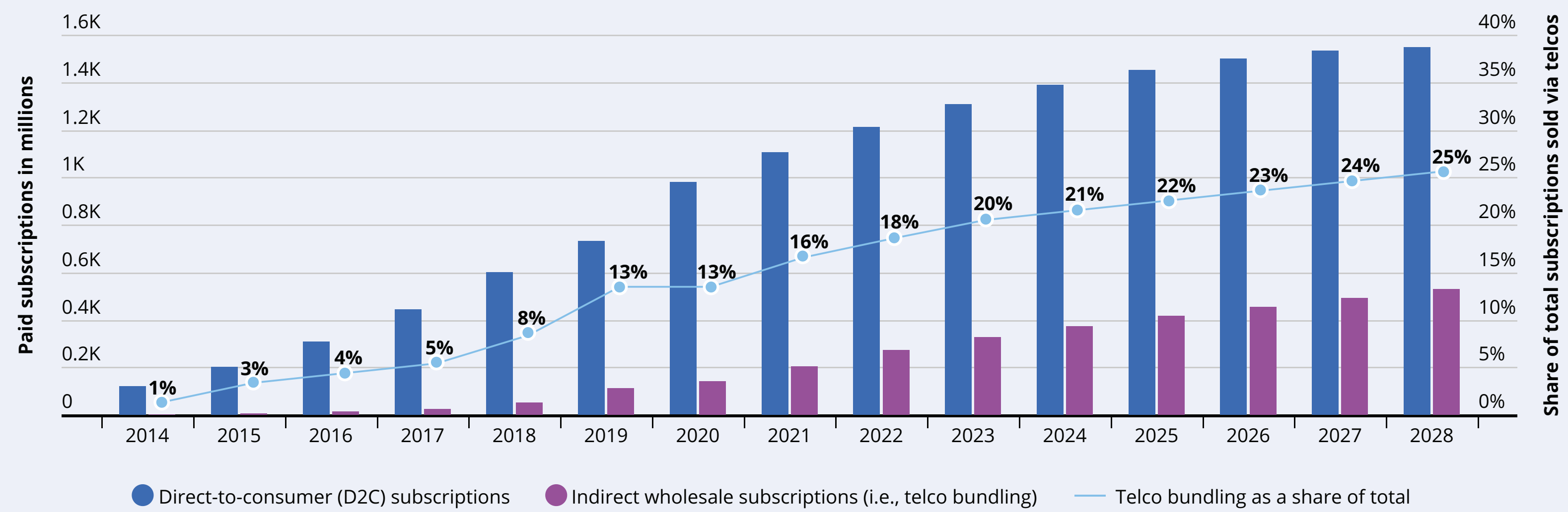
Telcos are one of the oldest subscription businesses around and, increasingly, other businesses are turning to them as a channel to market for their own subscriptions, drawn by their huge distribution, marketing, and billing muscle.

Already, a fifth of all online video subscriptions are sold via telcos (see fig. 1) – which, in this report, is shorthand for mobile, fixed broadband, and pay TV operators. Telcos are also major distributors of digital music subscriptions. Omdia estimates that revenue from video, music and other subscription-based services sold via telcos will total $24.8bn this year and grow to $42.8bn in 2027.

"[Online video subscription providers] would have never grown as much as they have if it wasn't for us, the telcos," said one of the high-ranking telco strategy execs interviewed by Omdia for this report. "By hooking up to just 3 or 4 of us, they have access to a whole market. It's an easy way to get customers."

The more popular subscriptions become as a business model for all kinds of services, the broader becomes the range of third-party subscription services that are bundled by telcos – beyond video and music. Not only content services (e.g. e-bookstores, digital newsstands, edutainment/language-learning apps, and videogames), but a whole array of other services too, (e.g. health & fitness, wellness, online storage, security software, productivity tools, life/health/travel insurance, and delivery services).

Fig. 1: Global online video subscriptions, split by distribution channel (D2C vs. telco bundling)



Source: Omdia's *Online Video Tracker: Indirect wholesale SVOD subscriptions via operator bundling, 2014-2028*

Most telcos operate in a slow-growing, highly competitive environment and need to squeeze more value out of their assets – not only their network, but the billing relationship and trust they have built up with their customers. Partnering with popular online brands helps them to differentiate. It also allows them to inject new life into their declining pay TV offerings by bundling in access to popular subscription video-on-demand (SVOD) services such as Netflix and Disney+.

Meanwhile, digital-service providers operate in an increasingly crowded space, in which getting noticed and winning new customers is expensive. And, by extension, consumers are becoming overwhelmed by the growing number of subscriptions they are signing up to.

Bundling Explained

Telcos bundle third-party subscriptions with higher-value tariffs they are keen to upsell to their subscribers, not only to boost ARPU, but to protect their core data service subscription prices.. Increasingly, telcos are also offering their subscribers the ability to add third-party subscriptions to whichever tariff they are on (i.e. carrier-billed add-ons).

And in line with the multi-subscription ownership phenomenon that has become a feature of modern consumer life, telcos are beginning to either simultaneously bundle numerous third-party subscriptions with specific tariffs or create storefronts offering a wide choice of subscription add-ons. This latter type of pick-and-mix multi-subscription bundling is referred to in this report as telco super bundling.

The main consumer proposition for telco super bundling is twofold: convenience, i.e. having all subscriptions in one place and on one bill; and economy – about getting a discount on the aggregated price of subscriptions, à la Amazon Prime or Apple One.

Additionally, it can feature extra functionality to facilitate content discovery and subscription management, such as universal recommendations across bundled services, and the ability to switch subscriptions on and off at will. The security of not having to share payment details with numerous online outfits is also a selling point.

Barriers & Challenges

Enabling bundling between telcos and third-party subscription providers is not straightforward. The commercials can be complex and often involve telcos making minimum revenue guarantees and marketing-spend commitments to secure favorable wholesale discounts from content service providers. They also end up footing most of the subsidization cost involved in offering bundled subscriptions for free or at a discount.

A lot of backend integration is required to enable a good user experience – to ensure telco subscribers can seamlessly redeem and activate their bundle offers. It can often take months for telcos to onboard new bundling partners.

At the frontend, telcos also need to prep sales and customer-support staff, to ensure bundled services are suitably promoted and assisted when things go wrong. Customer support duties need to be properly delineated between telco and OTT, to avoid both sides playing ping-pong with customer queries.

At the same time, recessionary pressures are pushing many telcos into cost-cutting and narrowing down capital expenditure to core assets – leaving little or no budget for cultivating and enabling third-party partnerships. This makes the rollout of full-feature telco super bundling offerings particularly challenging.

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Size and Composition of Bundling Market

Video Leads Bundling Charge

The bulk of telco bundling revolves around OTT video (OTT in this report is shorthand for non-telco online services). At the end of March 2023, Omdia identified 1,648 live partnerships globally between telcos and online video subscription providers. The SVOD brands that are the busiest partnering with telcos currently are Paramount+, Disney+, and Max, but Netflix and Amazon Prime have built up the most partnerships over the years.

Telco video bundling started out as a mostly mobile phenomenon, with the advent of 4G around 2009. It followed in the footsteps of music streaming services Spotify and Deezer, which used mobile operators as their main route to paid-user conversions during the 3G era. And the bundling of third-party subscriptions evolved from the bundles that telcos created with their own assets, such as voice, SMS and data, and fixed and mobile.

Video bundling has since become primarily driven by pay TV operators (usually one and the same as fixed broadband operators) to stem "cord cutting" – whereby consumers cancel pay TV subscriptions to watch online video services instead. SVOD services are now a common feature of pay TV packages – either bundled into the price of pay TV subscriptions or as optional premium add-ons. In some instances, they have replaced defunct pay TV products in telco tariff bundles.

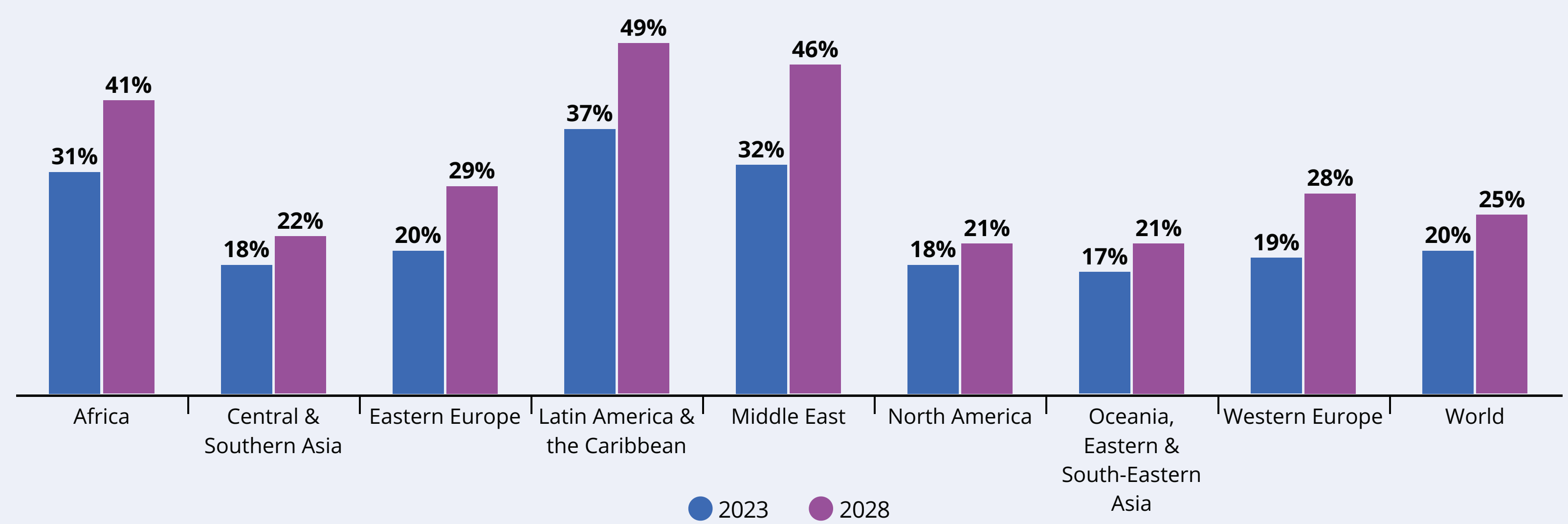
Many operators, including Comcast, Deutsche Telekom, Multichoice and Tata Play, are allowing customers to by-pass pay TV services and solely subscribe to partner OTT streaming services.

