



COUNTLESS CONNECTIONS. ONE EXPERIENCE.

By Alfred Mockett, Motive Chairman & CEO

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Welcome to Motivation 2007. I'd like to thank you all for taking time out of your schedules and traveling to attend this conference. We're proud to once again host this gathering, where communications service providers from around the world come to share your vision and strategies for delivering the next generation of digital services. Motivation is important to us because it offers a unique opportunity to connect with you, the people who are shaping the future of the communications industry.

Radio hath not future, x-rays are a hoax and I have not the slightest faith in any form of aerial navigation other than ballooning.

So spoke Lord Kelvin, President of the Royal Society in 1895.

So much for predicting the future.

I have to believe that, as we explore the future together over the course of the next few days, we can do a much better job than Lord Kelvin did in his day.

So, what to expect?

You'll hear from companies including Alcatel, BT and Embarq as they offer us a look at the challenges they've faced and the successes they've achieved in delivering next-generation services to consumers and businesses. You'll also hear industry experts from organizations such as Capgemini and the Wi-Fi Alliance explain the market trends that are shaping the industry. And I'm pleased to welcome John Patrick, author of *Net Attitude* and former Vice President of Internet Technology at IBM, who will give us a preview of some of the changes even we have yet to envision.

Of course, while you're here, you'll also learn about Motive's plans and product developments, see demonstrations of our solutions, and attend breakout sessions detailing the results our customers and partners have achieved using Motive technology.

Most importantly, Motivation is the place where we get to spend time with you, our customers and partners, and hear first-hand about your challenges and successes. It's a unique opportunity, and I look forward to spending time with each of you over the next few days.

Each year, we organize the content of this conference around a central theme. This year, that theme is "Countless Connections. One Experience." What we mean by that is simply put:

By the year 2010, there will be more than 400 million broadband households worldwide. In that same time frame, those households will have installed nearly one billion connected devices. In a world where the sheer number of devices, customers and services is multiplying at an unprecedented rate, it is more important than ever to deliver a consistent, satisfying and compelling service experience.

Simple, right?

Well, perhaps not. In fact, there are quite a few forces at work that are conspiring to make it extremely difficult.

First, the very definition of what it means to be a communications provider has altered dramatically in the last few years. If you are a telecom operator, your survival suddenly depends upon your ability to deliver services that have nothing to do with your traditional telephony business, such as digital television and on-demand video. If you're a cable company, you are learning what it takes to deliver reliable voice service. Mobile providers are merging their operations – and their networks - with the same landline carriers with which they once competed, while satellite providers are being challenged to expand their offerings. Yesterday, it was enough to be a leader in any one of these technologies. Today, if you're not offering the quad play of voice, video, data and mobile services, you're behind the curve. A few providers are already moving beyond that into the

realm of convergence, with offerings such as fixed-mobile phones and Web-enabled TV.

The competitive landscape is also shifting. Pure play providers such as Skype and Vonage are challenging the status quo in voice services. In Europe, providers such as BT and Orange are expanding their geographical footprint, while independent providers are aggressively competing for customers.

In my time at BT we were facing more than 200 licensed competitors on that small island in the North Atlantic. Rumor had it that anyone with the bus fare to get down town to Oftel, the industry regulator, could get a license, and they did.

And while no one seems to have quite figured out how to make it profitable yet, larger Internet players like Google and AOL are entering the video market with on-demand offerings. Even traditional media companies are being forced to augment their models with online offerings in order to stay competitive.

No matter what corner of the world you serve, government regulators are making matters more complicated. Here in the U.S., cable companies this year will have to unbundle set top boxes from their services. That means that a TiVo or Microsoft will be able to sell a box that delivers cable channels, Web-based video and downloadable movies, mix them all together and present them on screen in a single menu. There is talk that cell phones may similarly get unbundled from service carriers, encouraging competition and a new wave of innovation among

device makers. Add to this the issue of net neutrality. No matter how it's resolved, it will pose challenges and opportunities depending on your position in the market.

The pace and scope of the changes are enough to give any service provider a huge headache.

Of course, some say these changes are still more hype than reality. And it may be true that, for now, the traditional PSTN network is still king when it comes to sheer volume of voice traffic carried every day, and that broadcast TV still rules the viewing experience. But make no mistake, the changes happening are real and are already transforming the communications landscape. If you doubt it, just take a look at the facts.

Not too long ago, services such as broadband voice and IPTV didn't exist. Today, more than 9 million households have an active VOIP service, and by the year 2010, 65 million households will subscribe to an IPTV service. Adding to this connected universe is a whole new world of mobility. The market for smartphones capable of handling both voice calls and data services grew at a rate of 75% last year over 2005, and Gartner predicts worldwide sales of these devices will reach 280 million by 2009.

