



Strategies for Driving Data ARPU

Analyse and understand mobile data best practice from leading network operators worldwide



Contents

Introduction	7
Strategies for Creating End-User Demand for Mobile Data Services (SCEUD): A Brief Synopsis	8
The Worldwide Mobile Market.....	11
Mobile Data Services—A Worldwide Overview.....	16
Mobile Data Services—A Worldwide Overview.....	17
Mobile Messaging Services	17
Mobile Entertainment Services	18
Other Data Services.....	20
Evolving Trends in the Worldwide Mobile Data Services Market	21
The Success of Mobile Data Services – Lessons from the Past.....	22
Short Messaging Service	24
Short Messaging Service	25
Case Study 1: SMS, O2 UK.....	26
Case Study 2: The Growth of SMS in the US	31
Mobile E-mail	37
Case Study 1: The Success of Consumer Mobile E-mail in Japan	37
Case Study 2: The Success of Enterprise Mobile E-mail in the US – AT&T Mobility	40
Mobile Instant Messaging	44
Case Study 1: NateOn (Mobile Instant Messaging)—SK Telecom	44
Case Study 2: Windows Live Messenger & Yahoo Messenger—3 UK.....	46
Mobile Music—Full-track Downloads	50
Case Study 1: Orange Player—Orange UK.....	51
Case Study 2: V-CAST Music—Verizon Wireless.....	56
Mobile Gaming	63
Case Study: Mobile Gaming—Verizon Wireless	64
Mobile Payments	71
Case Study 1: DCMX (Mobile Credit Card Service)—NTT DoCoMo	72
Mobile Internet.....	80
Case Study 1: EZWeb—KDDI	81
Mobile User-Generated Content	89
Case Study 1: Mobile CyWorld (Mobile Social Networking—SK Telecom).....	90
Case Study 2: EyeVibe (Mobile Video Sharing) — 3 UK and O2 UK.....	96
Mobile TV	99
Case Study 1: Broadcast (DVB-H) Mobile TV—3 Italia.....	99
Case Study 2: Streaming Mobile TV— Orange France	107
Case Study 3: Streaming Mobile TV Service—Etisalat, UAE	114
Role of Handsets in Driving Data ARPU	121
Case Study 1: Apple iPhone and Data ARPU.....	122
Mobile Data Services in Emerging Markets.....	131
Case Study 1: Caller Ringback Tone (Hello Tunes) — Bharti Airtel (India)	133
Case Study 2: Voice SMS (Minicall)—Vodafone Egypt	137
Case Study 3: Ad-funded Missed Call Alert (Please Call Me) — Vodacom (South Africa) and Vodafone (Egypt).....	140
Case Study 4: Mobile Banking (M-PESA) — Vodafone and Safaricom (Kenya)	144
Case Study 5: Mobile Instant Messaging (Fetion)—China Mobile	149
The Future of Mobile Data Services in Emerging Markets	154
Conclusion.....	157

Appendices	162
Glossary	163
Portio Research Classifications	173
Companies Mentioned in this Report	174
About the Authors	176
Also available from Portio Research Limited	178

List of Figures

Figure 1: Worldwide Mobile Subscribers (In Million, 2004-2012E) 11

Figure 2: Worldwide Mobile Revenue (In USD Billion, 2004-2012E)..... 12

Figure 3: Worldwide Service Revenue and Equipment Sales (In USD Billion, 2004-2012E)..... 12

Figure 4: Worldwide Mobile Service Revenue Break-out by Region (2004 and 2012E)..... 13

Figure 5: Worldwide Mobile Service Revenue – Voice-Data Split (2004 and 2012E)..... 14

Figure 6: Worldwide Mobile Data Revenue as a Percentage of Service Revenue (2004-2012E) 15

Figure 7: Worldwide Mobile Voice Revenue (In USD Billion, 2004-2012E)..... 15

Figure 8: Worldwide Mobile Messaging Services Revenue (In USD Billion, 2006-2012E)..... 17

Figure 9: Worldwide Mobile Entertainment Services Revenue (In USD Billion, 2006-2012E)..... 18

Figure 10: O2 UK – SMS Volume (In Million, 2004-2007) 27

Figure 11: The UK – SMS Per Subscriber Per Quarter (Q3, 2006-Q3, 2007) 27

Figure 12: Vodafone UK and O2 UK – SMS ARPU (In USD, 2005-2007)..... 28

Figure 13: O2 UK – SMS Service Drivers 29

Figure 14: The US – SMS Traffic Volumes (In Billion, 2001-2008E) 32

Figure 15: Key US Operators – SMS Traffic Volumes (In Billion, Q4 2006-Q1 2008) 32