This year, 20% of online video subscriptions will be derived from telco bundling globally, climbing to 25% by 2028. In some regions, bundling will make up more than 40% of sub-scriptions in five years – nearly 50% in Latin America & the Caribbean (see fig. 2).

Bundling accounts for a smaller share of SVOD revenue than SVOD subscriptions, because of the wholesale discounts online video providers give to telcos and the generous price subsidies that often headline bundle offers. But what online video providers lose in margins tends to be more than made up by lower user-acquisition costs and greater user retention.

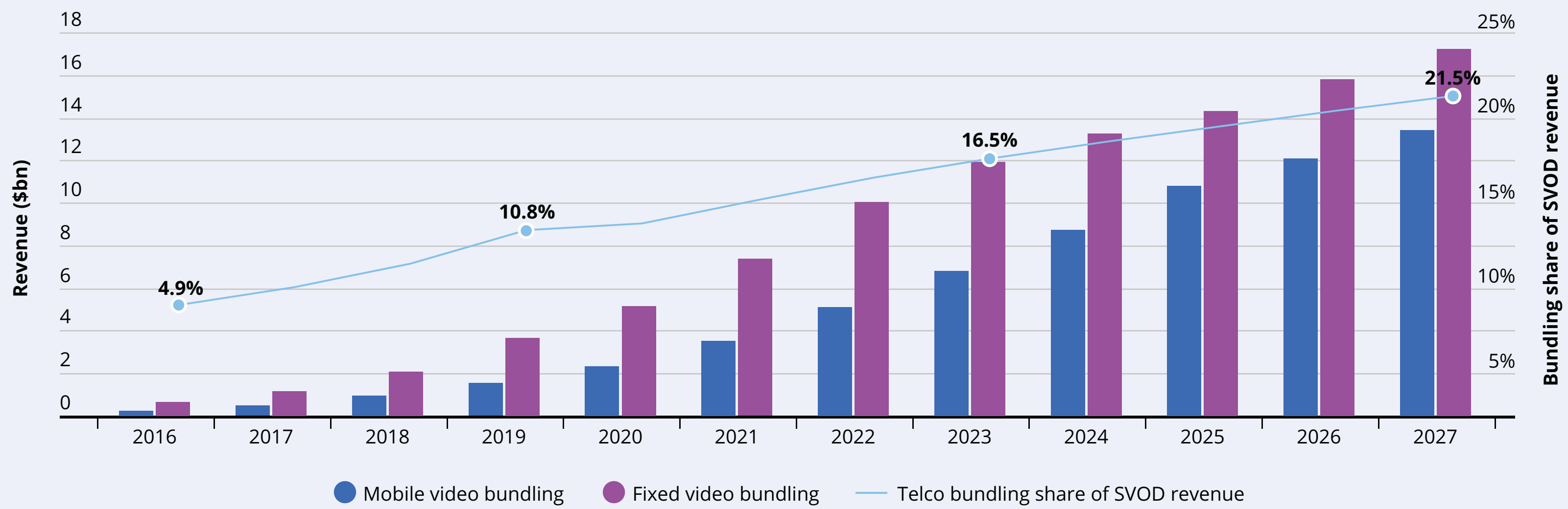
Omdia estimates that, this year, 16.5% of online video subscription revenue will be derived from telco bundling, climbing to 21.5% in 2027. Nearly two-thirds comes from partnerships with fixed broadband/pay TV operators, but the current bundling frenzy around 5G tariffs will nudge up mobile's share over the next five years (see fig. 3).

Fig. 2: Share of online video subscriptions sold via telcos, by region



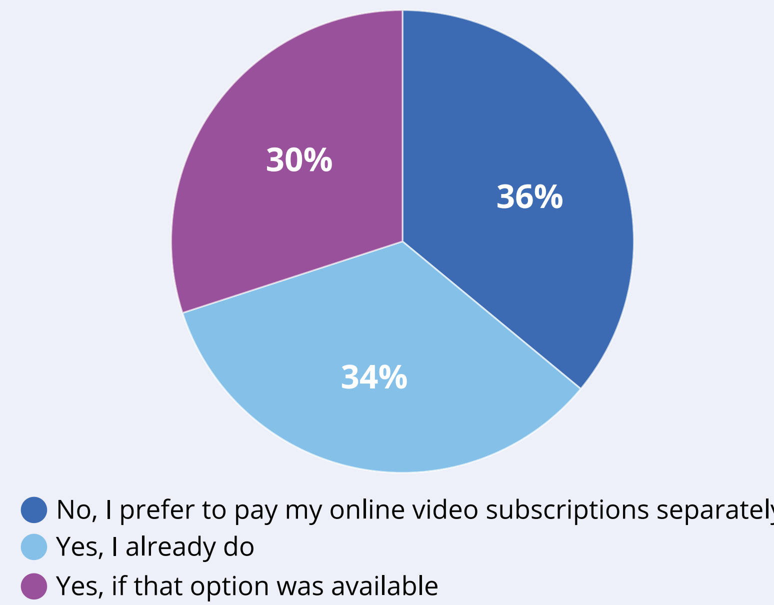
Source: Omdia's *Online Video Tracker: Indirect wholesale SVOD subscriptions via operator bundling, 2014-2028*

Fig. 3: Online video subscription revenue derived from telco bundling, mobile vs. fixed



Source: Omdia's *Global Carrier Billing Forecast: 2022-27*

Fig. 4: Would you prefer to pay for online video services via your TV, broadband, or mobile service provider's bill, rather than paying separately (directly to the online video provider, e.g. Netflix)?



Notes: 7,338 total respondents across 12 countries.
Source: Omdia's *Digital Consumer Insights 2022: Digital Consumer Operator Services*

Consumer polling carried out by Omdia shows that there is still a lot of growth potential in video bundling. A survey conducted annually involving more than 12,000 respondents across 11 countries in five continents (Australia, Brazil, China, France, Germany, Indonesia, Malaysia, Mexico, S. Africa, Spain, UK, US), shows that 30% of those who do not currently pay for online video services via their TV, broadband or mobile service provider would like to if that option was made available. Another 34% already do, meaning there could be an almost doubling of video-bundling users, given the right circumstances (see fig. 4).

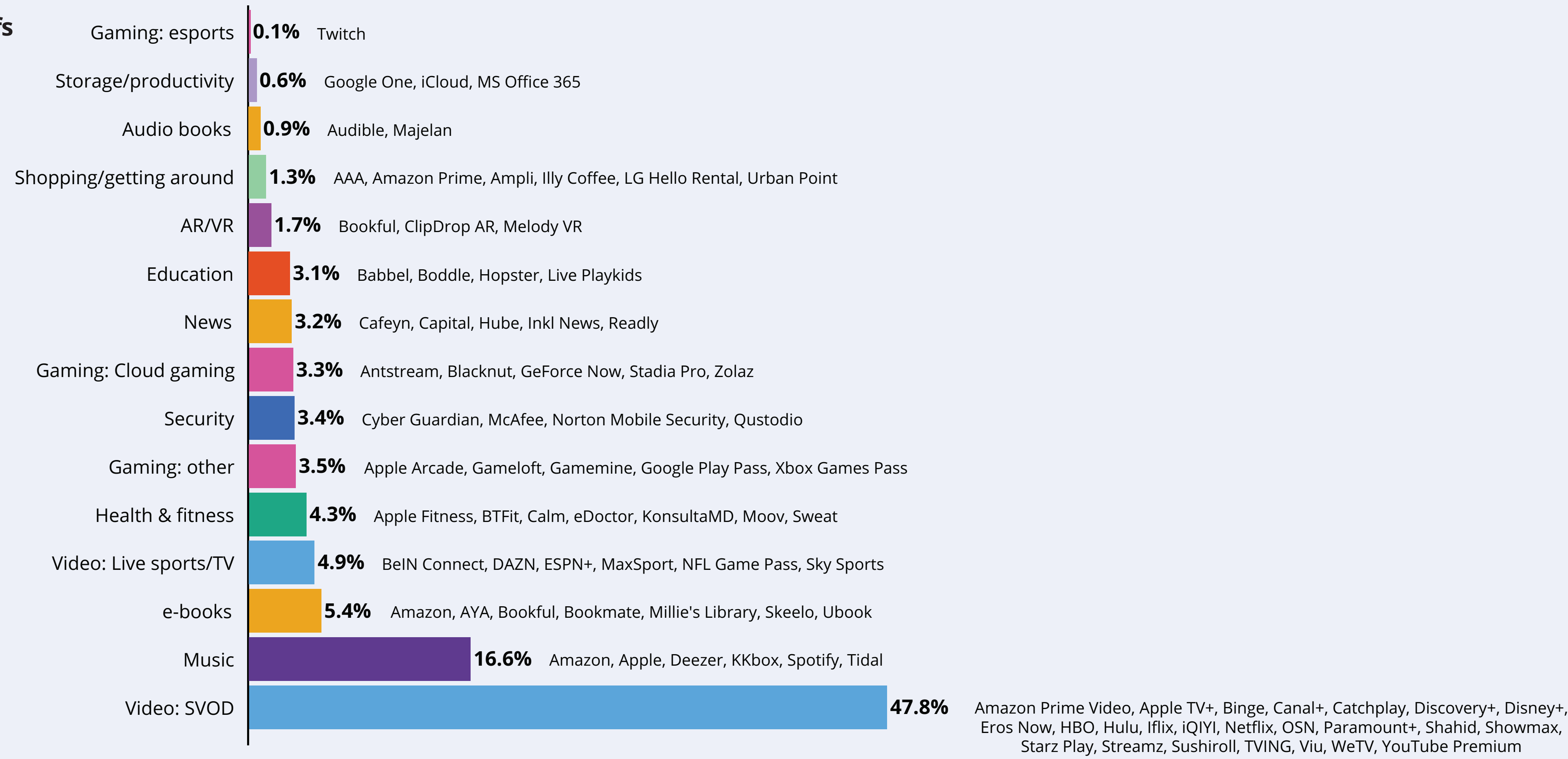
Potential Beyond Video

Whereas virtually all fixed broadband/pay TV bundling is focused on video, on mobile the picture is much more diverse. Not only does music bundling still play an important role, but so does an increasingly varied cast of services.

