

DR: [00:00] I am Danielle Royston, and this is Telco in 20.

You know what telco has that everyone else, including the big tech companies, would die to have? Subscriber usage data. Telcos are sitting on top of mounds, petabytes of data that they could be using to drive not only a better subscriber experience, but also higher ARPU. Duh. Other industries are already doing this. Telco is just the last guy to the party. But there are a few companies out there trying to break out and use this data to boost ARPU like Totogi, where I'm acting CEO, and MobileX, a new US-based MVNO, is another. Today on the podcast, I'm talking to serial entrepreneur Peter Adderton. His latest company MobileX has a novel approach for attracting new subscribers. It offers a personalized plan and you only pay for what you need. Here's how it works, for 10 days and for free it learns how you use a network. Then it predicts the best plan for you based on your actual usage. It's an innovative approach to plan, design and subscriber acquisition designed to help customers save money. I can't wait to talk to him about MobileX's new approach to mobile service. So, let's take 20.

Peter Adderton is founder of Boost Mobile, founder and former CEO of Digital Turbine, and CEO of MobileX. Hi Peter, welcome to Telco in 20.

Peter: [01:39] Thanks for having me. Excited to be here, actually.

DR: [01:42] Yeah, we're Twitter friends. We're always getting into the fray, and so it's really nice to finally have a chance to sit down with you and talk. My first question, you are clearly a serial entrepreneur, obviously best known for starting the highly successful Boost Mobile, but you've also started a bunch of different companies over the course of your career. And so, when I look around in telco and the execs, there's hardly any entrepreneurs in our industry. And so, my first question is, why do you stay?

Peter: [02:11] I think if you look at it, most entrepreneurs, they're opinionated, they've got their own way of doing things, and they find it very, very hard to work for people. So, I think

that the true concept of an entrepreneur is somebody who basically needs to run their own business. I love this space by the way. I love the concept of connecting people. And like most entrepreneurs, I come from the consumer perspective. So, I like to see how we can improve the consumer's lives. So, it's always been a passion of mine and it's something I absolutely love.

DR: [02:36] Yeah, I'm relatively new to telco. I kind of entered it in 2017, but I love it. I love this industry and I found clearly my passion for trying to change it and make it better. And so, I think you and I share that and have that in common. And so, I really wanted to talk to you a little bit about your latest business, which is the recently launched MobileX, which is still in beta. And it has this new innovative approach to mobile service and it's based here in the United States. This is not your regular vanilla MVNO. Tell me how it's different than what everyone else has done before.

Peter: [03:10] So, every idea that I've ever created comes with a story, and MobileX really came from, you might remember at the time when Sprint and T-Mobile merged. I spent a lot of time going and seeing the FCC and the DOJ to try to explain why the merger of Sprint and T-Mobile without extracting Boost and Metro was a problem. So, I basically spent a lot of time fighting for consumers. And once I'd gone through that process, I got a phone call from a carrier who said, "What are you doing?" And I said, "Look, I would love to change the way that people consume their data today. I think it's archaic, it's basically the same way it was back in 1997 where it's bundles. But I want to do something very, very different."

You and I both know how carriers make their money today. It's through breakage or overage. So, it's either you buy too much and you don't use it, they make money on that or you buy not enough and you go over and they make money on that. So, I thought why don't we start creating something where we use the technology today, the public cloud, the AI, machine learning, let's give it to the customer. Let's let the customer use that technology to tell us what they need.

DR: [04:10] So, talk to me a little bit about how it starts engaging with users when you first join the platform and the service.

Peter: [04:15] Well, here's the irony. So, we launched the beta test and we have three ways to better access the service. You can go through the live while we learn, which is the 10 days of basically just taking our service, just go do your normal habits and at the end of it we come back and recommend the plan for you based on minutes, messaging and data. The other one is just purely customized. You set yourself a budget. I want to spend \$10, that's it. We take care of everything else. The third one is what we call fake unlimited, which is basically we're offering the same fake unlimited as everybody else does with all the restrictions that you get with a fake unlimited. And so, you've got the three ways to go in. Ironic thing is that the majority of people that are coming in through the beta are choosing the live while you learn. They are actually interested in knowing what they're actually going to use in data. And it's funny because I always ask people "How much data do you use?"

