

What's the score on mobile data services?

Past failures, future promises

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Management summary

Modern mobile products can do almost anything. You can use them to download movies, receive and send pictures, music, e-mails and text messages, engage in instant messaging, and browse the Internet. You can use them for m-commerce, m-banking and m-payments or to play with your friends online. You can use them to steer, inform and track your workforce. And, of course, you can use them simply to make phone calls from anywhere.

Yet despite this plethora of mobile data services, the most basic ones (such as text messaging) are invariably the most popular. Other mobile data offerings, especially advanced services such as multimedia messaging (MMS) and e-mail, have hitherto met with very disappointing take-up rates.

In producing this study, Roland Berger Strategy Consultants therefore asked two key questions: Why do consumers behave the way they do toward mobile data services? And how can that behavior be changed? In the course of our investigations, we identified four success factors that can boost mobile data solution sales.

- > Simple and transparent service packages and pricing structures, including low entry-level prices with no hidden costs (i.e. a transparent total cost of ownership)
- > Availability of suitable products: Any mobile data service is bound to fail if the product does not make it fun to use
- > Standardized simplicity: A mobile solution must be compatible with other systems and products that the target group uses
- > More bandwidth: Mobile data services will not succeed unless UMTS penetrates the market quickly

While these success factors may seem obvious, they are far from standard practice in the industry.

We speak from experience: Roland Berger Strategy Consultants has completed a wide range of projects for European mobile network operators in the past. And mobile data services remain a strong focus of our daily work. In late 2004 and early 2005, we therefore conducted a survey of mobile data services in Europe to enrich our project experience with fresh

insights gleaned from industry experts and practitioners. The survey included a series of interviews with managers at mobile network operators (MNOs) in seven countries. Most of the interviewees hold positions as marketing or product managers for mobile data services.

Our study begins by examining where the industry is at today. It then highlights those issues to which mobile network operators must apply themselves over the next 12 to 15 months if they are to make good on the exceptional promise that the mobile data business still holds out. It ends with our proposal of an "Agenda 2006" to let mobile network operators reap the long-overdue rewards of mobile data business.

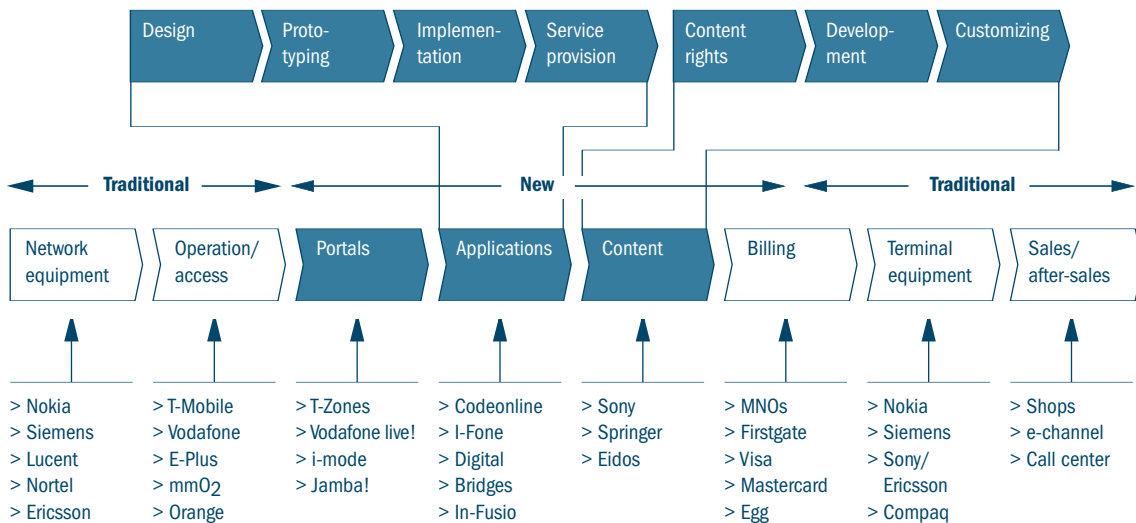
Taking stock: the mobile data value chain

Though everyone in the telecommunications industry has an idea about what constitutes mobile data services, even the basic terminology is often unclear. What follows in this short introductory chapter might seem obvious. In our view, it nevertheless lays a vital foundation for the discussion that ensues.

Mobile data services comprise all those services that go beyond regular voice transmission. They include video telephony, various forms of messaging (text messages, MMS, e-mail and instant messaging), downloads from portals (ring tones, pictures, etc.) and access to intranets, extranets and the Internet.

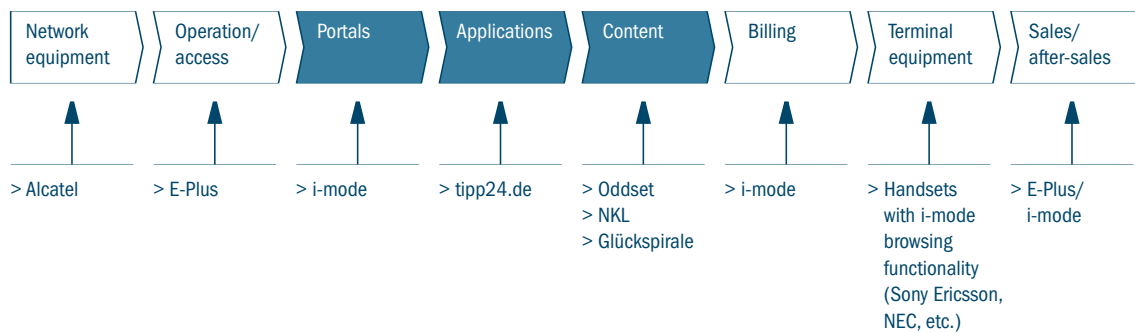
Providing these services at an attractive price may yield hundreds of thousands of new customers. To reap the profits, however, mobile network operators (MNOs) first have to overcome one major organizational and financial challenge: Mobile data services have a more complex value chain than ordinary mobile voice applications. While classical applications such as mobile voice get by with five links in the value chain (network equipment, operation/access, billing, terminal equipment, sales/after sales), mobile data solutions usually comprise three additional links (portals, applications and the related systems integration work, and content).