The rollout of 5G, which kicked off in 2019, is helping with this diversification, as mobile operators look beyond the bundling staples of music and video to differentiate their 5G tariffs. They are looking to show off new mobile network use cases made possible by 5G, such as cloud gaming, live streaming and augmented reality experiences in and around mass-audience events. But these are still very nascent services or too demanding on not fully kitted out 5G networks. At the same time, however, mobile operators are turning to a wide gamut of non 5G-use-case-critical services to spruce up their 5G tariffs – as shown by Omdia's tracking of 5G subscription plans launched in 74 markets over the past four years (see fig. 5).

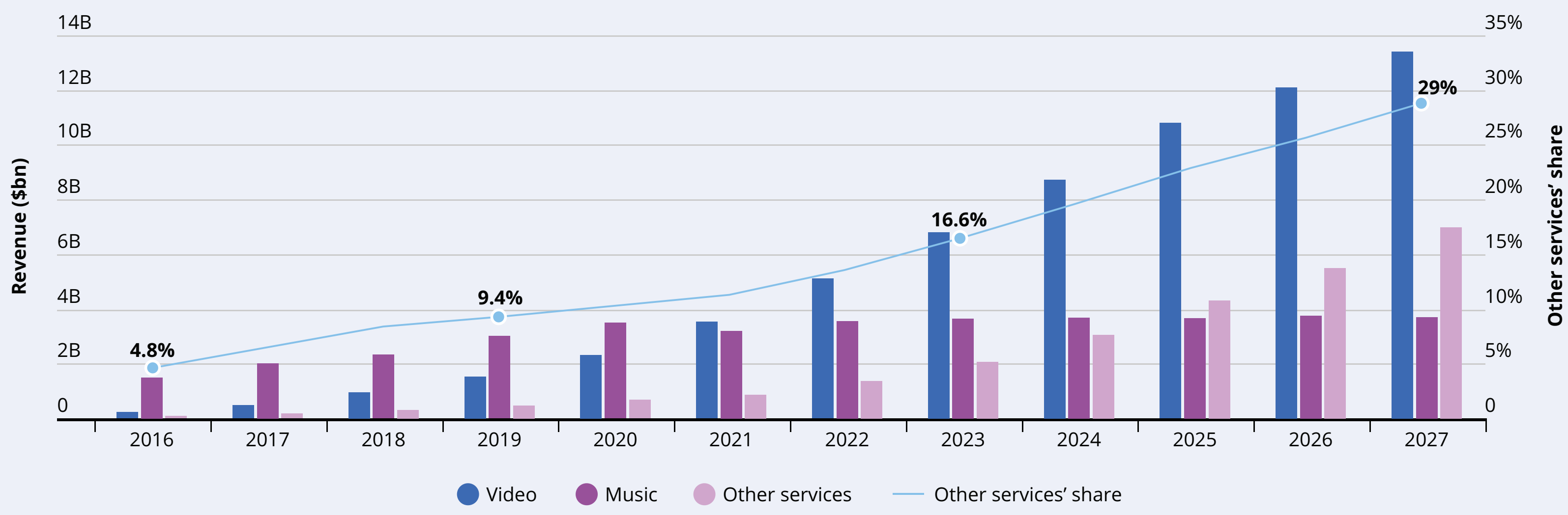
Video will continue to dominate in mobile as it does in fixed – it makes up more than half of 5G bundling deployments – but non-video/music services will capture a rapidly growing share. In terms of revenue, "other services" will go from 4.8% in 2016 to 29% in 2027 (see fig. 6).

Fig. 5: Share of 5G bundle tariffs captured by different types of OTT service, 4Q20-1Q23



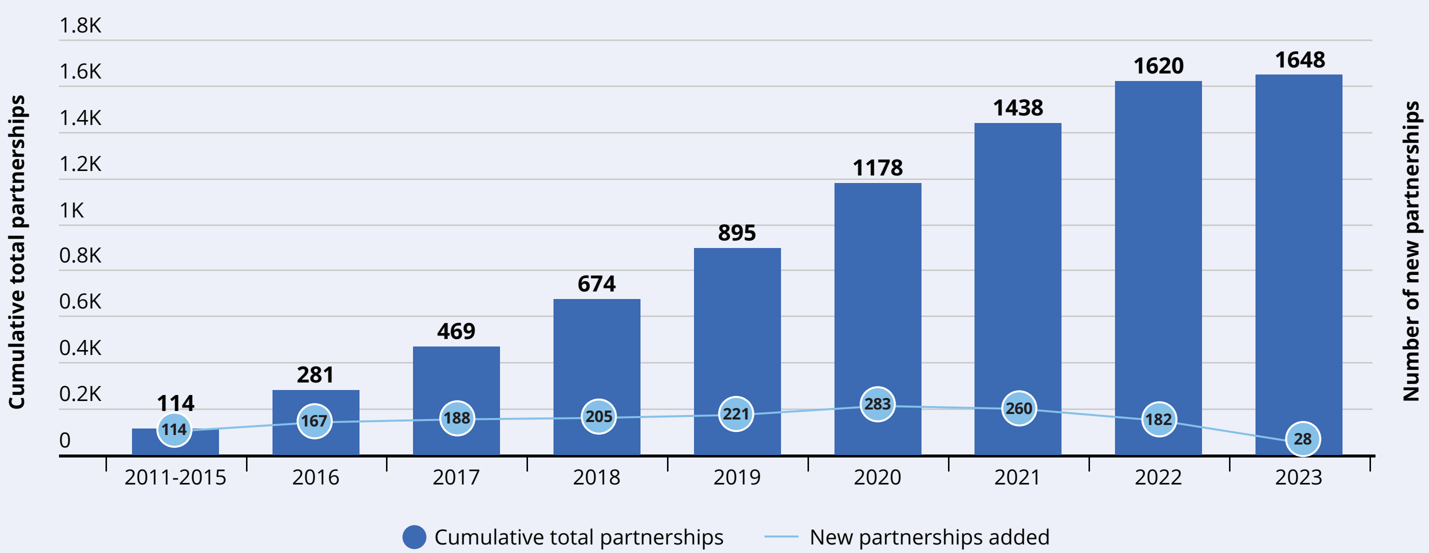
Source: Omdia's *5G Consumer Broadband Pricing Tracker – 1Q23*

Fig. 6: Third-party subscription revenue derived from mobile bundling, by type



Source: Omdia's *Global Carrier Billing Forecast: 2022-27*

Fig. 7: Number of bundling partnerships struck between telcos and online video subscription providers



Source: Omdia's *OTT Video Bundling and Partnerships Tracker: 1Q23*

Peak in Video Bundling Deals

The boom in OTT video partnerships has nevertheless peaked. The total number of partnerships is still creeping up globally, but the number of new partnerships has been declining since 2020, at an increasingly fast rate (see fig. 7). Despite this decline, the total is still growing because most existing partnerships are being renewed and many bundling offers are moving from temporary to permanent – for as long as subscribers remain on the given contract. In fact, permanent bundles now outnumber temporary ones.

In the early years, video bundling was largely tactical and experimental. SVOD services often played a temporary and promotional role in telcos' bundling strategy. Today, SVOD is a core feature in telco bundles, alongside TV, mobile and broadband services.

New Market Realities

Multi-Subscription Ownership

More and more digital services and products are moving to a subscription model. Service providers prefer subscriptions over one-time payments because of their revenue predictability and their tendency to boost average revenue per paying user. They also make customers stick around for longer.

Not only are subscriptions becoming the norm for content services but are also making strides in the physical goods and services space. Examples of the latter include VIP membership subscriptions such as Amazon Prime, Deliveroo Plus or Walmart+, offering next-day deliveries, shipping discounts, special offers, and cancellation privileges; restocking services that keep subscribers supplied with everyday essentials, such as coffee beans, ink cartridges, shaving kits, and toilet paper (e.g. Trade Coffee, HP Insta Ink, Grüum, Who Gives A Crap); and subscription box services that supply members with curated product assortments to indulge interests such as cooking, drinking, fashion, and beauty (e.g. HelloFresh, Ourglass, Stitch Fix, LookFantastic).

The more widespread subscriptions become, the more subscriptions people end up signing up for. Consumers are drawn by the convenience of services offering all-you-can-eat content and automatic replenishment, as well as the indulgence of services delivering select goods for personalized experiences.