Figure 16: US – Premium SMS Revenue Sharing Arrangement (2008E)..... 35

Figure 17: Mobile E-mail in Japan – Strategic Success Factors 39

Figure 18: AT&T Wireless – Mobile Enterprise E-mail Success Summarised 42

Figure 19: Mobile IM – Strategic Success Factors Summarised 47

Figure 20: Orange UK – Average Monthly Full-Track Downloads from Orange World (In Thousand, January 2007-January 2008)..... 52

Figure 21: Orange UK Full-Track Downloads – Key Success Factors Summarised 55

Figure 22: Verizon Wireless – Music and Video Downloads (In Million, Q2 2007-Q1 2008)..... 57

Figure 23: Verizon Wireless—Market Leader in Monthly Data ARPU (In USD, 2006 and 2007)..... 57

Figure 24: Verizon Wireless – Rising Data ARPU (Q3 2005-Q1 2008) 58

Figure 25: Verizon Wireless (US) Full-Track Downloads – Key Success Factors Summarised 60

Figure 26: US Operators – Share of Mobile Gaming Market (by game purchasers) – Q1 2008 65

Figure 27: Verizon Wireless – Key Success Factors of Mobile Gaming Service Summarised 68

Figure 28: Timeline of Deployment of DCMX Services 73

Figure 29: NTT DoCoMo – Aggressive Growth of DCMX Subscribers (All Variants) (In Million, June 2006-March 2009E)..... 74

Figure 30: NTT DoCoMo—iD Payment Terminals (In Thousands, June 2006-March 2008) 75

Figure 31: DCMX Revenue Streams 77

Figure 32: EZWeb Subscribers and Penetration (March 2000-March 2008) 82

Figure 33: Japan – Y-o-Y Growth of Mobile Internet Service Subscriber Base (March 2004-March 2008) 82

Figure 34: Japan – Market Share of Mobile Internet Service Subscribers (March 2003-March 2007) 83

Figure 35: Trends in Data ARPU – KDDI vs. NTT DoCoMo (2003-2007)..... 83

Figure 36: KDDI WIN Subscribers – Increasing Uptake of Flat Rate Schemes (In Million, 2004-2007) 86

Figure 37: Mobile CyWorld – Total Users in South Korea (In Million, February 2005-December 2006) 91

Figure 38: Mobile CyWorld User Base (SK Telecom) Compared With that of Competing Offerings (In Million, November 2007) 91

Figure 39: Mobile CyWorld – Revenue (In USD Million, 2005 and 2006) 92

Figure 40: CyWorld Launch 93

Figure 41: SK Telecom’s Mobile CyWorld – Strategic Success Factors Summarised..... 95

Figure 42: 3 UK – SeeMeTV – Strategic Success Factors Summarised 96

Figure 43: EyeVibe – What It Means for the Mobile Video UGC Market in the UK..... 97

Figure 44: 3 Italia – Mobile TV Subscribers and Penetration (In Thousands, July 2006-December 2007) 100

Figure 45: 3 Italia – Mobile Data ARPU (In USD, June 2005-December 2006)..... 101

Figure 46: Italy – Mobile Data ARPU (In USD, June 2005-December 2006)..... 101

Figure 47: 3 Italia’s Mobile TV Service—Strategic Success Factors Summarised 105

Figure 48: Orange France – Active Customers of Mobile TV/VoD (In Thousand, December 2005-December 2007).....	108
Figure 49: Orange France – Mobile TV and Video Sessions (In Millions, 2004-2007E).....	109
Figure 50: Orange France – Average Mobile TV Use per User (Minutes/Month, December 2004-December 2006).....	110
Figure 51: Orange France – Live Mobile TV Channels (December 2004-January 2008).....	111
Figure 52: Orange France – Constantly Adding Value to its Mobile TV Service.....	112
Figure 53: Orange France – Presence Across the Mobile TV Value Chain.....	113
Figure 54: Growing Acceptance of Etisalat’s Streaming Mobile TV Service (In Thousand, February 2007-December 2007).....	115
Figure 55: Growing Revenue Generation from the Streaming Mobile TV Service (In USD Million, February 2007-December 2007).....	116
Figure 56: Etisalat – Three-Step Access to TV Channels On-The-Go.....	117
Figure 57: Apple iPhone – Global Quarterly Unit Sales (In Thousand).....	123
Figure 58: Mobile Subscribers of AT&T and Verizon (In Million, Q4 2006-Q4 2007).....	124
Figure 59: US iPhone Users’ Data Services Consumption Compared With that of Smartphone Users And Market Average (December 2007).....	125
Figure 60: The iPhone’s Best Features Revealed Through a Survey – May 2007.....	127
Figure 61: Bharti Airtel ‘Hello Tunes’ – Challenges and Mitigation Strategies.....	135
Figure 62: Vodafone Egypt – Strategic Success Factors for Minicall Summarised.....	138
Figure 63: Ad-funded ‘Please Call Me’ Service – Strategic Success Factors Summarised.....	143
Figure 64: M-PESA – Growing Subscriber Base in Kenya (In Thousand).....	145
Figure 65: M-PESA – Money Transfer Charges (In USD, May 2008).....	146
Figure 66: China Mobile – Fetion IM Subscribers (In Million, November 2006-December 2007).....	150
Figure 67: China Mobile – Fetion IM – Key Success Factors Summarised.....	152
Figure 68: Relative Positioning of Data Services in Developing Markets.....	154
Figure 69: Value-Investment Mapping of Data Services.....	158