The mobile data value chain



Let us take mobile gambling as an example: Germany's "Oddset" Internet lottery uses the E-plus portal "i-mode" to handle billing.

The value chain for mobile gambling at Germany's "Oddset" Internet lottery



For mobile network operators, the extended value chain means more work. They now have to get their hands on attractive content and applications. They have to put these into suitable, integrated formats. And they also have to bill customers for these add-on services.

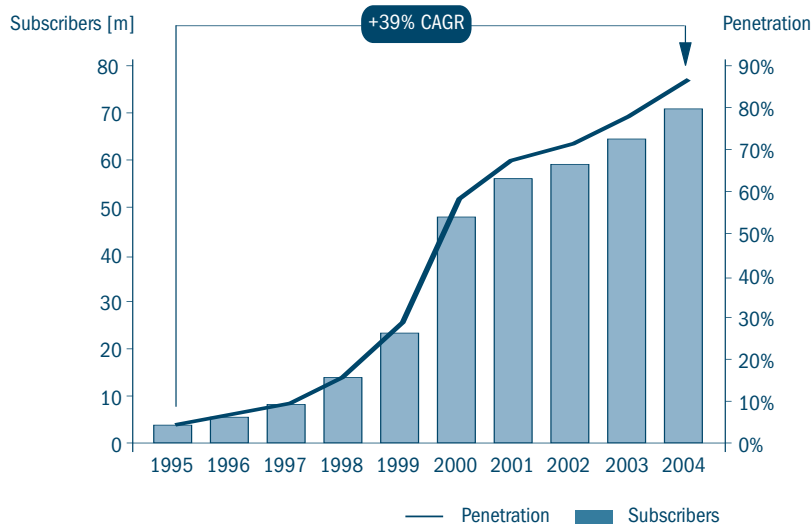
Mobile data business in Western Europe today

Back down to Earth: mobile network operators in the grip of stagnation

Mobile network operators, once the rising stars on the international capital heavens, came back down to Earth with a bump some time ago. Rather than living up to their former stellar business projections, MNOs are now struggling to retain what revenues they do have in a fiercely competitive market. At the same time, they are exploring new business trajectories that will deliver a payback on their investments. Many have launched or are about to launch extensive cost-cutting exercises – something we have previously seen only on the fixed-line side of the business.

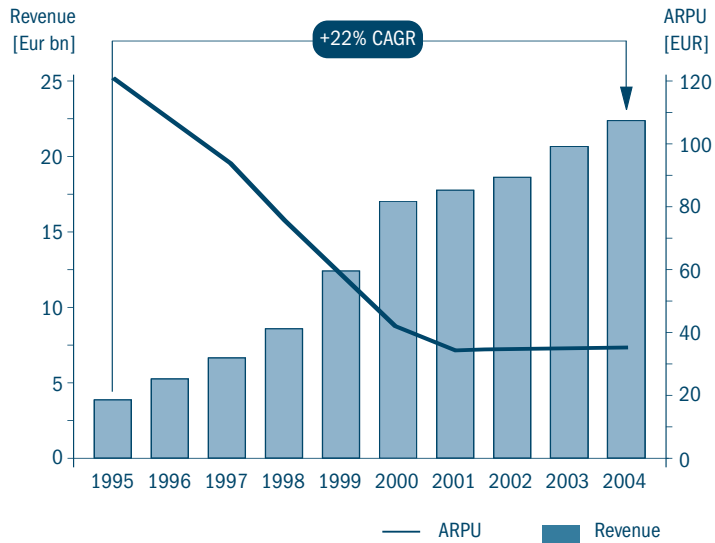
To boost their customer base, MNOs have fought hard for virtually every customer – even for occasional users of prepaid cards who yield a low average revenue per user (ARPU). ARPU hit an all-time low in 2001, remaining fairly stable at just over EUR 30 until the negative trend abated at the end of 2004. To satisfy capital markets' expectations about the future development of mobile operators, however, ARPU of around EUR 60 will be necessary by 2010.