Subscription Fatigue

At the same time, though, consumers are becoming overwhelmed by the number of services to which they are subscribed. So-called subscription fatigue is a growing phenomenon. People are struggling to remember how many subscriptions they have in their name; how many are still in their free trial period and how many have already started charging; and when payments are due. And they are having to manage a separate billing relationship, login, and communications channel for each subscription.

Managing and updating personal details, accessing accounts across numerous devices, paying bills, and switching subscriptions off and back on again were the top frustrations expressed by US consumers recently polled about muti-subscription ownership by super bundling platform provider, Bango (see fig. 8).

According to the survey results, super bundling solutions simplifying subscription access and management would make consumers 71% more likely to spend more time using subscription services and 62% more likely to sign up for more subscriptions. In other words, not only would it appease consumer frustrations but encourage further subscription ownership.

The greatest subscription saturation is happening in the video services space. Unlike music subscription services, whose content largely overlaps with each other, SVOD catalogues are centered on original content and limited-period rights to selected TV and movie content. There are also video subscription services specialized in live sports streaming – each one holding rights to different sports and different leagues and championships. This diversity means that households

Fig. 8: Top consumer frustrations with subscriptions

1. Managing and updating personal details (48%)
2. Accessing accounts across multiple devices (47%)
3. Paying bills (43%)
4. Cancelling subscriptions (43%)
5. Renewing contracts and subscription (42%)
6. Switching between accounts (40%)
7. Setting up plans and group accounts (40%)
8. Setting up new subscription apps (39%)

Notes: Survey of 2,500 US subscription users conducted in 2022. | Source: Bango usually end up subscribing to several online video subscription services at once (see fig. 9).

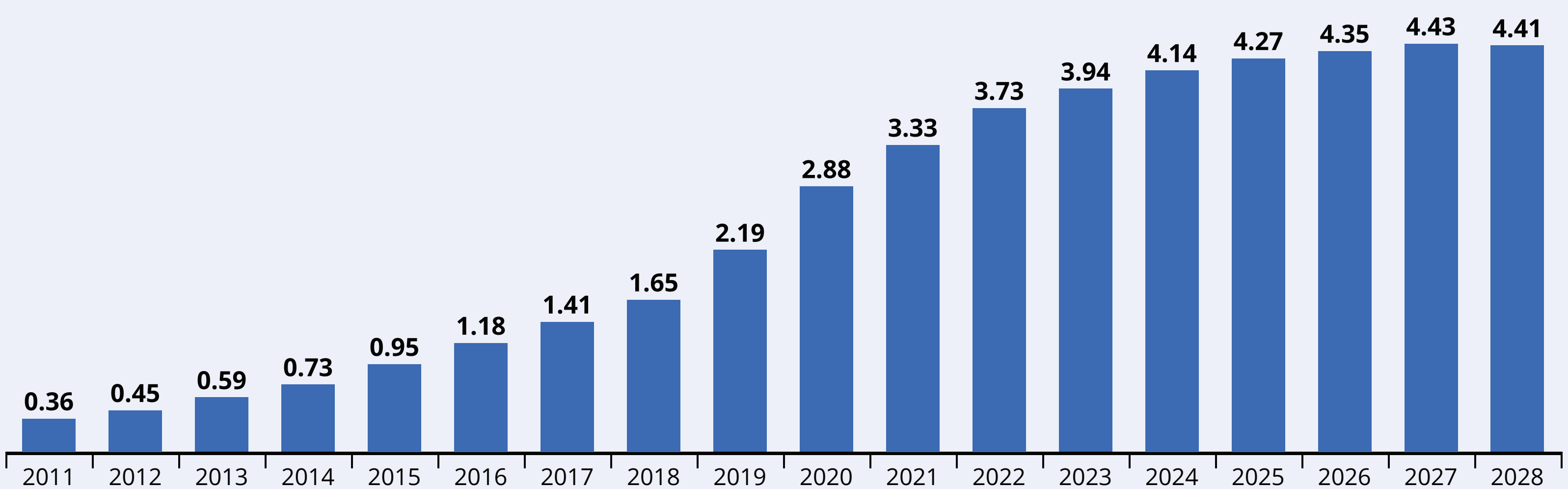
Subscription Churn

To not end up subscribing to too many services, households usually cancel subscriptions which they no longer find useful to instead subscribe to others that have released some must-see series or are about to broadcast a sports competition that only that service has the rights to. Conversely, they often re-subscribe to services they have previously cancelled to catch-up on new content that has since become available. Churn is intensifying with the growth in multi-subscription ownership and the growing economic pressures of the cost-of-living crisis.

According to Omdia's Consumer Research: Device Media & Usage survey, covering nearly 29,000 respondents across 10 countries, reducing household costs was the second highest reason for churning from subscription video services (see fig. 10).

Watching a new season of a series the household was previously hooked on, or watching a highly anticipated new content release, are the main reasons people resubscribe to services (see fig. 11).

Fig. 9: Average online video subscriptions per broadband household, US



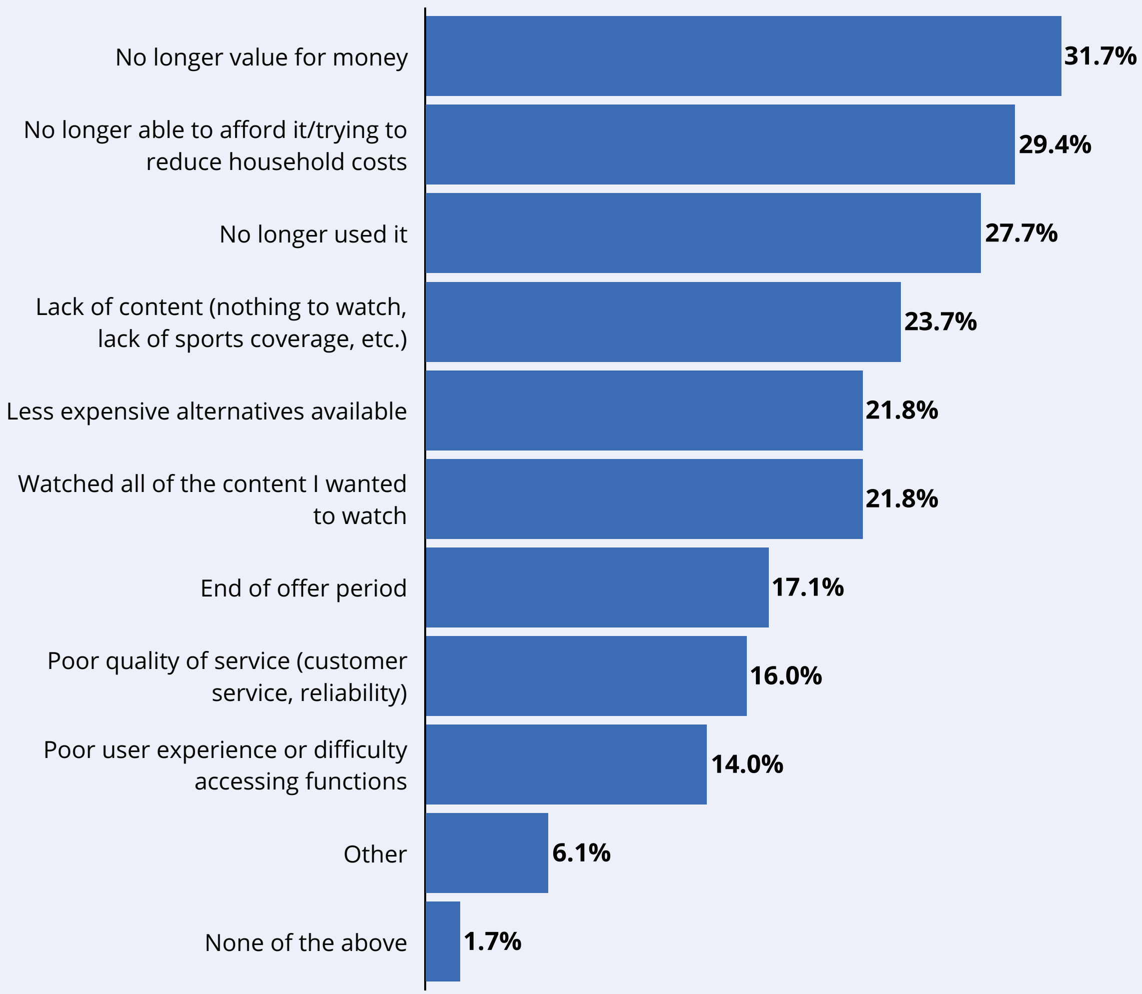
Source: Omdia's *TV & Online Video Intelligence Database – June 2023*

Music Subscriptions Market Maturity

All-you-can-eat music subscription services have formed the core of recorded-music revenues for well over a decade, rescuing the music industry from terminal decline, but year-on-year growth of premium subscribers is decelerating fast. It appears that the market is close to maturity and hitting a ceiling on growth.