List of Tables

Table 1: The US – SMS Price Restructuring by Major Mobile Operators.....	33
Table 2: Cost Advantage under SMS Bundled Plans.....	34
Table 3: Comparison of Mobile E-mail Portfolios of Leading US Operators.....	41
Table 4: Verizon Wireless’ 15 Top-Selling Applications (Early 2008).....	66
Table 5: Features of DCMX Variants.....	73
Table 6: EZWeb Services launched by KDDI.....	85
Table 7: Mobile CyWorld Features.....	94
Table 8: Etisalat Mobile TV – Content Offering.....	118
Table 9: Operators Selling iPhone in Various Markets (May, 2008).....	123
Table 10: iPhone – Top 10 Data Services (Used Daily) by US Subscribers – March 2008.....	126
Table 11: Examples of Successful Mobile Data Services in Emerging Countries.....	132
Table 12: M-PESA Ecosystem.....	147

Companies Mentioned in this Report

3 Italia	www.tre.it
AOL	www.aol.com
Apple	www.apple.com
AT&T Wireless	www.att.com
Baileys	www.baileys.com
Bharti Airtel	www.airtel.in
Bouygues Telecom	www.bouyguetelecom.fr
Canal 7	www.canal7.com.ar
China Mobile	www.chinamobileltd.com
China Record Corporation	www.crcjainian.com
Coca-Cola	www.coca-cola.com
Commercial Bank of Africa	www.cba.co.ke
Credit Saison Co. Ltd	corporate.saisoncard.co.jp
Daiki Sound	www.daiki-sound.jp
Dopod	www.dopodasia.com
du	www.du.ae
EMI	www.emigroup.com
Ericsson	www.ericsson.com
Etisalat	www.etisalat.ae
Family Mart	www.family.co.jp
First Direct	www.firstdirect.com
Fox Network	www.fox.com
Frost and Sullivan	www.frost.com
Gameloft	www.gameloft.com
Globe Telecom	www.globe.com.ph
Hutchison Whampoa Group	www.hutchison-whampoa.com
Inertia Distribution	www.inertia-music.com
Juniper Research	www.juniperresearch.com
KDDI	www.kddi.com
Koch Entertainment	www.kochent.com
KTF	www.ktf.co.kr
Lawson	www.lawson.com
LG	www.lge.com
Maxis	www.maxis.com.my
McDonalds	www.mcdonalds.com
M:Metrics	www.mmetrics.com
Motorola	www.motorola.com
Napster	www.napster.com/napstermobile
NEC	www.nec.com
Nokia	www.nokia.com
MSN	www.msn.com
NTT DoCoMo	www.nttdocomo.com
O2 UK	www.o2.co.uk
Orange France	www.francetelecom.com
Orange UK	www.orange.co.uk
Outside Music	www.outside.on.ca
Palm	www.palm.com
Pepsi	www.pepsi.com
Research in Motion (RIM)	www.rim.com
Rubicon Consulting	rubiconconsulting.com
Safaricom	www.safaricom.co.ke
Samsung	www.samsung.com

SFR	www.sfr.com
S K Telecom	www.sktelecom.com
Smart	smart.com.ph
Softbank Mobile	mb.softbank.jp/mb/en/
Sony BMG	www.sonybmg.com
Sony Ericsson	www.sonyericsson.com
Sony Picture Television	www.sonypictures.com
Sprint Nextel	www.sprint.com
Strategy Analytics	www.strategyanalytics.com
Sumitomo Mitsui Cards	www.smfg.co.jp
Telecom Italia Mobile	www.tim.it
Tencent	www.tencent.com
T-Mobile	www.t-mobile.com
TU Media	www.tu4u.com
UC Card Co. Ltd.	www.uccard.co.jp
Universal	www.universalpictures.com
Verizon Wireless	www.verizonwireless.com
Vodacom	www.vodacom.co.za
Vodafone	www.vodafone.com
Warner Music	www.wmg.com
Yahoo	www.yahoo.com