Market development: mobile communications companies in Germany



Source: 2004 yearbook published by Germany's regulatory authority for postal and telecommunications services (RegTP)

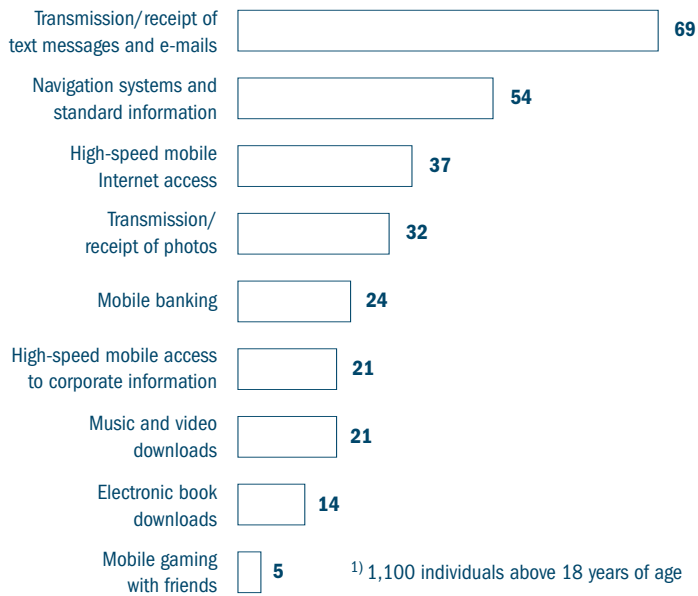
Revenue development: network operators in Germany



Source: 2004 yearbook published by Germany's regulatory authority for postal and telecommunications services (RegTP)

A few years back, mobile managers and analysts expected mobile data services to more than compensate for declining voice revenues. Actual sales nevertheless today trail well behind former predictions. Despite operators' deep pockets and the vast energy they have thrown into mobile data services, legacy services such as text messages and e-mail continue to dominate the business. Even in the age of UMTS, text messages and e-mail still yield approximately 80 percent of revenues. Two-thirds of all customers send text messages, whereas advanced MMS services and video messaging are used by just one-fifth of UMTS subscribers.

Usage of selected UMTS services (percentage of interviewees)



Source: TNS Infratest, 2004

In 1999, analysts predicted that mobile data services would generate total revenues of EUR 5,090 million in Western Europe in 2003. So far, they have only made it to EUR 3,290 million. Excluding text messages, ARPU for mobile data services only reached EUR 5.38 per month by 2003, instead of the forecast EUR 6.37 per month (source: IDC 1999).

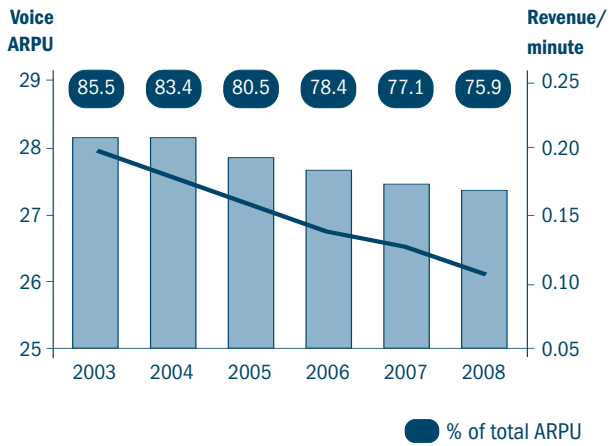
The majority of the managers we interviewed confirmed that their expectations about their domestic market and, more specifically, their own company have not been met. While 73 percent of the interviewees agreed with the statement that ARPU from mobile data lags behind expectations in their country in general and 67 percent with the statement that it lags behind expectations in their own company.

Nor, sadly, does the future look significantly brighter – if things stay as they are. Recent forecasts show that voice ARPU will remain stagnant until 2008 (with CAGR hovering at -0.6% from 2003 through 2008). The main reason is that competition, voice over IP and regulation are driving down prices for voice transmission. In addition, the transition from fixed to mobile

telephony is proceeding slower than expected, such that projected increases in volume will not be met.

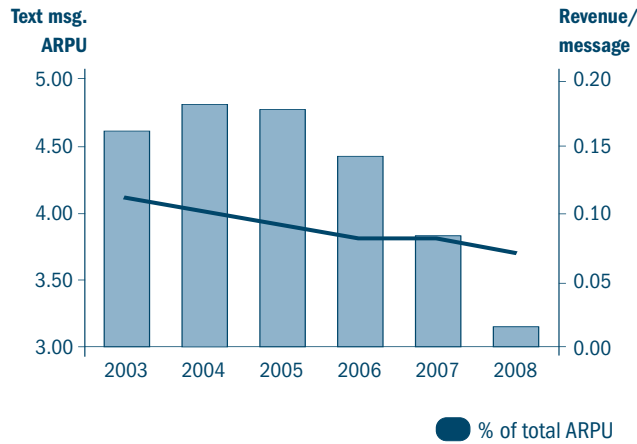
More bad news for the industry is that, in Western Europe, ARPU is likely to decline noticeably for low-level data services such as text messaging. CAGR for this service is forecast to shrink by 7.4% by 2008.

Forecast ARPU from voice services [EUR]



Source: Credit Suisse First Boston, 2004

Forecast ARPU from text messaging [EUR]



Source: Credit Suisse First Boston, 2004

Mobile network operators will not be able to increase revenues again unless they blend the old and the new to create genuinely attractive portfolios of services. On the one hand, they will be more or less forced to make standard services (such as voice) more attractive by selling them in new packages or bundles with a revised pricing strategy. On the other hand, they will also have to develop new services based on mobile data transmission – the only area that still exhibits substantial growth potential.