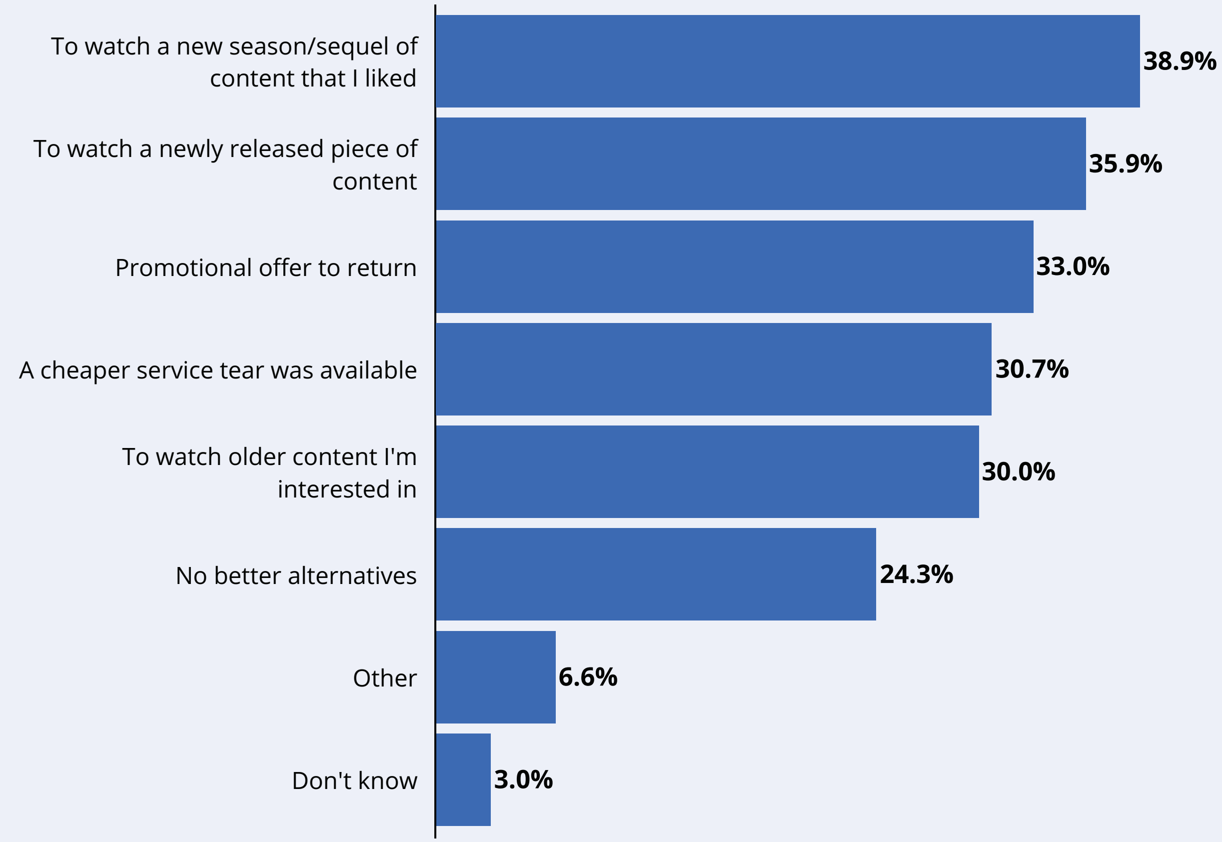
Unlike video streaming services, multi-subscription ownership is not a factor. Users tend to subscribe to just one service and hardly ever churn, since churning means losing all the personalization they have invested in, such as playlists and the kind of content that gets pushed to them. Competition is not as big a factor as in the video market either. If anything, it is likely to ease over time as smaller services fall by the wayside. The economics of music streaming suggests that only the big services will survive.

Fig. 10: Reasons for churn from subscription video services, April 2023



Notes: Around 29,000 respondents across Australia, Brazil, Canada, France, Germany, India, Japan, Mexico, UK, US
Source: Omdia's *Consumer Research Database - Subscription and transactional video services*

Fig. 11: Reasons for resubscribing to video services, April 2023



Notes: Around 29,000 respondents across Australia, Brazil, Canada, France, Germany, India, Japan, Mexico, UK, US
Source: Omdia's *Consumer Research Database - Subscription and transactional video services*

Bundling Drivers

Telcos

Many factors drive telcos towards striking bundling partnerships with online brands. Most of these factors are about moving the needle on core telco KPIs, such as churn and ARPU, rather than generating direct revenue from the services being bundled. Increasingly, however, telcos are trying to simultaneously reap both direct and indirect benefits from bundling.

The telco market is highly saturated and competitive. It has suffered declining ARPU for years (see figs. 12 and 13) and poaching is its main form of user acquisition, so churn is a constant headache. Although traffic carried over telco networks is expected to grow by 219% over the next five years, telco revenue is likely to grow by only 14.6% and ARPU to shrink by -7.5%.

- **Differentiation**: The wish to stand out from the competition underlies many of the other drivers listed below. It is about telcos making their offering more attractive than that of their rivals, beyond price, network coverage and capabilities, etc. "You can communicate something that has a stronger appeal than just a mobile subscription," said one of the telco execs who spoke to Omdia.
- **Boosting ARPU**: Bundling tariffs with sought-after third-party services makes it easier for telcos to upsell customers to higher-priced plans; or, at the very least, keep prices as they are – i.e. avoid reducing tariff prices to stay competitive with low-cost rivals. The bundled service adds value to the tariff, justifying premium pricing or preventing price

Fig. 12: MNO global average revenue per user (ARPU), US$

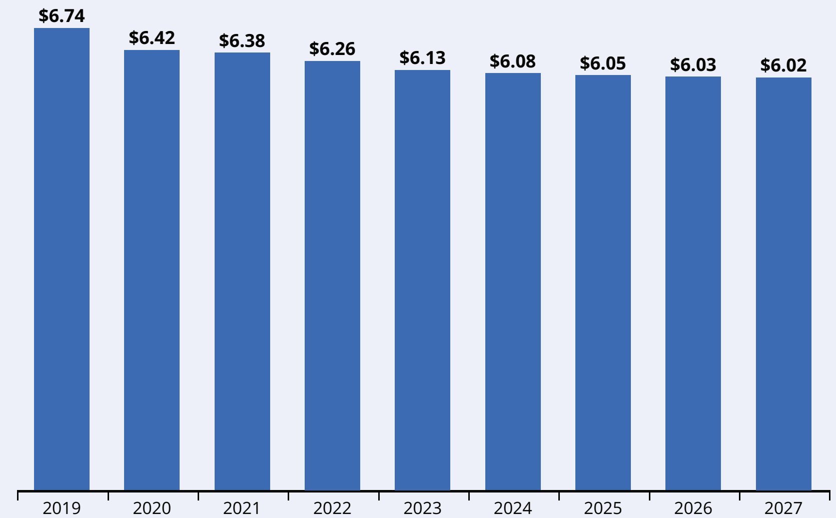
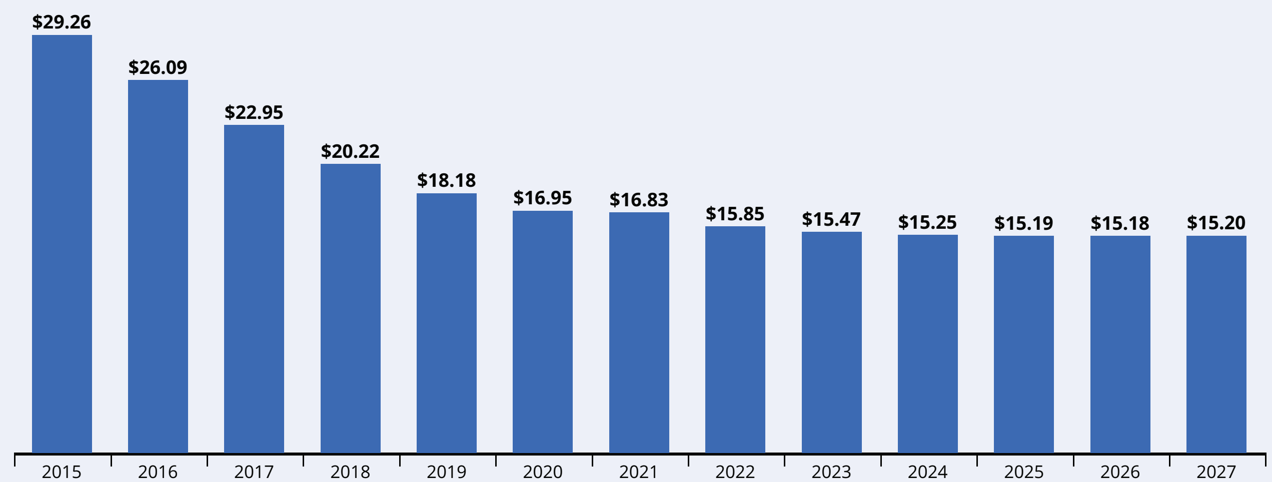


Fig. 13: Telco TV global average revenue per user (ARPU), US$



Source: Omdia's *World Telecoms Forecast Service* erosion. Most bundled services also drive more data usage, encouraging users to pay for bigger data bundles.

- **User Retention**: The more services an operator can get its users to subscribe to, and the more ahead of the competition it is in offering these services, the less likely they are to lose customers to competitors. "We want to increase stickiness because there are a lot of companies trying to lure our subscribers away," one telco exec told Omdia.

Another exec whose company operates in a high-churn market said that households that subscribe to its full suite of services, including mobile, fixed broadband and value-added digital services, are 32% less likely to switch to another operator. "With each product we add on, we see a significant reduction in churn," she said.

- **User Acquisition**: The more perks or eye-catching services an operator can offer, the greater its chances to win new customers or poach them from other operators.
- **Rewarding Good Customers**: Some telcos reserve the most generous bundle offers for their best customers – those that are the highest spending, the most loyal or the least fraudulent, or a combination of all three. "Those who subscribe to everything – cable, landline, mobile – and have always paid on time, will get the best offers," said a source at a cable network operator that Omdia spoke to. "They'll be the first in line to get the free offers."

Another way in which this is applied is in emerging markets, by mobile operators with predominantly prepaid subscriber bases, whereby pay-as-you-go customers are rewarded with free bundled services if they top up their accounts by a certain amount.