DR: [05:01] No one knows.

Peter: [05:02] No one knows. And then I always ask them how much they pay and they always give me a rounded up number. I had dinner the other night with a friend of mine and he was like, "I'm on the T-Mobile \$113 a month plan." And I looked at his usage, his usage was less than two gigabytes. On MobileX to be less than \$10 and he just was blown away. And he goes, "I'm an idiot." I go, "No, you're not. You're just brainwashed." I said, "You don't have the alternative." So, that's what I love about what we're built.

DR: [05:26] Well, I think that's from that old legacy that you were talking about in the past where consumers were burned by overages and the rates would go up if you weren't under your plan. And so, everyone was forced into those unlimited things, but people really don't understand their usage at all.

Peter: [05:41] Yeah. And so, that was the first question that we wanted at MobileX to answer. You can find it out

afterwards, but we wanted to find it out before. So, that's where we use the AI machine learning. And the more that customer stays with us, the more we learn to try to give them an indication upfront of what we think they're going to use for that month. Now we're not for everybody. In fact, I've got people come on Twitter and go, "I'm going to thirty, forty, fifty gigs a month." And I go, "Well, don't come to us cause we're not going to do anything for you," right? And in fact, I'll recommend other plans for them. And that's really the predominant thing for MobileX is to come in and say, "We basically sell you what you need and we help you decide what you need." And I think that that's really what's been good for us.

DR: [06:19] I saw this the other day on Twitter, you were talking about this. So, I come in and I'm blowing doors on data. I'm consuming so much. So, literally in your app you have other providers plans and you're pushing them to say, you should go use the T-mobile one or the Verizon one in your app.

Peter: [06:34] Yeah. And so, the single biggest issue for me in a wireless industry is, there's a lack of trust between the consumer and the carrier. And that's rightfully because the carrier's basically been taking advantage of the consumer forever, right? It's always been. So, what we wanted to be able to do is try to help the consumer and say, "Listen, if we're not right for you, here's a plan that is right for you." And I think we use Stetson's Best Phone Plans. We use data analytics and we just match it with you. So, once you've been recommended a plan by us, you can then look at how it compares in the market and if there's a better plan.

DR: [07:06] You should go use it.

Peter: [07:07] Go use it. So, we want to build trust. I want customers to come to us and go try MobileX out. They won't rip you off and are completely transparent in everything that I do. And that's really going to be the foundation of the brand.

DR: [07:20] Well, I think that's a big problem in our industry in general, not just in the United States but globally, this lack

of understanding of what you're really buying and what you're really getting. People don't know, well how much is a movie? How much is a game? And so, I think I really like that transparency and I think you're absolutely right. It's all about building trust. It's kind of like Progressive Insurance United States, they're like, we actually recommend another carrier if that's a better price for you. And so, I think that's a really great way to go.

Peter: [07:45] But it is funny because consumers come on to Twitter. I put up the price compared to needing 4.2 gigabytes, right? And it was going to cost me \$14. And somebody came on and said, "Oh, by the way, you can go across to Mint and for an extra \$5 you can get an extra three gigs." And I wrote back going, "But I don't need it." Why would I donate \$5?

DR: [08:05] Extra, yeah.

Peter: [08:06] It's this mentality of consumers to go, I need more even though I don't need it. And that's the brainwash that goes on in this industry and that's something that we're trying to undo with MobileX. But I think eventually, and I'm seeing it in the beta, consumers are going yeah, I just want the knowledge of knowing what I'm going to use. If you give that to me, you win.