To complete this brief sketch of the status quo in the mobile data business, let us take a look at regional variations in Western Europe. Even though the marketing procedure generally adopted by MNOs is fairly standard across Europe, the degree of penetration for mobile data services differs from country to country. Companies in the UK have been particularly innovative in using mobile data services in the business segment. Two (of many) cases of successful implementation are: the mobile workforce solution for Britannia Airways, whose crews receive all necessary flight information over PDAs; and the mobile marketing campaign designed to promote Novartis' hay fever medicine "Aller-eze", during which customers could sign up to receive regional pollen information by text message. Other leading countries in the move toward mobile data communication are Italy (especially in the consumer segment) and Austria. In Austria, fierce competition between four MNOs (Telering, One, Mobilkom and T-Mobile Austria) has slashed prices for mobile communications and triggered a frantic search for new sources of revenue from mobile data services

Past faults, future promises: Where the money is to be made in mobile data business

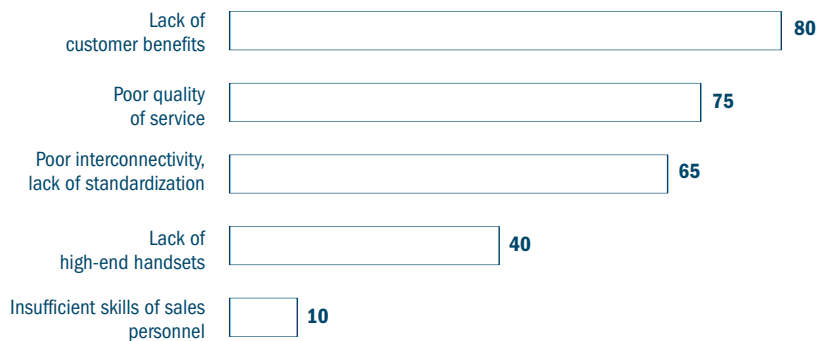
It should by now have become clear that the sobering realities of the business have caught up with even the most optimistic market observers. As things stand, mobile data services still contribute very little to the bottom line.

Surprisingly, instead of deflecting the blame, the interviewees in our survey largely acknowledged that mobile data services have generally too few perceivable customer benefits. Spurred on by enthusiastic and intensive marketing campaigns, customer expectations soared so high that they could never hope to be satisfied.

According to our interviewees, quality of service (such as transmission speeds and wait times before gaining web access) is painfully inadequate. Also, services are too complex: Handling mobile data services, and especially navigating multilayered menus, simply asks too much of the average user. The situation deteriorates further still where different devices have to

interact and different carriers are used. Finally, perceived benefits are also linked to price. It is a safe bet that a lot more customers would turn to mobile data services if only providers reduced their high price levels.

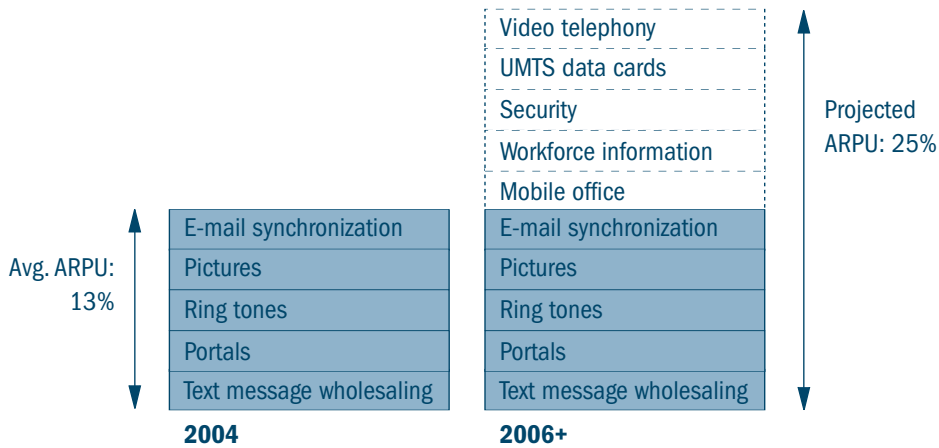
Reasons why mobile data services are less successful than expected 2-3 years ago (interviewees' opinion)



Although the mobile data business as a whole has yet to take off, there are a few promising exceptions to this rule. In the consumer segment, the managers we interviewed report a sharp increase in the usage of mobile portals such as O₂ active and Vodafone live. Mobile portals bundle entertainment and information services, thereby providing valuable orientation in a complex consumer environment. Consumers apparently regard this a significant value added.

However, the fastest growing revenue source in the mobile data business is still text messaging – or, to be precise, text message wholesaling. Text message wholesalers sell capacity to media content aggregators such as voting platforms or companies involved in mobile commerce and advertising.

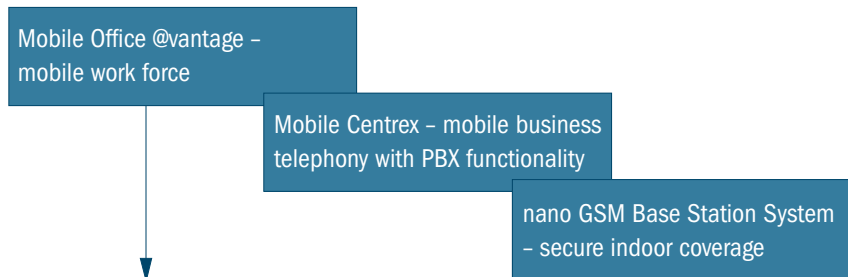
**Most successful mobile data services today and tomorrow
(interviewees' opinion and estimates)**



According to the managers interviewed for our survey, the business segment harbors the most promising sources of future revenues. Mobile office solutions will meet a significant need, especially for companies with large numbers of field staff. Accordingly, managers are optimistic that this segment will grow rapidly. Indeed, they expect it to outshine the consumer segment.