- **Direct Revenue**: Making a profit from reselling third-party subscriptions is rarely telcos' sole reason for bundling. It often accompanies other objectives, such as boosting user retention and acquisition. And, often, the subscriptions that telcos buy in bulk are treated as loss-leaders – as a cost to be deducted from the marketing budget set aside to achieve higher strategic goals. Or, if a profit is sought, it often barely covers the cost of purchasing the subscriptions.

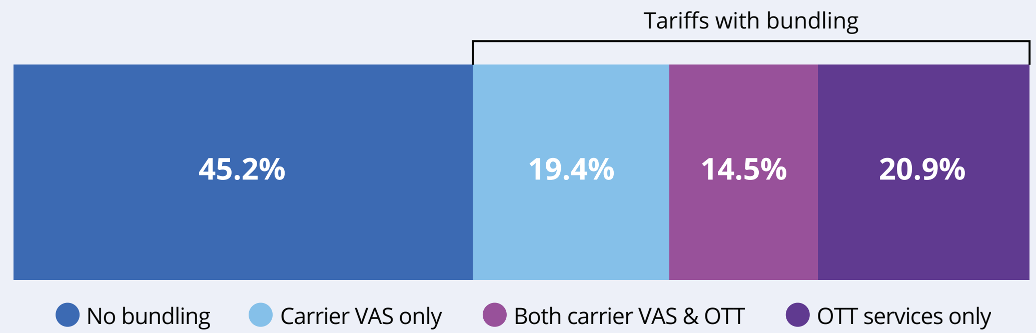
However, some telcos can and do generate significant profit from distributing third-party subscriptions, either as carrier-billed add-ons or as marked-up goods priced into telco bundle plans. For example, Brazilian telco Vivo reported net revenue of around $20m in 1Q23 from selling third-party services, following 53% year-on-year growth. The Telefonica-owned fixed, mobile and pay TV operator also reported that the number of subscribers paying for third-party services via their Vivo bill had reached 2.2 million.

- **Promoting New Network Rollouts**: Telcos spend billions of dollars deploying new networks to deliver more capacity at higher speeds, but the improvements delivered can often sound abstract to ordinary consumers when expressed in bits per second, throughput, or latency. A more effective way for telcos to market new networks is by showing compelling examples of things that consumers are now able to do that they could not before.

On mobile, every new generation of network technology has brought a new flurry of bundling activity. With 3G, that activity revolved around music streaming; with 4G, around video streaming; and now, with 5G, around live broadcasting and fast-paced interaction with remote media-rich services, such as cloud gaming.

Over the past two and a half years, more than half of 5G tariffs launched globally have come bundled with either third-party or telco own-brand subscription-based digital

Fig. 14: Share of 5G tariffs bundled with paid OTT services and/or carrier VAS, 4Q20-1Q23



Source: Omdia's *5G Consumer Broadband Pricing Tracker – 1Q23* services, or both. Third-party services have featured in more than 35% of tariff plans (see fig. 14).

5G take-up has been slower than expected. But five of the 10 markets with the world's highest 5G penetration have telcos that bundle 5G-use-case apps with their 5G plans – a tactic that is all too rare among 5G operators overall. South Korean and Taiwanese telcos lead in bundling 5G-rich apps. Each Korean telco bundles multiple such apps, saving the most premium ones for high-end 5G plans.

- **Brand building**: Partnering with trendy apps and popular online brands can help refresh or update a telco's image. For example, it can help it connect to a younger or more tech-savvy audience or reinvent itself as something more exciting than just a utility company – as, say, a lifestyle company, or as a go-to platform for all things digital.

"We want to be like a store that can cater to all your daily needs," an exec at a top Indian telco told Omdia. "Not only do we get all the revenue that comes with catering to all these needs, but we also create stickiness. Users don't need to look elsewhere."

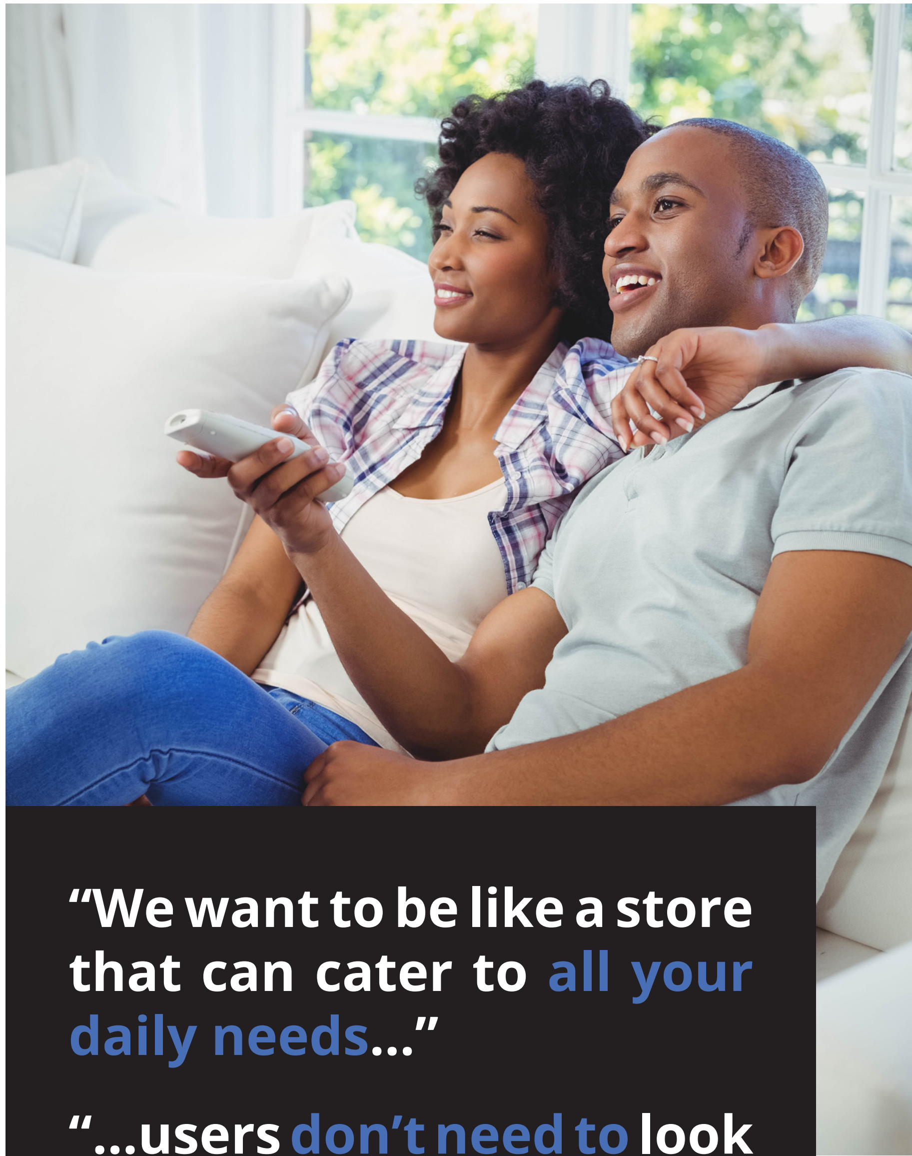
Content Providers/OTTs

For providers of subscription-based digital services, bundling is essentially about tapping into the distribution, marketing, and billing power that telcos have in local markets. The following is what they hope to get out of bundling:

- **Cheaper and Swifter User Acquisition**: A lot of marketing dollars are required to standout in direct-to-consumer (D2C) channels such as app stores and browsers. When telcos bundle third-party services, they do not just single them out from the crowd, but take care of the marketing and foot most of the cost of any free or discount offers that are made. Bundled services also instantly tap into a captive audience of millions of telco subscribers.

Digital service providers sacrifice some of their margin by selling subscriptions at a wholesale discount but acquire users far more swiftly than via D2C channels, without having to spend a penny on marketing or pay a revenue share to D2C gatekeepers.

- **Conquering New Markets**: In new markets that digital service providers are expanding to, piggybacking on the "brand equity" enjoyed locally by telcos can make all the difference. A telco's endorsement does not only add visibility to a market newcomer, but also trustworthiness.
- **Increasing Addressable Market**: Not everyone has the means or the willingness to make online payments. In emerging markets, credit/debit card penetration tends to be very low and, in all markets, some consumers are wary of sharing their payment details with online outlets. By selling their subscriptions via telcos, OTTs can tap into a wider base of payment-ready users.
- **Higher Paid-User Conversion Rates**: The longer free-usage periods usually offered in bundling, and the billing relationship that telcos already have in place with their subscribers, mean that telco bundle users are more likely than D2C users to turn into paying customers when free-



"We want to be like a store that can cater to all your daily needs..."

"...users don't need to look elsewhere."

-Executive at a top Indian telco

Convenience and taking advantage of perks are the main drivers for consumers going for bundle offers or carrier-billed add-ons.

trial periods come to an end.

- **Stickier Users**: Integrating subscriptions with tariff contracts locks them in for the duration of those contracts – for one or two years or, as is increasingly the case, indefinitely. In a super bundling context, getting users to purchase subscriptions in bundles can potentially make them less likely to cancel those subscriptions, especially if a discount is offered on their aggregated price.

Consumers

Convenience and taking advantage of perks are the main drivers for consumers going for bundle offers or carrier-billed add-ons. And for super bundling specifically, control, choice, and flexibility are other drivers, the key one being control.

- **Convenience**: Telcos have already got consumers used to paying for several services on one bill – mobile, landline, fixed broadband, TV – and putting other subscriptions on that bill only adds to the convenience of managing many payments via a single point, rather than juggling numerous billing relationships with different providers.
- **Savings**: Many bundling offers include extended free-usage periods or discounted pricing – and a growing share are doing so indefinitely. The savings that these offers bring are an obvious magnet for consumers, more so now that the cost-of-living crisis and recessionary pressures have put a big squeeze on consumer spending.
- **Control**: Most consumers do not feel in control of all the subscriptions they own (as already covered above). There is appetite for services that can centralize and simplify subscription access and management.