Inevitably, these markets and devices have been moving toward convergence. Virtually every major broadband provider in the world today has a wireless division. In North America, AT&T owns Cingular Wireless, the "new AT&T" and

Verizon has Verizon Wireless. In Europe, BT, Orange and Deutsch Telekom all have both broadband and wireless businesses. And in one telling study, nearly half of consumers interviewed said they were prepared to change their broadband provider in order to get a converged fixed-mobile service, and roughly the same percentage would move to a new mobile provider to get it. In Europe, this move toward converged offerings is already well underway. Earlier this year, BT announced its BT Fusion service. It's taking hold in other parts of the world as well. Korea Telecom has its OnePhone service. In South America, Brasil Telecom has launched Telefone Único. In the U.S., the move has been a little slower, but the trend is clear.

The important point is that, whether or not you define it as triple play, quad play or convergence, more and more consumers are living a connected lifestyle—both at home and on the go. While they may not be interested in technology for its own sake, they are increasingly interested in what they can do with the digital devices and content that are becoming an integral part of their lives. They want an easy way to access their photos, music, e-mail, video, games and text messages from whatever device, wherever they happen to be in at the time. It's about convenience. But unfortunately, managing services and content across all these disparate devices is anything but convenient today.

That challenge is limiting the revenue potential of your services.

The problem is that, even on its own, each of these devices and services has grown incredibly complex. Cell phones are loaded with features that most customers never use, and the new smart phones are six times more costly to support than traditional handsets. Set top boxes are morphing into media servers. Home networks today are beginning to rival small businesses in number of computers and associated peripherals. It takes an on-site visit and an average of half a day to set up a customer's new IPTV service. Even gaming consoles are becoming much more powerful and complex. And of course, each of these devices comes with its own thick user manual, software and unique service issues. Who among us would have anticipated that a game console such as the Wii would put a strain on your homeowners insurance owing to broken windows and TV screens?

We are placing a growing burden on our customers to deal with all this complexity, adding to already burdened lives overflowing with the demands of family, work and community. In our race to deliver the next new thing, we often lose this larger perspective, and our sense of what consumers should and will tolerate. Research indicates that mainstream consumers are less willing to take this burden on. For example, it's a telling fact that up to half of home networking devices purchased are returned to retailers with no trouble found. When consumers can't easily make a new product or service work, it's simply not worth their time and trouble. In fact, consumers repeatedly tell researchers that they feel as though they have been forced to learn more about computer, home network and broadband technology than they ever wanted to know.

And that's just the beginning. Because it's when you start connecting these devices together, and moving content from one device to the next, that things really get complicated.

Nor are these challenges limited to consumers. For providers, every new service you roll out or device you support adds exponential complexity for your business, especially for your front-line employees. With multiple networks to operate, hundreds of devices and software applications to navigate, and millions of customers to sign up, activate and support, dealing with this complexity has become a gargantuan task. Even seemingly small changes create a ripple effect throughout your technology infrastructure and your organizations that can drive up costs and undermine profitability.

Until now, you've had basically two choices in dealing with this complexity – shift the burden to customers, or shift it to your front-line employees. You've all experienced the frustration of customers who can't find the answers they need, when and where they need them. Since your front-line employees are your closest link to your customers, shifting the burden to them doesn't solve the problem, it just creates more confusion and frustration on both ends of the phone or Internet connection.

So how do you cut through all the noise and confusion? When you design a new service or device, how can you be sure consumers won't return it with no defect

found, because they couldn't get past the installation process? How do you make sure a competitor doesn't lure customers away with the promise of a better service? How do you help your employees become proud stewards of your brand, rather than battle-weary soldiers in the war against complexity?

Many of you around the world have already invested billions in building new network infrastructures to ensure the quality and reliability of your next-generation services. BT has its 21st Century network. Verizon is spending an estimated 23 billion on its new FiOS network and AT&T is working to roll out its U-Verse service to 8 million customers this year. Mobile operators are upgrading to 3G and beyond, and device makers are adding Wi-Fi capabilities to their phones. This investment is an immensely important step and an enormous commitment.

But building the infrastructure is just the beginning. When we add new services to their world, we owe it to our customers to make the experience simpler, easier, better. Market research shows that mainstream consumers are more interested in the personal user experience than they are in hardware, software or even content. In particular, they want to know how service providers can cater to their unique preferences and needs. For these customers, an easy, consistent, personalized experience across all of your services and devices, and throughout the entire service lifecycle – from the moment they purchase and install it to ongoing maintenance and upgrades—is the key deciding factor in how they evaluate your brand value.

In his book, *Emotional Branding*, author Mark Gobe wrote that it is the emotional aspect of products that will be the key difference between consumers' ultimate choice and the price that they will pay. In other words, to win and retain customers, each of you will have to do more than offer the same service as your competitors at a comparable price. You must promise a compelling, differentiated experience that entices consumers to switch to and to stay—with your company.