Siemens' portfolio for network operators gives an idea of what the industry is currently developing to offer more sophisticated mobile data services to corporate customers in particular. In developing solutions for this target group, Siemens is pursuing a horizontal rather than a vertical strategy. Targeted at the network layer, the nano GSM base station is a solution designed to enhance indoor coverage. Two of the company's solutions – mobile Centrex and mobile office @vantage – aim at boosting mobile communication via enhanced PBX functionality, push services and security.

Mobile solutions for corporate customers from Siemens Communications



Service offering: server application enabling

- > E-mail push services
- > Automatic synchronization
- > Security strategy

Benefits to users

- > No major up-front costs
- > Protection against data loss
- > Seamless integration with existing e-mail and PIM services
- > Completely internal solution (inside the intranet)

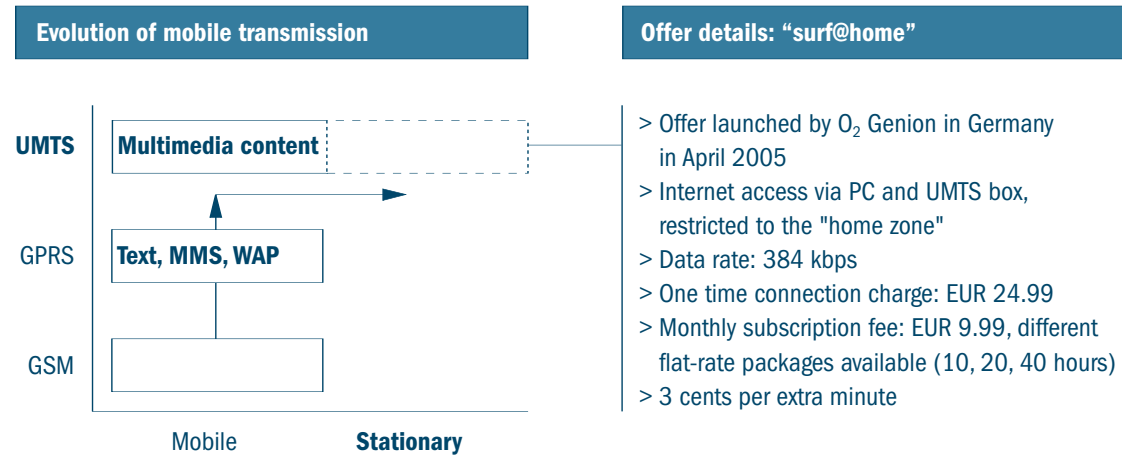
Benefits to the MNO

- > New revenue streams from corporate customers
- > Open standards
- > Scalable platform
- > Support for major PDA and smart phone operating systems
- > Flexible deployment options (MNOs, hosting partners, customers)

Source: Siemens

Finally, one recent and very remarkable strategic move on the part of mobile network providers has been to enlarge their slice of the cake by entering the world of fixed-line communications. This is because UMTS technology now lets them compete with fixed-line Internet access offerings. In Germany, O₂, one of the pioneers in this field, has already launched "surf@home", which delivers 384-kbps access via a UMTS modem to home PCs. Though far short of DSL speed, it is still six times faster than ISDN – and less expensive too.

The "surf@home" service offered by O₂



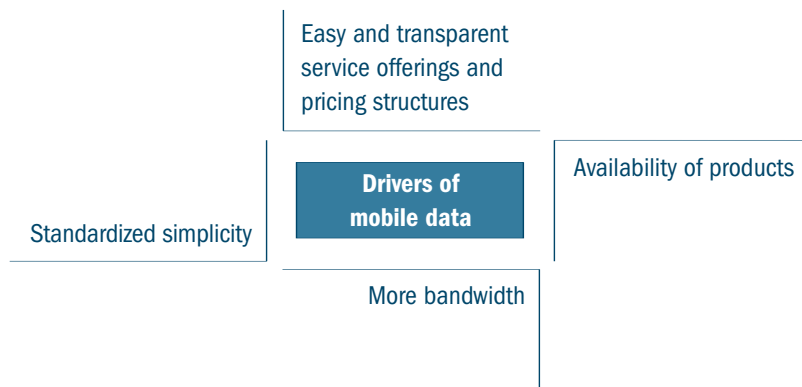
Sources: Roland Berger Strategy Consultants; O₂ corporate website

Pushing the transition from fixed line to mobile with a "non-mobile" solution certainly adds another dimension to the strategies of mobile network operators. And it is precisely this kind of innovative spirit that will ultimately help them shore up their future business. Having said that, there is still no money to be made unless several basic product and service features are substantially improved.

Mastering the drivers of future growth

Our interviews with pundits and our analysis of the most pressing problems currently paralyzing the industry identified four major drivers that strongly influence the distribution, penetration and growth of mobile data services.

Drivers of future growth in mobile data services



Given the stiff nature of the challenges ahead – and the importance for industry players of "getting it right" – it is worth taking a detailed look at each of these drivers.

Easy and transparent service packages and pricing structures

For years now, the "killer app" for mobile phones has – surprise, surprise – been "making phone calls", followed by "sending text messages". Also, customer responses to the question which UMTS services they would probably use in the future leave no room for doubt: The majority of users strongly prefer multimedia messaging and multimedia access services of low complexity. For customers, ease of use is a singularly important selection criterion.