DR: [08:26] Yeah. And so, you said it a little bit ago about how you're basically monetizing the network you guys are using, which is Verizon through that subscriber's usage. And so, how are you guys building your attack? Are you guys using public cloud tools? Are you using some off the shelf third party stuff? My company Totogi is trying to do the same thing. So, really curious how it's working out for you.

Peter: [08:49] Well, we're digital first, so we are in the public cloud. We obviously use AI machine learning, which is really important for us. A lot of what we're building, we needed the carrier to do a lot of different things because we do need real time data information, right? So we need to know exactly what they're doing.

DR: [09:03] Right, network usage.

Peter: [09:05] So, there's a lot of things that we are doing inside the network that haven't been done before that are very, very different. We also are very app focused. Everything you do inside the app, in fact the website has nothing on it other than driving you to the app. If you look at carriers today, when you go to check your usage, they'll push you out to a webpage, right? To look at it.

DR: [09:21] It is brutal.

Peter: [09:22] Everything we have is built inside the app. So, it's a digital first, app driven business with a lot of the underlying technology behind it. It is very, very different.

DR: [09:31] That is totally awesome. At Totogi, we're using the data about the subscriber, about their network usage, to design plans for them. And so, it's kind of like the MobileX idea. It's a little bit different, but most people start by designing a bunch of plans and then force fitting consumers into them. That's not what we're doing. We're literally dynamically designing plans through machine learning and AI and then seeing if the customer accepts them, right? And then that begins to train the model and train the system. And so, it's kind of a novel way of monetizing. I think it'll grow ARPU because you'll start to create a personalized experience. And again, that trust thing that you said, you start to build trust that they really know me and understand me ala Netflix, it gives you personalized recommendations for you, not for the family or for your kid. So, I think it's a really big idea and I think going forward it's a new way for carriers to potentially monetize their network and they're constantly looking for a 5G use case. So, maybe this is it, big data.

Peter: [10:33] Yeah. Look, I talk to a lot of CEOs of a lot of the carriers around the world, and I think they missed a massive opportunity to create a different platform with 5G where they could basically have experience based pricing, whether that's through speed, whether that's through latency, whether that's through video resolution, and a bunch of other things, hotspotting. They missed that opportunity. They went back to what they've known since 1997, which is bundles. Bundle up, pretend it's unlimited,

and just sell it out there. So, they basically sell 5G at the same price of 4G.

I think that they can't sustain that because the cost that they're spending on these 5G networks are going to get more and more and then we're going to have 6G and it's going to continue to keep going on. You listen to the carrier CEOs now, they're talking about how they can increase output because they want to push you up into that unlimited plans because that's where they're making massive amount of ARPU and the average usage is 11 or 12 gigabytes, but they're selling on those unlimited plans anywhere from 20 to a 100 gigabytes, which the Delta's just too wide.

DR: [11:29] They've got to be absolutely terrified that the consumer actually becomes educated through a MobileX experience of what they really need. And then people start saving money and going down on plans, off of unlimited into something right-sized that would be absolutely terrifying to them.

Peter: [11:46] It is and it isn't. And so, I've had a lot of nos, by the way, for people to put the MobileX platform on their network because they're basically like, Peter, you know how we make money, right? We sell stuff to people we know they don't need. And I said, "Yeah, no, I get that." But think about this as we go forward. If you look at the MobileX experience, it's not just about predicting your usage, it's making you smarter about your usage. So, we have the ability for you to be able to set your video resolution, speed optimization comes in as well, the different QCI levels. I talk about this with my daughter when she went to Coachella, I couldn't reach her. She couldn't call an Uber because there was no connectivity. And so, when you cut off your smartphone, life 360 doesn't work, uber doesn't work, your banking doesn't work.

DR: [12:27] Texting doesn't work.

Peter: [12:28] Nothing works, right? You're basic isolated. So, the ability to be able to press a button and pay an extra amount of money to get priority on that network-

DR: [12:38] Is huge.

Peter: [12:39] Is huge. And we've built that into our platform.