Super Bundling Market

Tech Giants

The term super bundling was probably coined in the early days of pay TV, but its most recognizable examples nowadays belong to the world of big tech, in the form of Amazon Prime and Apple One.

These bundles assemble various subscription services owned by Amazon and Apple into a single subscription package, the sum of whose parts is cheaper than subscribing to all parts individually.

In the case of Apple One Premier, the biggest version of the Apple bundle, subscribers get access to the device giant's cloud storage, video-on-demand, music streaming, video gaming, health & fitness, and digital-newsstand services for $32.95 a month, which works out more than 40% cheaper than separately subscribing to all these services.

Most of the products bundled in Amazon Prime are also own-brand media services, including video, music, e-books, gaming, and photo storage.

Amazon's and Apple's core business is e-commerce and devices respectively but they have invested in content services, often as loss-leaders, to bring more stickiness to their platforms. Super bundling makes their value-added offerings even more compelling, making them stickier and further undercutting pureplay competitors specialized in just one content vertical, such as Netflix and Spotify.

These tech-giant super bundles not only offer a wide range of media services at a clear price advantage; they also offer seamless integration, with the bundler and the bundled being one and the same.

Their biggest drawback is that they are walled gardens, with all bundled services being own-brand. Also, there is little or no choice for consumers about which services to include and not include.

Pureplay Content Providers

Pureplay content service providers cannot, by themselves, compete with these super bundles. Some have made efforts to strike bundling deals between each other, but these bundles mostly end up comprising just two services. Disney-owned SVOD service, Hulu, has been the most active on this front, creating bundle pairings with Spotify, Max, and Starz. There is a tri-bundle out there combining Hulu, Disney+ and ESPN+, but all three are directly or indirectly owned by Disney, so it does not count.

These pureplay-struck bundles offer price discounts and pair services that nicely complement each other. But they are small and offer no pick-and-mix.

Telcos

Super bundling via telcos provides neutral ground on which pureplay content services can find strength in numbers. And for consumers, the choice that telco super bundles can offer is potentially much greater than that offered by walled-garden bundles such as Amazon Prime and Apple One – not only because services can come from any number of different providers, but

Fig. 15: Telco super bundling features

also span any number of service types. In that respect, telcos are the best suited for pick-and-mix super bundling.

Also, as has already been mentioned, telcos have huge distribution and marketing muscle, and all their subscribers have an instant way of paying, via either their post-paid bill or prepaid credit.

On the downside, integrating with telcos can be painful and the outcome is not always satisfactory, as already discussed too. Also, unlike in OTTs, telcos' market reach is confined to their network reach – it is never global and not nationwide either. It is as big as their subscriber base is in each market where they have a footprint.

Several different flavors of multi-subscription bundling are emerging in the telco space, but there are very few examples of what this report defines as telco super bundling – i.e. pick-and-mix multi-subscription bundling offering a wide choice of services via some kind of content hub or storefront. There are even fewer examples of telco super bundling offering a full gamut of subscription-management and content-discovery capabilities (see fig. 15).

An example that ticks most boxes in terms of telco super bundling capabilities is Optus SubHub in Australia. As well as the convenience of having all services in the same place and on the same bill, it offers a clear price incentive for subscribing to several services – users get a 5% discount on the price of two subscriptions and a 10% discount on the price of three or more.

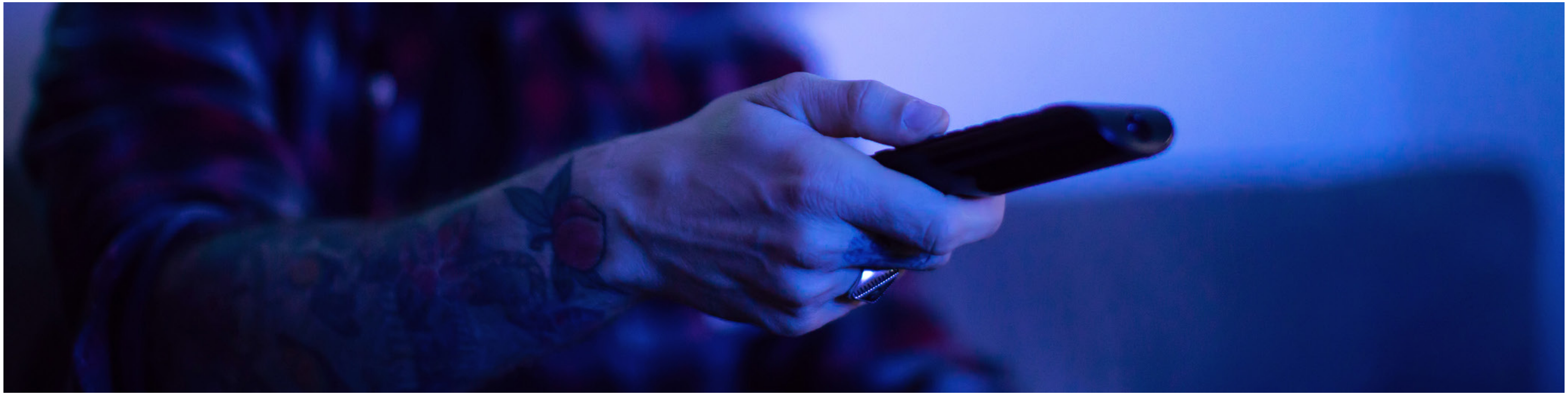
It also allows users to link to their SubHub account some of the existing subscriptions they have with the services they wish to bundle – so that they can retain the personalization they have built up on those services but still take advantage of the savings offered by SubHub. Additionally, it allows users to easily turn subscriptions on and off, and to search for content across services.

The other example of telco super bundling in Western markets, Verizon +play in the US, offers a far greater choice of services – 37 in total, across ebooks, education, gaming, health & fitness, live sports, music & audio, social media, and video-on-demand.

The +play service is the first to offer a bundle combining Netflix and Paramount+, with a 19% discount on the aggregated price of both services.

The biggest telco super bundling offering is in South Korea, where SKT's T Universe aggregates around 85 subscription services, many of them in the physical goods and services realm, such as coffee, flower, grocery, and food-box deliveries.

Telco super bundling is still in its infancy but has huge potential. It offers telcos an invaluable opportunity to play a central role in the growing OTT subscriptions economy, rather than be dumb-pipe bystanders.



Commercial Complexities

Price Subsidization

"This service on us" type of offers, as well as discounts on the usual retail price of subscriptions, are powerful hooks for consumers. But who pays for that price subsidization? Traditionally, it has been telcos. Increasingly, however, subscription service providers are contributing to that cost too.

For example, a telco source Omdia spoke to in India, said that a major global SVOD offers a 50% wholesale discount on subscriptions for the first year of hard bundling – essentially, footing half of the bill for that free offer. The same SVOD also fully subsidizes the small discount of 10% or so usually offered during the second year of the bundled subscription, to drive paid-user conversion – after the free period elapses and the cost of the subscription rolls over onto carrier billing.

Price subsidization should be viewed as an investment, but telcos must weigh up its cost against the likely benefits – benefits that are often indirect and hard to measure.

Marketing-Spend Commitments

The marketing-spend commitments often made by telcos to get more favorable wholesale deals from third-party subscription providers are one of the most common causes of friction between bundling partners. That is because telcos often fall foul of them – usually due to a lack of buy-in from those in the wider organization holding the marketing purse strings.

However, according to another source Omdia spoke to, not every OTT insists on getting telcos to splash out on advertising. "Some do, but Amazon not so much," said one source. "Amazon wants their service prominently displayed and want the telco to regularly remind subs that it's available, but don't demand that money is spent on above-the-line advertising."

Activation Rates

It can be surprisingly hard to get telco users to activate hard-bundled services. In fact, activation rates of about 50% are considered pretty decent. But if rates are too low, they can undermine the business case for bundling.

The source in India told Omdia that sought-after OTT services such as Amazon Prime can achieve activation rates of 80-85% during the first year of hard bundling, although typical rates are closer to 50%. Paid-user conversion rates after the free offer runs out are rarely higher than 33% of activated subscriptions.

Due Diligence on Prospective Partners

One of the factors preventing telcos from swiftly ramping up the number of bundling partners they work with is caution. They want to ensure that third-party service providers are sound and able to support telco customers with any service issues that might arise. “Currently, we only bundle with large organizations that can be trusted and have the support systems in place,” said one source.

Being Pushed Around by OTTs

The power dynamic between telcos and OTTs is dependent on numerous factors, including the market heft of either telco and OTT, and how desperate the OTT is to piggyback on the telco to open its way into a new market. But telcos generally complain about how OTTs have grown more demanding over time. For example, some of the big SVODs often insist on a dedicated button in remote-control devices as a precondition to partnering with telco TV services. “They want their pound of flesh,” said one of the telco execs Omdia spoke to.

Sometimes OTTs show little regard for the commercial damage their actions can have on telco partners. One telco source in Europe explained how the subscriptions of a leading global SVOD it was bundling were undercut when the SVOD suddenly slashed its retail prices in that market. The telco had committed to minimum revenue guarantees, pegged to a specific price, which it risked missing if did not cut its price and sell at a loss.