An MNO's service offerings are inseparably intertwined with its pricing policy. What the consumer perceives as "product" is a bundle of services and pricing arrangements. The current practice of putting a price tag on every single service nevertheless creates a tariff jungle that keeps customers from trying new services. Indeed, it is virtually impossible for users to estimate

the total cost of their service consumption. The average MNO offers a dozen of different tariffs with fixed and variable price components. To choose the right ones, users would have to know exactly how much time or how much capacity they will need in future.

Another problem is that volume prices in particular are still exorbitant. Experience in the pricing of voice communication shows that users are willing to accept a factor of ten at most as the premium for mobile over fixed telephony. Today's volume tariffs, however, are around five hundred times more expensive than comparable DSL tariffs – although DSL delivers more speed and quality.

Mobile virtual network operators (MVNOs) are currently tackling these challenges. Established network providers too are responding by launching low cost brands with easy and transparent tariff structures and less services. And even non-industry players are trying their hand: The first such company to venture into the world of mobile communications in Germany has been Tchibo, which uses the O₂ network. Tchibo, traditionally a coffee retailer with about 900 outlets across Germany, has introduced a very simple prepaid package for private customers (see box).

Tchibo case study: "Tchibofonieren – go for the all-around easy tariff! Every call into the German fixed network as well as all German mobile networks for 35 cent per minute, 24/7. 19 cents for a text message and 39 cents for an MMS (up to 300 KB). Listening to the mailbox is free of charge. Easy and instant replenishment by e-mail." (Source: Tchibo advertisement)

Even Tchibo's prices have come under pressure from recent aggressive new offerings from discount brands, however. Freenet, E-Plus, Vodafone, Payback and BILD are now all offering 29 cents per minute 24/7 within Germany. Simyo, a spin-off of E-Plus, is going in at 19 cents – triggering the predictable downward spiral in prices.

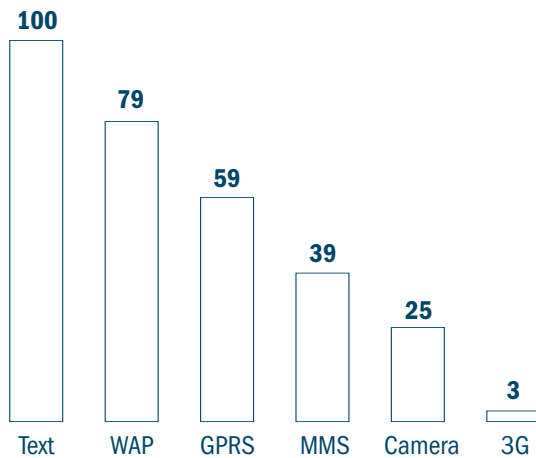
As with voice communication, the perceived attractiveness of mobile data services to private and business customers alike will depend heavily on MNOs' ability to link segment-specific service bundles to transparent package pricing.

Availability of suitable products

Perhaps the principal tool to drive the use of data services will be to provide products that are genuinely suitable for advanced mobile data services.

Effective synergies are contingent on the degree of product penetration and interoperability between different networks and products. Meager ownership of suitable handsets is one prominent reason why mobile data services have so far failed to make much of an impression.

Percentage of handsets suitable for various services



Source: Credit Suisse First Boston

It is therefore a stinging indictment that, in the view of our interviewees, quality handsets for the consumer segment – handsets that feature color displays, cameras, advanced media processors, more memory (for video telephony, etc.) and long battery life – will only be available at the end of 2005. Owing to this situation, products that can really cope with advanced technologies will not become widespread (with penetration reaching a critical mass of about 30%) until 2007.

In the business segment, growth in mobile data services does not depend solely on the diffusion of suitable handsets, however. In this segment, other products such as GPRS/UMTS data cards, mobile enabled PDAs and the BlackBerry will also drive demand.

More bandwidth

The third key driver is bandwidth, which influences the speed at which data travels over the network. The higher the speed, the better will be the quality of mobile data services and, ultimately, the greater will be customer acceptance. Neither GSM (9 kbps) nor GPRS (which theoretically bundles all eight GSM channels to deliver a maximum bandwidth of 171.2 kbps) provided sufficient speed to guarantee a convenient mobile access and mobile messaging experience. It is no coincidence that WAP, the existing protocol for the mobile Internet, is now cynically taken to mean "wait and pay".

UMTS has long been hailed as the answer to all these technological inadequacies. Given today's network configuration, UMTS will yield a maximum speed of 384 kbps. The good news is therefore that users downloading a regular song (3.5 to 4 MB) will only have to wait about 90 seconds instead of five minutes or so. The bad news, however, is that this substantial improvement will be realized only if the connection remains stable and if radio cell capacity does not happen to be overloaded. In other words, future generations of UMTS infrastructure must quickly come up with a convincing alternative to fixed-network access.

The degree to which MNOs are willing to invest in extending their network capacity, combined with broader coverage and complemented by the likes of WLAN, Flarion and Wimax, will have a major impact on the growth rate for mobile data services.

Our forecast on this score is less than optimistic. We believe that vendors will pursue a multitude of paths to develop and improve their network infrastructure. The result will be a patchwork of semi-compatible and incompatible technologies that will once again require different products and different network operators.

Standardized simplicity

Interoperability and ease of use will remain key issues in both the business and consumer segments. For every peer-to-peer service (such as MMS), compatibility across different products and decent quality of service are an absolute must. The simple fact that an MMS sent from a Nokia handset cannot be displayed on a Samsung handset proves that MNOs have so far not taken standardization and collaboration with OEMs seriously enough. Even their feeble attempts to circumvent insufficient penetration of compatible MMS handsets by delivering photos as ordinary postcards failed miserably. Why? Because the quality of the pictures was too bad.

