



For business leaders is it vitally important to understand what the MobileNet actually is and what makes it unique. The window of opportunity for traditional industry players is likely to close quickly.

## **OPINION:** A NEW MOBILENET FORMULA IS NEEDED



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► **IN THE EARLY** 1990s the first ideas of creating “mobile internet” solutions emerged, including both:

- The mobile INTERNET – in which wireless data cards created PC internet connectivity for portable computers; and
- The MOBILE internet – in which small computers offered “simplified” internet capabilities optimized for portable devices.

But in 1999 the story changed. When the first Wireless Application Protocol (WAP) trials were launched in Europe and NTT DoCoMo launched its “i-mode” service in Japan, there was a true synthesis of the mobile phone platform and the PC internet, creating a new concept of “mobile net,” which took advantage of the best of both platforms and created something bigger and more important than each of its component parts.

And while the “mobile net” – promptly dubbed “MobileNet” – was an interesting oddity that seemed to really work in Japan in the past decade, we now stand on the verge of a global revolution in MobileNet adoption. Because of this, it is vital for today’s business leaders to understand

what the MobileNet actually is and what makes it so unique versus other channels.

To provide some insights into the MobileNet phenomenon, let me resort to a simple formula: Mobile Phone + PC internet = MobileNet.

With this equation serving as the basis for discussion, we can see that it leads to two critically important corollaries: MobileNet > Mobile Phone and MobileNet > PC internet.

### **MOBILENET IS GREATER THAN MOBILE PHONE**

Because MobileNet is more than just the mobile handset or the network through which it operates, the operating model for it must be fundamentally different than that for the 1G or 2G mobile telephone. Operators in Japan quickly understood this fact, whereas operators in the West are only now catching on.

As evidence, we can easily see that the Japanese mobile subscriber base makes up less than 3 percent of the world’s total, yet more than 30 percent of global revenues from advanced data usage come from Japan. Why?

Operators in the West have tried relentlessly to maintain a dominant position relative to content developers, and charge

high fees to end users for the “luxury” of having such content available exclusively in their operator-controlled walled garden. Conversely, since the launch of Japan’s “i-mode” type services, Japanese operators have created a business model that inspires innovation by passing through 91 percent of subscription revenues to content developers (knowing that they would reap the rewards of higher data packet fees, of which they share zero percent with these same developers), and opened their networks to allow easy access to “off-deck” content through simply entering a URL.

This combination sparked the development of an amazingly diverse body of mobile content and services that has yet to emerge in nearly any other market. While some people have mistakenly blamed the Japanese culture for Japan’s successful MobileNet implementation, such arguments seem even less legitimate today with the launch of iPhone and its companion, App Store. As developers now optimize their PC internet content for iPhone ([iphone.facebook.com](http://iphone.facebook.com), for example), and the App Store passes through a hefty 70 percent of revenues to these developers, it is clear that an open

business model built to ignite the development of a robust MobileNet is not a Japan-only phenomenon. More important, this model is a clear departure from the traditional network operator model that has dominated the wireless industry to date.

In embracing the new model, we can therefore reach two important conclusions:

- ▶ The MobileNet mandates openness.
- ▶ An open MobileNet inspires innovation.

While the hype of the past decade has focused almost exclusively on the PC internet and its superiority to the MobileNet (owing to its larger screen, full keyboard, and higher computing power), the new formula for the MobileNet formula also suggests that: MobileNet > PC internet

**MOBILENET IS GREATER THAN PC INTERNET**

Birathon Kasemsri, the former Managing Director of Walt Disney Internet Group Japan, which has managed one of Japan's most successful suites of mobile content offerings for the past decade, expressed this point when explaining the success of Disney Mobile services:

"The PC screen is too big. There's room for too much content. There are banner ads and pop-up windows, and many different things competing for the user's attention. But with the mobile phone, content providers are forced to provide only the essential information that consumers need."

Research has also shown that consumers choose the MobileNet over the PC internet both for accessing content and building loyalty relationships.

Hannu Verkasalo at the Helsinki University of Technology conducted a number of joint research projects with Nokia and found that MobileNet usage is not just when people are "out and about" but instead

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occurs within the ebb and flow of a person's typical day. Probably the most "shocking" findings for those unfamiliar with the MobileNet formula showed the majority of usage happening at home and at work where there is a "better" PC internet experience just waiting to be had.

Research that I have conducted in Japan has shown the same results. And most recently, in partnership with my colleague Donghun Kim, we have found subscribers to be more loyal to a content provider when its content is accessed via the MobileNet rather than the PC internet.

The MobileNet is poised to become far bigger than the PC internet. The total number of mobile phone subscribers in the world is currently three times larger than internet subscribers, and the gap between the two is widening quickly, with explosive subscriber growth in developing economies. As MobileNet access capabilities become embedded in more phones, not only will MobileNet users eclipse PC internet users, but most likely it will be the USD 1 handset that brings the internet to those least-developed

countries, not the USD 100 PC.

As the MobileNet grows in both scale and scope, two additional insights emerge from this discussion:

- ▶ The MobileNet requires the development of valuable content and services optimized for the mobile platform, not simply "repurposed" from the PC internet.
- ▶ And with such solutions, the MobileNet creates entirely new usage scenarios and behaviors that go beyond the capabilities of the fettered PC.

This makes it clear that a successful MobileNet requires new models and new thinking.

**SHAPING THE FUTURE**

As Apple, Google, and many others bring their focus to the MobileNet, we are already beginning to see hints about which models will ultimately succeed. However, these may come at the expense of the traditional players in the mobile telecommunications industry. But even while Apple sells millions of mobile apps a day, and Google organizes a major initiative to dominate the MobileNet in terms of both search and advertising revenues, the future for traditional industry players still holds many possibilities. However, the window of opportunity for them is likely to close quickly.

For network operators, actively embracing the lessons from the MobileNet formula will provide an escape from the dangers inherent in becoming a "dumb pipe" (albeit a fast and wireless one) and allow them to instead move toward the role of a conductor within the larger symphony of mobile services and solutions. NTT DoCoMo and its competitors in Japan have established a flourishing business model to support the wireless ecosystem. Casting themselves as benevolent dictators at the center of this system, their recent investments in banks and financial service compa-

nies suggest a further expansion of the overall ecosystem while maintaining their central conductor's role.

Perhaps the most important insights from this formula are for everyone else involved in the wireless value system. Although regulators, operators, and manufacturers struggle through the evolutionary process, it is clear that the future of the MobileNet is bright. While Japan has basked in the spotlight of nearly a decade of leadership in the "coolest" and most advanced MobileNet solutions, the rise of an equally advanced MobileNet is now rapidly underway in the West.

A future telecom world that includes the power to interact with anyone or anything, anytime and from anywhere, is exciting. But if, at the same time, each of us is openly vulnerable to anyone or anything at anytime and from anywhere, the MobileNet will quickly lose its luster. To date, no operator, handset manufacturer, content or service provider has solved this dilemma. Nevertheless, once solutions are in place, be prepared for the MobileNet to reshape the face of modern business practices. ●