DR: [12:41] I agree with you that going backwards and getting off of the addiction of the unlimited bundle, right sizing the consumer and building trust that they believe that I'm on the right planet, I'm not overpaying, and then trading that for giving them the power to boost up and get more bandwidth, speed, prioritization, people are willing to pay for that and may even spend more than they would've on the unlimited.

Peter: [13:04] You look at consumers how they go retail shopping, they go in there with the idea of buying something, they end up buying seven different things, right? Which they never were going to buy. But when you're in there, the convenience is there. So, if we can make it convenient.

DR: [13:16] Totally. That's a great analogy.

Peter: [13:18] I'm trying to convince the carriers that you've got to look at it differently. Now, the problem that they have is that a drop in ARPU, it scares them. But I'm like, you can replace it with value added services. Here's the ironic thing is that T-Mobile turns around and says that we have the best 5G network in the country, better than anybody else's, yet they price it the same as the worst 5G network. So, what's the advantage of having a better 5G network?

DR: [13:43] Oh my gosh, Peter.

Peter: [13:44] If you don't have the ability to be able to charge more for it. Would be like me going, I've got the best car in the industry, BMW, but I can only charge it at Hyundai prices. It doesn't matter. You might as well just build a Hyundai.

DR: [13:56] Exactly. Okay, so let's switch into the MVNO economics, which is really coming down to the price of that access that you're paying to Verizon, the cost per bit. As you look at the different networks in the US, you were just talking about T-Mobile's touting that they're the best and pricing it like the worst. How do they compare?

Peter: [14:12] So, every carrier in every country in any part of the world has its strengths and its weaknesses. You can talk to 10 people who say that T-Mobile's the worst network they've ever been on. And you can talk to 10 people that think that T-Mobile's the best network. So, they argue about speeds. You and I both know you don't need 500 megabytes per second. The latency in ping, as long as you're under 70 or 80, you're going to have a good experience. So, I think it's the sea of sameness. They do the same plans, they do everything the same. So, it's really become a marketing battle of who can convince the customer that their product is better.

And so, I think that the state of and the health of the carriers today is not as good as everybody thinks it is. These guys tried to migrate themselves from telcos into mediacos, right? That failed. Then they went from telcos to techcos. They don't want to be what they are, which is basically a commodity that provides a service. And I sit back and go, well, if you don't want to be that, then embrace companies like yours and like ours that are trying to change the game, that are trying to turn you into more of a platform. And they don't because their biggest fear is that it will reduce their revenue.

DR: [15:18] Yeah. Well, I want to touch on that. I'm a big DISH fan. I like what Marc Rouanne talks about building the network on AWS. And again, I'm not like a longtime telco person and by no means a network expert, but is the cheapest network in the United States from a cost per bit perspective, from a wholesale perspective, DISH?

Peter: [15:40] Look, I think there's two phases to the success of DISH. The cost per bit is going to be one of them. The other thing which I've been encouraged by is their open APIs, their ability to allow developers to be able to develop on that network. I just hope that they truly are going to embrace that. My single biggest fear is that the economics will not work out as fast as they like, and they'll be forced to basically do the traditional carrier mentality. If they stay true, it will hurt them initially. They'll win long term.

DR: [16:07] Again, I'm no expert, but I'm like, what if they're just building it as a network platform, and it's for consumption

and not really for retail or consumers. It's an MVNO grab for everyone to use their network. They're really trying to optimize on keeping the cost of managing that network really low, but opening up for anyone and just charging by the use and not going after their own captive retail customers.

Peter: [16:34] I would agree with you if we weren't looking at what's happening today in real time with DISH. The fact they haven't spun off Boost and sold that off, the fact that they're buying other MVNO brands and they are dedicated to retail, the problem is building a network isn't sexy. I think it's just not sexy.

DR: [16:51] Yeah, it's super hard. Yeah.

Peter: [16:53] And so, I think DISH is a little caught up in my opinion, in wanting to be a startup, building that core network just allowing access, which is exactly where they should be, but they're distracted with the retail business and until they get rid of that retail business, I'm skeptical of them ever being able to succeed.