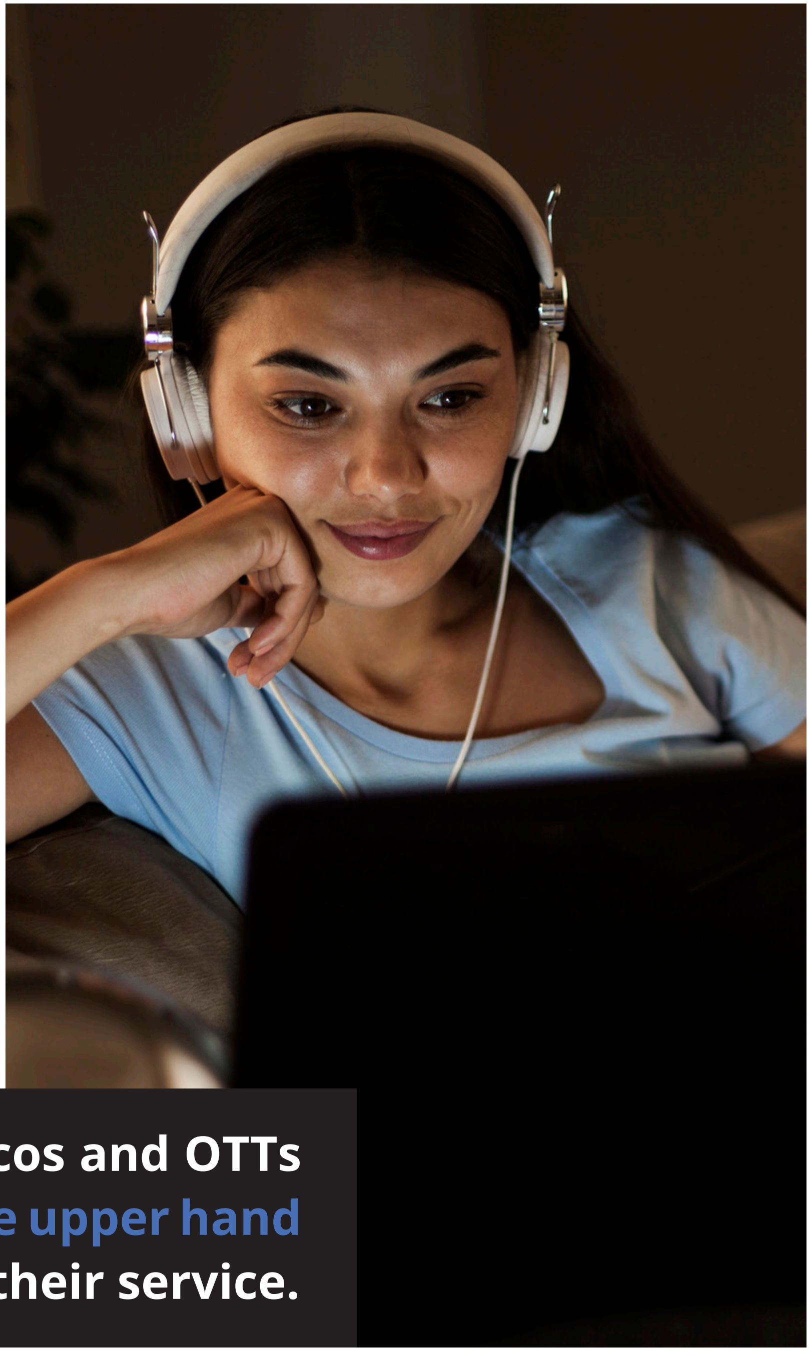
It considered taking legal action against the SVOD, but the commercial damage had already been done and it wanted to avoid negative press.

When relations between both telcos and OTTs get fraught, OTTs can also have the upper hand by simply switching off access to their service. For example, last year, customers of Telia’s TV service in Sweden had Viaplay content suddenly disappear from their screens because of a carriage dispute between the two.

Fraudulent Users

Telcos also need to be wary of getting played by devious customers. With hard bundles, a common form of fraud perpetrated by subscribers is to come off a tariff once a free bundle offer has expired and then resubscribe with a new ID to take advantage of the free offer again. This can happen several times in a row.

Bad debt is a constant fear for telcos with regard to postpaid subscribers. Again, contract customers can enjoy access to a service but, when it is time to pay, make up a complaint and default.



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Technical Complexities

Making the Necessary Technology Investment

Rolling out a telco super bundling service with full subscription-management and content-discovery capabilities requires a big technology investment. But with telcos juggling many priorities and, in many cases, cutting costs and focusing resources on their core, getting the green light for such an investment is looking increasingly challenging.

Unavailability of Unified Billing

Unified or itemized billing is rare in many emerging markets. In India, for example, telcos are reluctant to use it for bundled services because they fear that if those services start appearing in subscriber bills, subscribers will see telcos as more liable for the delivery and customer support of those services. Telcos also fear that if subscribers become more conscious of being billed for bundled services, they will be put off. There is plenty of free online content out there that they can fall back on.

Instead, Indian telcos such as Tata and BSNL entirely rely on hard bundling, even in a super bundling context. For multi-subscription bundling, they aggregate many OTT apps into a single bolt-on tariff and price them into the tariff.

The absence of unified billing makes it impossible to offer pick-and-mix super bundling.

Backend Integration

To ensure that users can seamlessly redeem and activate bundle offers, the OTTs' and telcos' backend systems need to talk to and understand each other. The integration work required for this to happen is usually lengthy and tricky.

Most telcos insist on proprietary, process-heavy integration methods that are slow and resource intensive. Many are reluctant to provide OTTs with direct API access to their networks, fearing security breaches. As for the OTTs, each has its own way of enabling service activation.

Often, technical staff at both telco and OTT ends do not have enough time to dedicate to these integrations.

One European telco source Omdia spoke to said: "Every time we onboard a new partner, it drains IT resources, adds complexity, cost, and extra processes."

Telcos typically take months to onboard new partners. One telco Omdia spoke to takes an average of four months; another, 3-6 months. Even integrations with existing partners can take 60-70 days.

One source said: "The most important part of any integration is anticipating errors or where processes break, and how we auto-correct these without human intervention. Because of the scale we operate in – which runs into the millions of users – we can't be human-process dependent."

Frontend Issues

Adding new services also adds complexity at the frontend of telcos – i.e. their sales and customer support channels. "The more you add, the more you complicate the sales pitch and the support effort for frontline staff," said one source.

The extra customer-support burden that new services can bring is a big worry for telcos. "If we rush into it and fail, trust in us will go. The whole thing fails," said a telco source.

Conclusions and Recommendations

The case for telco super bundling is strong. There are compelling market drivers for super bundling, not least consumer subscription fatigue and telcos' dire need to differentiate and boost revenue. Not only can it be a churn buster – the more services telcos get customers to subscribe to, the more stickiness they create – but can also turn into a revenue stream in its own right. Also, telcos are probably the best suited to provide pick-and-mix super bundling, offering neutral ground for a broad choice of OTT services and providers.

Telcos should avoid going for barebones super bundling. Although convenience is a strong draw for consumers, there are several subscription-management and content-discovery features that can be packaged into super bundling to make it truly stand out from the direct route to subscribing to digital services. And fundamental to the super bundling concept is getting a discount for subscribing to several services at once. This might not be a must for telco super bundling but, at a time when consumers are tightening their belts, there is a strong case for it.

Telcos should outsource if budget is an issue. Telcos should not allow CAPEX constraints to stop them from rolling out fully-fledged super bundling services. They should look for software-as-a-service (SaaS) solutions that enable them to launch an offering without any upfront investment. Also, the technology that SaaS vendors bring to the table tends to be more sophisticated and tried and tested than anything telcos can build in-house, and far quicker to deploy.

OTT recruitment and integration should also be outsourced. The same SaaS providers that telcos turn to should also offer off-the-shelf aggregated access to a wide range of popular subscription services – and have all the necessary service agreements in place with the providers of those services. Telcos need help with accelerating the service aggregation required for super bundling. The alternative is too time-consuming and resource intensive. The due diligence and contractual complexities involved in finding and partnering with the right OTT partners, and the backend integration required afterwards, are just too onerous.

Telco bundling needs more diversity. With the video bundling boom having peaked and the music subscriptions market nearing saturation, telcos should be casting their nets wider for bundling partners. Not only should they be looking to other media verticals, but to the growing number of physical-good services that are now sold as subscriptions. And for telcos struggling with 5G adoption, they should be looking to bundle services such as live sports streaming and cloud gaming to make the use case for 5G more compelling.

About

bango®

Bango brings together digital payments and marketing technology to help businesses effectively market, sell, and monetize products to online customers everywhere. The world's leading companies, including Google, Amazon, Microsoft and Samsung, all work with us to accelerate their growth and scale their businesses.

Bango Resale technology, commonly known as the Digital Vending Machine, is provided as a SaaS product, offering essential services for merchants to grow, including one-click online payment and digital distribution through third-party resale partnerships. These technologies, delivered through a unified platform, enable merchants and their partners to market and monetize content and services to billions of online users everywhere.

The Digital Vending Machine drives the new wave of "Super Bundling" services, which are increasingly responsible for consumer subscriptions. Resellers, such as telcos, utilities, and retailers, deploy the Bango Digital Vending Machine to attract and engage more customers by bundling third-party subscriptions with their own services. By leveraging their trusted billing relationships with millions of subscribers, resellers offer a significant benefit to merchants seeking new customers. Merchants, in turn, provide exciting content that helps differentiate the services offered by resellers.

Without Bango Resale technology, this market operates with inefficiencies, relying on numerous separate integrations and leaving consumers without an efficient way to manage their spending. However, Bango Resale unifies this market, providing a seamless consumer experience that fosters broader and deeper engagement. Market leaders like Verizon and Optus rely on Bango Resale to create, launch, and manage numerous subscriptions, including popular services like Netflix, HBO, Amazon Prime, Microsoft 365 & Xbox Game Pass, Duolingo, Calm, Peloton, McAfee, and other subscription services for their customers.

For more information visit www.bango.com and contact us at sales@bango.com.

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