

Chapter 3

Strategies of i-mode operators

The original research for this report was carried out in 3Q 2006. Since then, further analysis of the situation with regards to i-mode in Europe has been carried out, giving a more up-to-date picture of the strategies of mobile operators from within the region. Therefore, some operators will have subscriber figures quoted from a more recent timeframe than others.

Europe

The strategies and operating models of the European i-mode operators differ greatly, with even companies in the same group adopting different strategies, notably Telefonica in Spain and the rest of its recently acquired O2 stable and KPN with a highly successful operation in the Netherlands but much less successful operations in Belgium and Germany. At the two ends of the i-mode spectrum are Bouygues in France, which has strictly copied DoCoMo's successful Japanese model and has i-mode as its only browser service, and Telefonica in Spain, which does not advertise the i-mode brandname in any way and provides all i-mode subscribers with WAP browsers on their handsets with the result that most subscribers are not aware of which browser they are using.

Most of the European operators launched WAP services in the late 1990s and after years of growing them – in most cases far more slowly than had been initially envisaged – are reluctant to get rid of them in favour of i-mode which they run as a premium service.

Telefonica Moviles Group

Total group subscribers worldwide: 98.5 million

Figure 3.1: Telefonica's i-mode operators

	Total mobile subscribers (million)	Share of national mobile market (%)	Rank in national mobile market	i-mode subscribers (4Q06)
Telefonica Moviles Spain	21.46	46	1	390,000
O2 UK	19.44	27	1	445,000
O2 Ireland	1.62	35	2	101,000
O2 Germany	11.2	13.7	3	Plans to launch "on hold indefinitely"
Telefonica O2 Czech Republic (Eurotel)	4.99	40	1	No plans yet announced

Source: Informa Telecoms & Media

Telefonica Moviles Spain

Telefonica Moviles Spain (TME) is the Spanish operation of the Telefonica Moviles Group. Slightly more than half of the group's total mobile subscribers are in Europe with most of the rest in Latin America. The Spanish operation had 21.46 million subscribers at the start of 2007.

In Belgium there is less of a potential user base than in the other markets because it is forbidden by law to subsidise handsets. Whereas in the Netherlands a customer taking out certain contracts can get a Samsung 3G handset for free and in Germany the starting price is less than €20 (US\$26), the same handset in Belgium will cost between €300 (US\$394) and €400 (US\$525) when it becomes available. Even the cheapest i-mode handset is in the region of €100 (US\$131) with medium-range handsets costing around €200 (US\$262).

However, Jekel believes that analysts who use the perceived underperformance i-mode in Germany and Belgium to predict its imminent demise should be asked three questions: Do you have a mobile device? Do you browse the web on it? Do you use i-mode? He says any analyst who answers yes to all three questions would not be predicting the death of i-mode.

Back in August 2006, KPN was generally satisfied with its relationship with DoCoMo; Jekel describes it as a 'two-way street' with information and ideas going back and forth. "Remember that while Japan is leading in some telecoms areas Europe is ahead in others and so we can help each other," he said.

Jekel believes that the i-mode Alliance helps all the operators to pool their resources and negotiate with vendors from a position of strength; "The relationship is give and take – a committee can't get things done as quickly as a dictatorship so it takes more time and compromise for the alliance to do things than it would for a single operator," he said. "But there are big benefits including a series of specialist sub-committees in different areas like marketing and finance that allow the right people from each operator to get together with their counterparts from the other operators and discuss i-mode issues in detail."

The Cosmote Group

Figure 3.3: Cosmote Group i-mode operators

	Total mobile subscribers (million)	Share of national mobile market (%)	Rank in national mobile market	i-mode subscribers (4Q06)	Estimated browser users (million)
Cosmote Greece	5.18	39	1	245,000	1.02
Globul (Bulgaria)	3.05	39	2	Launched Sept 2006	–
Cosmote Romania	1.07	6	New entrant in Nov 2005	Not yet launched	–

Source: Informa Telecoms & Media

Cosmote Greece

Cosmote launched its i-mode service exclusively in Greece in June 2004. A year later it launched i-mode over 3G, the first operator outside Japan to introduce the next generation of i-mode, and deployed an NEC i-mode 3G handset for use on its WCDMA network.

Georgios Vorvis, Value Added Services Deputy Director and i-mode Project Manager at Cosmote, said i-mode subscribers exceeded 200,000 in 2006 although he would not say how

Cosmote is starting from scratch in Romania with a new mobile operation which has just been launched. This gives the operator the advantage of not having an existing WAP base and i-mode can be offered as the sole browser.

Bouygues Telecom (France)

Figure 3.4: Bouygues Telecom, the French i-mode operator

Total mobile subscribers (million)	Share of French mobile market (%)	Rank in French mobile market	i-mode subscribers (4Q06)
8.67	18	3	1.8 million

Source: Informa Telecoms & Media

Bouygues Telecom is the most successful i-mode operator outside Japan to date. It has followed the Japanese model more closely than any other operator implementing i-mode; it has chosen i-mode as its main Internet portal and unique brand which it communicates to its customers.

Cédric Nicholas, the handset and SIM development director at Bouygues, says there are now 1.8 million i-mode subscribers out of a total subscriber base of 8.7 million. He claims Bouygues has an 18% share of the French market by subscribers numbers and a 20% share by value.

An early adopter of i-mode, getting the service to the market in November 2002, Bouygues has seen its i-mode base grow strongly ever since launch alongside the growth in its subscriber base. The timing of the Bouygues launch was slightly better than the KPN Group, which, as already noted, had to struggle for some time with a only poor quality NEC i-mode handset, which was later supplemented by similar handsets from Toshiba and Mitsubishi. When Bouygues launched i-mode the only handset available was still the unremarkable NEC N21 which had neither Java capability nor a built-in camera, but better-known handset vendors soon joined the party with better quality handsets. New handsets continue to be added at the rate of up to 15 a year and handsets are now available from Samsung, Sagem, LG, Motorola, and Sony Ericsson.

According to Cedric Nicolas, Bouygues' handset design and development director: "We are able now to launch 15 new i-mode handsets a year (compared with just one in 2002 and four in 2003), but the number is not so important. Quality of the proposed range is much more important so we can cover the high-end, middle-end and low-end with well-known brands and good quality, stylish handsets at a good price. This is the key for convincing users to switch to i-mode. You can live with 10 new handsets a year if you fill those criteria."

Thanks partially to this, and also in large part to Bouygues' strategy at launch, the i-mode image was not tarnished in France as it has been in Germany and Belgium and, to some extent, in the Netherlands. Bouygues devoted 70 staff members to the i-mode launch – a huge number for a small company – and created a highly visible marketing campaign. The basic strategy was to propose i-mode as a new way to access the mobile Internet. i-mode at