

The wholesale division of German incumbent Deutsche Telekom is launching a content broking service that is designed to allow owners of TV programmes, movies, games and other video to reach paying customers. Vice president Helmut Angst explains

Deutsche Telekom positions itself as broker between TV and movie owners and viewers



Helmut Angst: a new alignment in Deutsche Telekom, bringing the content and the games close to users or ISPs

The company is launching the service, called Content Exchange or ConX, following its investment in December 2007 in Mediapeers, a Berlin-based company backed by Deutsche Telekom's venture fund. It is being run by DT's wholesale division, International Carrier Sales and Solutions.

"It is a big expansion for ICSS," says ICSS head Helmut Angst, in an exclusive interview at DT headquarters in Bonn.

It will provide a route for gaming companies in the Asia Pacific and movie and TV companies in North America to reach online fixed and mobile customers around the world — but especially in Europe, where DT has 200 million billing relationships.

"Customers will be ISPs and telcos for the time being," says Angst, adding that it will later be targeting device producers that want to deliver content to their own purchasers.

"We are going for the end user devices," adds Angst. "We are ahead of the crowd."

ICSS is in "serious talks" with ISPs and operators about both a public partnership — where DT would retain its brand — or a white label relationship, said Angst.

Media companies are already working with ConX in its trial phase, said Andres Jordan of ICSS North America, speaking at a Deutsche Telekom analysts' briefing in Bonn. "We already have customers on the platform as part of the pilot process."

The project is also looking at processes that would allow the insertion of advertisements into content, he notes. "That's the next product we're looking at."

Producers of TV and movies

Deutsche Telekom says that it wants to work with producers of TV programmes, movies, documentaries and other video formats so that it can deliver them to ISPs, IPTV services, video-on-demand stores and other portals and content resellers. It "simplifies the transactions between professional content owners and buyers from licensing issues and target customers", said the company.

According to Angst, this is part of "a new alignment in Deutsche Telekom", that has seen the ICSS unit become "the wholesale provider for the whole group". Previously individual members — such as Magyar Telekom in Hungary — were more independent in setting up their international relationships.

Now the unit is becoming the international arm of the group, which is Europe's largest telecoms operator. "It's a big expansion for ICSS," says

Many operators are talking of building content delivery networks so they can offer better quality than the standard internet to those content owners wanting to reach customers — but Deutsche Telekom is trying to go one step further, by running what is almost an online market between media companies and the retail ISPs and telcos. Ultimately, though, there is nothing to stop this system — if it is successful — reaching viewers directly.

The content broking service is designed to link movie, gaming and other content companies with telecoms operators, ISPs, terminal vendors and even end users in time, with revenue share controlled by DT's billing system.

Angst. “We have a very clear structure for our international capabilities.”

At the same time the unit is using its scale to win other voice business for carriers across Europe. Angst will not name names, but says it has won “a couple of tier two carriers” and is negotiating with “more than 10 — they are prominent tier two carriers in Europe”.

Meanwhile the unit has expanded its IP capacity in other parts of the world, across the Atlantic and to the Asia-Pacific region.

And that’s where this project to build a global content platform has originated. There is a concentration of gaming providers in the Asia Pacific region, wanting to reach European and North American markets. Meanwhile TV and movie producers in Hollywood want to reach viewers in Europe. “There are 70,000 digitised high-definition movies already,” he says. “We can bring the content and the games close to users or ISPs.”

The move is being taken because “pure transit is a low margin business”, and the company has undertaken a mission to add value to the service offering”.

Angst’s division has a good market to offer content owners: “We have access to Deutsche Telekom’s own 200 million sets of eyeballs,” he smiles. “We are monetising these assets. We have 200 million bills a month. No one else can do that.”

He wants to offer the service to ISPs and other suppliers on a wholesale basis. But what does he mean about the “for the time being” remark quoted earlier?

“We have access to Deutsche Telekom’s own 200 million sets of eyeballs. We are monetising these assets. We have 200 million bills a month. No one else can do that.”

Device makers

Well, Angst is keen to talk to terminal makers and device producers, naming a couple of famous Asia-Pacific vendors “just as examples”. But he adds: “We are going for the end-user devices.” That’s what is needed “if you want to survive in this shark pit”. And, by end-user devices, Angst lists TVs, computers, and mobiles such as BlackBerrys: all are potential displays for the content that DT wants to deliver.

He sees the company as a broker, a trusted intermediary between content owners — the TV companies and games producers — and the market. Currently the market is delivered by ISPs and telcos to their own end customers, but there’s no reason why, in the long run, others shouldn’t offer material to viewers, listeners and gamers.

Nokia has already ventured down this route with its mobile handsets, offering music services as an alternative to anything delivered by, say, Orange. Clearly this is what Angst is considering, at least as a transitional phase. Buy a Sony TV, and plug it into your broadband, and subscribe to an online movie service.

That’s all speculation at the moment. Speculate

“The relationship with content owners is quite perfect. We have a secure network and this convinces the content owners.”

further, and there’s clearly an opportunity for DT to be the Amazon or Apple iTunes of online visual content and games, offering services directly to the customers.

Angst will not confirm his long-term thoughts. “We’ve found partners who trust our ideas,” he says. “We are going into some pilots. We have found a business model to monetise.”

Why should a content owner trust Deutsche Telekom to act as the clearing house? It can look after the digital rights management, says Angst, and ensure that content stays secure. It can negotiate legal rights with the owners, and ensure that all content is distributed in accordance with those rights — avoiding the need for ISPs and telcos to get into legal negotiations.

ICSS can apply its technology centrally to encode content and to reformat it for different terminals, converting files on the fly or storing them in what it calls “mezzanine” files.

Content owners

“The relationship with content owners is quite perfect,” says Angst. “We have a secure network and this convinces the content owners. We are sending out 200 million bills a month and we know who is behind them.”

As a wholesaler, ICSS will offer the service either under its own DT brand to ISPs and telcos, or will “while label” the service — that is, provide it so that the ISP or telco can offer it under its own name. “We are in serious talks with some partners on both sides of the business,” says Angst.

The service, ConX, is new, announced only at the beginning of December 2009, but he’s expecting network operators, ISPs, mobile portals, IPTV services and cable operators to sign up. On the content side, ICSS hopes to conclude agreements with film studios, production houses and independent producers.

Angst’s US-based colleague Jordan likens the marketplace that ICSS hopes to create to “eBay without the bidding”.

It’s a powerful vision. Whether other large operators will be happy to rely on their German rival to do this for them is perhaps questionable, but DT certainly has its own customer base to deliver to content owners, along with a number of tier two operators that it can serve.

Ultimately it is likely that someone will become the content broker for the content industry — fulfilling the role of Google or Apple, or indeed eBay, in linking owners to purchasers. Google does not have a billing relationship with its users — but Apple and eBay both do, as does Deutsche Telekom — at least as far as its market in Germany and eastern Europe are concerned. Will DT be the new Apple? Why not? ■