The industry seems to be making a habit of launching technologically immature products. A case in point is the mobile data card, recently launched in the business segment. At least its list of problems was impressive: The hardware/software/SIM card bundle was not fully compatible with various notebooks. The card did not support all carriers. And the existing GPRS network structure impaired its usability in conjunction with most IP VPN solutions. Last, but not least, setting up VPN access was a far cry from the promised "plug-and-play" experience.

Ease of use is once again pivotal to our final contention in this section. MNOs, terminal equipment manufacturers, content providers (digital rights management bodies, etc.), systems integrators and regulatory authorities must all cooperate much more closely. Their common goal must be to promote both standardization and the dissemination of fully mature mobile data services and solutions. This will require a good deal of rethinking – especially on the part of the MNOs, who will be forced by the difficult market situation to compete efficiently and effectively.

Agenda 2006: MNOs and mobile data

There is no time to lose. What we have just said about growth drivers in the industry and how they are developing should set alarm bells ringing. It should motivate mobile network providers to take immediate action in every aspect of what they do – in marketing, sales and service delivery.

Specifically, we see three imperatives without which MNOs will never be able to exploit the full potential that is, in theory, at their fingertips. These imperatives constitute what we call our Agenda 2006.

Customize marketing

Of all the activities in which MNOs engage, their marketing operations are most in need of a serious rethink. In the days of exponential market growth, MNOs' approach to the market was primarily product-driven. A one-size-fits-all strategy seemed to do the trick. Where services were an issue at all, their prices were set by independent units, not by marketing. Hence the jungle of tariffs that is creating so many problems today. The main challenge is therefore to bring together the different units, put a machete to the dense "undergrowth" of basic and add-on tariffs, and at last create clear pricing structures that customers can understand, trust and are willing to accept. It is time for the industry to kick its bad habit of putting a separate price tag on each and every service. Many MNOs still use event-based pricing for text messages or downloads, volume-based pricing for browsing and value-based pricing for premium content, for example. It should by now be abundantly clear that this is bad for business.

Efforts to market mobile data services will stand or fall by MNOs' ability to segment their customer base properly, and to put together a small number of intuitive, segment-specific tariff lines and product bundles. Customers will benefit in two ways: from far greater transparency, and from services that give them what they really need or want. On an operational level, MNOs must refine their (flat-rate) pricing models by creating product bundles that command higher subscription fees (a practice known as "soft rebalancing"). This will both increase transparency and cushion the fall in voice transport revenues.

In terms of target group orientation and budget allocation, MNOs should favor value-based segmentation and cluster customers according to their value contribution. This will help them provide more efficient, better targeted service and support. A value-based customer approach may even necessitate multiple brands, as low-end portfolios could otherwise under-

mine the original brand. A multi-brand strategy including one low-cost brand is more effective than continually increasing the number of service bundles.

Segmentation based on customer value alone will not be sufficient, however. Marketers also have to cater to different target groups' unique requirements with regard to mobile data communication and solutions. MNOs are thus well advised also to segment customers based on their needs. This will help them define and develop the various target-group specific offerings, bundle components, and adequately communicate their offerings to the market.

Make sales/after-sales more effective and more efficient

Some of the managers we interviewed cited salespeople with insufficient skills as one reason for the disappointing performance of mobile data services.

When selling mobile data packages, salespeople at MNOs will face different challenges in each segment they target. While channel efficiency and quality of service are moving center-stage in the private consumer segment, for instance, the focus in the business segment is on channel effectiveness.

To private customers, MNOs constitute the "front end" for everything to do with access, messaging and content. If they have any questions, they turn to the MNO. New and bundled products need more explanation, however. That in turn requires longer processing times and demands more expertise on the part of sales and after-sales staff.

We therefore advise MNOs to integrate the e-channel more forcefully in the channel mix. This would be an efficient and astute move, taking workload (such as queries from more experienced customers) off the remaining channels. At present, just about all MNOs have rather underdeveloped e-channels. Tchibo, acting as a mobile virtual network operator (MVNO) in Germany, offers a fine example of how e-channels can be integrated to create simple, customer-friendly processes.

Let us stay in the private segment for a moment: The appropriate design of MVNO models is another sales issue that should figure high on every MNO's mobile data agenda. This is especially true of countries where the mobile phone penetration rate already clearly exceeds 80%. Our experience shows that the most efficient designs depend on proper identification and use of partners' skills and competencies. Accordingly, specialized tasks must be distributed carefully and individually along the value chain to maximize overall efficiency.

In the business segment, the role of the mobile network operator is generally more limited. The service delivery, distribution and after-sales model takes on a more collaborative nature, as network providers themselves lack the skills needed to provide, implement and deliver complex solutions. In other words, they lack access to the customer. Here, channel effectiveness is therefore the main issue.

Especially for large enterprises, the channel landscape has become much wider than in the past. Since mobile data business solutions now combine elements of both the IT and telecommunications industries, IT channels have become a viable alternative via which to distribute these products. Above and beyond the familiar direct and indirect channels, original equipment manufacturers (OEMs), independent software vendors, IT distributors and buying groups, value-added resellers, IT specialists and systems integrators now all represent potential channels of distribution. In addition to selecting the right channel(s), the precise channel proposition is an important issue in the process of selling mobile data solutions to the business environment. Models can and must vary in terms of channel support and incentive systems, product delivery and SIM card activation, and sales/after-sales support.