How do you guarantee the emotional experience? How do you ensure that the quality and reliability you've built into your networks carries over to every aspect of the customer experience, and throughout the service lifecycle? If a customer can't get past the installation process with your service, how will you monetize that new network? If your service encounters a conflict with another device or service, how will it get resolved? The potential permutations and combinations of devices, services and software consumers will use are multiplying daily. Who will help them manage it all?

Electronics retailers such as Best Buy and Circuit City have recognized the opportunity and are answering customer demand with their Geek Squad and Firedog services. Will you cede the customer experience – the foundation of your brand -- to these retailers and other independent firms, or will you recognize that customer demand for managed services – not just bundled services – is strong and growing?

Leading providers are heeding the call and recognizing that the service experience is more crucial than ever to driving customer acquisition and building long-term loyalty. They understand that it's the experience that will determine whether their customers purchase these new digital services, and whether they continue to do business with the company, or look elsewhere.

Of course, delivering that experience is easier said than done, especially when there are dozens of different hardware components, software applications, devices and partners added into the equation. There is nothing simple about provisioning, managing and supporting new services in this complex scenario.

The question is, what will it take to deliver it?

At Motive, we believe it takes a fundamental shift in how you think about the customer experience.

Specifically, it means accomplishing two significant goals:

First: Manage the entire customer experience, from end to end.

Second: Make it seamless across all your services, networks and devices.

What do we mean by an end to end experience? As an industry, it used to be when we talked about the customer experience, we meant technical support. Specifically, it meant fixing a problem after something had already gone wrong – a customer's connection had gone down, or a device wasn't working properly,

and then doing damage control. That's where Motive got its start more than ten years ago – in customer support automation—and it's still where much of the industry is putting its efforts today. As we grew, we got smarter, and we learned how to use the capabilities developed in partnership with you to anticipate and prevent problems, before they occur. We used automation to do things like repair broken connections and restore settings.

But today, managing the customer experience involves much more than that. It begins the moment a customer first encounters your service, from purchase through installation and ongoing use. It's not just about fixing problems anymore, it's about designing a great experience into the service from the ground up. It's about making the service more compelling, and the experience memorable not for how fast you solve problems, but for its simplicity and ease of use. At Motive, we understand that shift, and we've prepared for it.

Today, we're focused on helping you deliver the end to end service experience, starting from the moment a customer encounters your brand. We've moved up the value chain from after-the-fact customer support to helping you rapidly and cost-effectively design, deploy and manage new data, video and voice services. We're helping you scale those services to millions of users.

We're helping you to increase average revenue per customer. Our automated activation and upgrade capabilities accelerate customer adoption of new

services, while reducing your need to roll a truck. And yes, we're still reducing support costs and improving reliability.

We do all this with a single, unified service management platform that provides the breadth and scalability to grow as your business grows. So you can add new services and bring millions of new customers online faster and more cost-effectively. We've made a commitment to open standards and interoperability that you told us were critical to your success. And as a result of that commitment and our partnerships, Motive software today has more than 45 million connections under management.

Secondly, we've made that experience seamless across multiple networks and devices. We've prepared for the move we discussed earlier toward mobility and fixed-mobile convergence. You'll hear a lot over the next few days about these new developments, including our Mobile Service Management solution, and how we're preparing to help you deliver your services to any device, over any network, at home or on the go.

We look at this as a logical extension of our core capabilities and experience in device management. More importantly, we saw that it's where you, our customers and partners, were headed. The market for mobile device management is going to dwarf the market for the digital home, and we wanted to be there to help you manage and profit from it.

In the future, we'll continue to innovate, working closely with our customers and partners, to define our own product and service strategies. We've taken specific steps to align our business closely with yours, and tie our success to your success. Rick Hanna, our Chief Operating Officer, is going to talk more about the steps we're taking to do that, and the successes we've achieved to date.

I've talked a great deal about the customers and the customer experience. I'm British by birth, but American by choice -- having made that choice some 30-years ago. From my early days in business in Addison Texas and Tulsa Oklahoma, I have always been mindful of the words of that great man from Bentonville Arkansas, Sam Walton, the founder of Wal-Mart. "There is only one boss. The customer. And he can fire everybody in the company from the chairman on down, simply by spending his money somewhere else."

Notwithstanding the gender bias, I love that quote. It adds a sense of urgency to the customer service.

Over the next few days, as you hear and share strategies about delivering next-generation services, keep in mind what that really means. The next generation of services is not about VoIP or IPTV or FMC or any other acronym you can think of. It's not about 3G networks or fiber to the curb. It's about delivering a consistent, seamless experience across all of those services and networks. It's about meeting the expectations of the millions of customers waiting for someone to understand their needs and simplify their lives.

Countless Connections. One Experience.

That's the challenge that lies ahead. Let's go meet it together.