DR: [17:10] Yeah. Well, it'll be really interesting to watch. I mean, everything I hear is about the APIs, the openness. I'm super curious and watching it. And so my last question, which is how much I enjoy your outspokenness in the industry. I think you and I both share this passion. Telco is an amazing industry and it should be performing so much better. And I think the ideas that you have with MobileX, obviously I'm super bullish on what I'm doing with Totogi in terms of driving a new way to look at this using new technology to provide a better experience. And so, I just want to say I think we need more voices like this in telco.

Peter: [17:48] I think if you look at where we're going to be in three years, it's not just about 5G, 4G, it's about broadband into the home, it's via satellite. So, we've built our platform to basically allow a family to come to us. Our platform will connect you, whether it's your car, your watch, your house, your fridge, we'll do it all for you. Because consumers aren't looking for more things to do. They're looking for less. So, I think the platforms that will work will be those that can connect multiple devices and basically decide

what's the best use of the pipe for that session. And I think that that's what we end up winning hopefully in the long term.

DR: [18:18] Yeah. And I think there's tons of opportunity in this industry for new ideas, and I'm like, you guys have some of the most valuable data literally in the world, the big tech companies would kill for the data that you guys have. If you guys can learn how to use it better and create really meaningful experiences for consumers and users, I think your ARPU will only go up.

Peter: [18:40] They use less than 5% of the data they collect. My biggest concern is honestly that they don't know what to do with it, and that they would have to bring in companies to help them better use that data and that scares them. And it starts at the board level. The board doesn't take risks. If you look at the people that they put in charge of these organizations, they're not the ones that are going to be disruptive, which is fine. I mean, I understand they've got an investor base, but back disruptive companies.

DR: [19:06] Yeah, for sure.

Peter: [19:07] So, I'm sitting there going, they've got to change their approach, otherwise they will end up where they don't want to be, which is just basically a commodity fighting on a bit price.

DR: [19:16] Well, I would love for carriers to have more of an entrepreneurial spirit. It would help me get things done. And I think you're right. I think the time is now and with the cloud, I think it's finally here. So looking forward to it.

Peter: [19:29] Yeah.

DR: [19:29] Well, Peter, this was an awesome conversation. I could talk to you for another hour, but I really appreciate you coming onto the podcast and talking to me about MobileX and what you guys are doing.

Peter: [19:39] Thanks for having me.

DR:

[19:39] Awesome. Stick around because we're ending each podcast with a Telco in 20 takeaway. I have 20 seconds to tell you something you need to know.

[19:51] Let's talk about why Peter's idea is so great. He's ditching the unlimited package and instead will first offer a personalized right sized plan that will save customers money. By taking this approach, he's building trust from the start with the subscriber, and he will use machine learning and AI to get to know his customers further. Over time, he'll use this data to predict what other value added offerings they're likely to take. It opens the door for creating a super app where customers come to MobileX again and again to buy more and more services, even non-telco services, growing ARPU over time. Peter's vision is just what the industry needs. It's exactly my vision for Totogi, but I want to help all carriers and MVNOs do this for themselves, which is to use data to predict the next best offer to stop churn or to grow revenue.

[20:44] So, while you're looking for that killer use case to pay back your 5G investment, maybe give this idea a try because it's the best one I've heard on how to grow your ARPU. So, let's talk about it. DM me on Twitter at TelcoDR, and connect with me on LinkedIn. Listen to my podcast for all the latest on telco and the public cloud. Follow us on Apple Podcast and Spotify, and leave us a review. You can also sign up for our email newsletter on telcodr.com and check out our awesome YouTube channel. And remember to catch us at this year's MWC in Barcelona. Totogi is the gold sponsor of the MVNO Summit. So, come say hello to our team, watch my talk, and be sure to score your invite to our amazing Totogi after party. See you in Barcelona. Later nerds.