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Creating “WOW” for customers, partners and investors in Smart Cities

Smart City Foundations

- **What is a “Smart City”?**
 - A place for people to live and work that makes them feel good
 - Increased quality of experience and decreased “friction” through use of ICT and deep knowledge of customer needs to achieve that goal of wellbeing
- **Why would you want to build a “Smart City”?**
 - Adds benefits that would not be possible without extreme effort by citizens e.g. smart services, smart government, smart health, smart directory
 - New revenue streams. People are willing to pay extra upfront and on subscription for those services

Smart City Economic Models – Option 0

- **“Market the dream” (true in all options)**

- **Buy and speculate on the land**

Plus: Buy and speculate on the land

No risks on operation, No capital outlay after initial land purchase,
Reasonable profit margin

Minus: Sales costs, Partner selection, No ongoing revenue, does not satisfy
the original Smart or economy goal of developer. - No “Smart City”

Smart City Economic Models – Option 1

- **“Market the dream” (true in all options)**
- **Buy and build infrastructure**

Plus: Higher uplift, easier to sell to ROI?, no risk on operation

Minus: Complexity of project management, additional costs to build, no ongoing long-term revenue, nothing “Smart” about this

Smart City Economic Models – Option 2

- **“Market the dream” (true in all options)**
- **Buy and build and make smart (similar to Option 1+ICT)**

Plus: Greater uplift as the model is smart, no-ongoing revenue

Minus: Additional complexity in the plan

Smart City Economic Models – Option 3

- **“Market the dream” (true in all options)**
- **Buy, build, make smart and operate**

Plus: Minor additional complexity, long-term ongoing revenue stream, full control of customer experience, ease in adding each additional service

Minus: As above plus additional complexity in the plan.

Plus/Minus: Needs to add a small operations company

Why giving everything away adds hidden risk

- **No risks with build out**
 - Possibility of a minor revenue share over time
- **But other risks exist...**
 - Hard to control customer experience
 - Hard to control smartness of services delivered (customer may feel ripped off)
 - Loss of revenue on services over time
 - Developer name will remain associated with the Smart City along with its investors. It will be that name which is impacted by a 3rd parties delivery
 - Cost of keeping the customer happy and ensuring that the services delivered are as smart as promised may far outweigh the revenue coming in

Option 3 - Why take the risk?

- Gain revenue on all of the services, all of the time, for all of the customers forever
- Control customer experience and customer satisfaction
- Operations company can be spun off as a separate company. Derisking it for initial investors.

No “one-size” option exists for providing and sourcing smart services



Alternative: Developer does everything

Plan

- ✓ Developer designs what it wants
- ✗ Significant preparation

Build

- ✓ Developer builds what it wants
- ✗ Hard to create ICT org.

Run

- ✓ ICT runs as Developer wants
- ✗ Internal org. needed

Alternative: Developer does nothing

Plan

- ✓ Buys predefined template
- ✗ Low differentiation

Build

- ✓ Supplier is accountable
- ✗ Will get what is easiest

Run

- ✓ Low ICT headcount
- ✗ Expensive, low control

Alternative: Developer mix and match

Plan

- ✓ Creative SC services
- ✗ Complex relationship

Build

- ✓ Best use of new models
- ✗ Product over complication

Run

- ✓ Best products and revenue streams
- ✗ Complex supplier & product mgmt.

- ✓ Total control
- ✗ Expensive and hard

- ✓ No responsibility
- ✗ Lowest returns

- ✓ Maximum returns
- ✗ Complex to manage

Option 3 – Best Practices

- Invite industry leaders to offer services
- Spin off a small company (programme management) to manage leaders concerning how they deliver services
- SC controls marketing and customer experience – **own the customer**
- Derisk for initial investors
- Revenue split with industry leaders on services – reduces initial outlay and recurrent revenue
- Does not reduce profit from initial build

- **Services**
 - Built from platforms (e.g. Directory, Quadplay)
 - Built from content (e.g. local knowledge, learning)
- **User Experience**
 - The process for the user
 - Seamlessness for the user
- **Partner Experience**
 - The process for the partner
 - Seamlessness for the partner
- **Brand**
 - Is what this brand does clear to the buyer
 - Do I value what this brand offers
 - Would I pay extra for it?
- **Economics**
 - A core metric by which success and failure will be measured
 - An economic model that drives the financial engine for the city
- **Delivery Model**
 - Product management and planning
 - Role of partners vs. role of Developer people
 - On-site/co-lo/offsite
 - Insourced/Delegated/Outsourced

Warning: Many “smart city” initiatives out there are repackaging of existing eGovernment/modernisation or rebadging of business as usual infrastructure and service refreshes (e.g. mobile, directory) as smart services

Suggested target services at launch/follow-on services

- Core SC service - Quadplay (broadband Internet, IP telephone, mobile telephony/wireless broadband) + City Internet Portal
- IP TV (basic packages “silver, gold, platinum”)
- Home monitoring (basic to be improved upon)
- Directory services & reservations (basic to be improved upon)
- Downloaded services (games/music, etc)
- Utilities monitoring, Smart Health, Smart Education, Smart Government (VERY basic to be improved upon)
- Unified Billing (one face to the customer)
- Knowledge - Learning/content/heritage e-services
- Unified Point of Contact - Civic/City and complaints (Unified contact centre - one face to the customer)

Build services as experiences and processes rather than products

- “Quality of life as a service” – Adam Greenfield, Head of User Interface Design for Nokia
- Look at Apple experience – smart home
- Weight evaluation criteria towards delivery of processes and services rather than smart infrastructure

Quality of Experience

- Perception of “Customer value” is critical
 - e.g. Apple’s hardware is generic and expensive. What makes it distinctive and compelling to buyers are the experience and the brand. The iPod model is the reverse of Gillette’s business model – very expensive razors (iPod) and very cheap blades (iTunes)
- Focus on a small number of measures
 - e.g. “willingness to recommend to someone else” to avoid creating measurement places to hide

Developer SC Value Chain (Day 1 Example)

Interaction Management Services:	Unified Point of Contact - Civic/City Questions, Requests, Problem Resolution
Entertainment Services:	IP TV, Downloaded services (games/music, etc)
Payment Services:	Primarily Unified Billing and payment
Knowledge Services:	Learning/content/heritage e-services
Smart City Foundation Services:	Utilities, Smart Health, Smart Education, Smart Government
Monitoring Services:	Sensing and feedback/control
Finding Services:	Directory, location
Core ICT Services:	e.g. QuadPlay (Broadband Internet, IP telephone, mobile telephony/wireless broadband). City internet Portal
Core ICT Infrastructure:	Passive and Active Networks

Lessons for Developer from other Smart Cities...

- **Brand**
 - Be very clear about the primary “theme” of the city
 - What “wow” services can be delivered as part of the launch. These need not be complex or expensive to deliver
- **Role of ICT-Based Smart Services**
 - Identify the role of ICT within the theme (differentiator, me too, etc)
 - Identify the business model(s) for ICT-based Smart Services
 - What is the core set of services at launch that must be available
- **Partner Management**
 - Who will be the strategic (long-term) and who are the “halo” peripheral or tactical partners
- **Customer Experience**
 - Develop the SC services as experiences and processes and not technology products
- **Role of Developer People**
 - What is the role of internal SC and external staff in designing and delivering the proposition
 - What are the skills gaps to deliver ICT-based SC’s in a best practice way



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Thank-You