Collaborate on service delivery and technology development

Mobile network operators who offer mobile data services are becoming more and more dependent on close collaboration with business partners along the value chain. KPN, for example, explains its (relative) success in mobile data services with the clear allocation of roles to the partners involved in the service delivery model. This seems to have fostered cooperation in an atmosphere of mutual trust. Keeping one's own role focused and bundling the core competencies of assorted partners is evidently one powerful way to make customers aware of mobile data services and start using them.

MNOs must, for example, work closely together with handset manufacturers. MNOs whose sales organization gives them direct access to customer feedback are ideally placed to develop ideas for new products and services. Handset manufacturers, on the other hand, are in a position to judge what is technically feasible. They know about hardware interoperability and are, of course, experts on the design and ergonomics of mobile phones.

As in the past, the core competence of MNOs is to provide access to the mobile network (including net-centric value-added services, such as middleware for optimized data transmission). Another strength is their

direct access to data on customer behavior. It follows that MNOs should be responsible for the network strategy, i.e. decisions about bandwidth enlargement, coverage, and the complementary use of alternative access technologies such as WLAN, Flarion and Wimax. It is never easy to pick the ideal time for infrastructure upgrades. Several factors of uncertainty must be considered, including:

- > Acceptance of different mobile data services by the market
- > Subscriber diffusion
- > Network capacity utilization levels
- > Investment and maintenance costs, which in turn depend on variables such as price trends for hardware components

These factors are precisely why MNOs too must focus strictly on their core competencies in the interests of efficient, effective delivery.

A value-based network strategy requires the use of simulation methods to find the optimal network roadmap. Once defined, the strategy must then be monitored permanently to accommodate shifts in underlying assumptions and variables.

While MNOs themselves develop the network strategy, they have no choice but to cooperate with other players to develop terminal equipment, products and services. This is one area in which all the parties involved must show a good deal more team spirit in future. What customers want and need (and are prepared to pay for) must always form the point of departure. From this point on, the community of content/application providers, terminal OEMs and network providers must join forces to commit to customer-centric product development.

Generally, the challenge for MNOs will be to find a healthy balance between the degree of competition and the degree of cooperation. Recent business literature has coined the term "coopetition" in precisely this context. MNOs must define clear action strategies for every link in the value chain. They must cultivate the right partnerships and recruit (or equip) people with the new, soft-skill-focused capabilities demanded by this environment.

As in so many areas, all these considerations can be summed up in a single word: focus. Focus simply means that MNOs must know what they can and can't do and what the market wants them to do. Then they must get the right people doing each bit of the work. That is the key to profitable service delivery.

Conclusion and call to action

For years now, the mobile communications industry has been pinning its hopes on value-added mobile data services. So far, its hopes have largely been in vain.

Attempts to find services and business models that "scratch where customers itch" and to realize projected growth in revenues from mobile data services have mostly failed. Right now, the share of total revenues contributed by mobile data is discouraging, to say the least.

This brief survey explores the reasons for this dismal performance to date: MNOs have developed products that did not meet target groups' needs, that were launched too early, or whose positioning was flawed. Mistakes have also been made in product management.

Yet a breakthrough in mobile data services remains a *conditio sine qua non* if network operators are to stay (or ever become) profitable. Indeed, as voice revenues and text message prices relentlessly decline, the pressure to succeed will only increase. A repetition of past failures is simply no longer an option.

Interestingly, stockholders, analysts and industry experts alike continue to believe in the success of mobile data services. And for all the less-than-upbeat appraisals and sober warnings spelled out in this study, Roland Berger Strategy Consultants too shares the conviction that mobile data services can indeed still "hit the big time".

This lucrative outcome will only materialize, however, if the industry heeds our urgent wake-up call and commits to the actions outlined in our Agenda 2006. It is high time for MNOs to:

- > **Learn from past mistakes** and give the market clearly priced service packages that it understands and wants – as well as the handsets and (UMTS) bandwidth needed to make using them fast and fun
- > **Make simplicity the industry standard** by eliminating incompatibilities between different vendors' systems and products – in other words, genuinely delivering on the promise of customer orientation
- > **Customize their marketing activities** in line with demand, focusing on value and, where necessary, operating multi-brand strategies to tap different target groups

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- > **Make sales and after-sales much more effective and efficient** by adapting their skill sets, making better use of e-channels, and generally taking a lot more care over channel design
 - > **Collaborate on service delivery and technology development** – which essentially means getting every partner to do what they do best, always with a rigorous, customer-centric focus from drawing board to delivery

There is no time to lose. As with new technologies and applications, users need time to experience their value added. MNOs have so far not really been pushing mobile data services aggressively. They therefore need to activate these levers to realize the long-overdue potential inherent in advanced mobile data services. It is time for action now!

Who to contact



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The InfoCom Competence Center at Roland Berger Strategy Consultants offers a wide range of consulting services to the telecommunications, IT and media industries. Together with our colleagues from the functional competence centers Corporate Strategy & Organization, Restructuring & Corporate Finance, Marketing & Sales and Operations Strategy, we provide our clients assistance in a number of realms. For example, we help companies develop new strategies for changing markets, cut costs and redesign entire organizations or departments and reorganize sales and purchasing processes in a company's organization, to mention just a few.

At the same time, the InfoCom Competence Center, through its own functional branch Information Management, supports clients from all industries in matters regarding IT strategy and IT organization.

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