

# Executive summary



The rapid development of both wireless technology and mobile devices is transforming some fundamental aspects of modern society. These breakthroughs represent another victory in the quest to improve people's quality of life as their mobility improves. This is translating into changes in their lifestyle, the way they relate to and communicate with one another, and the way they work. The phenomenon has been driven by the unstoppable rise of the mobile phone: No known technology—not even the Internet—has become so widespread so quickly or evolved so much in such a short time.

Behind the surprising statistics on the penetration rate of mobile technologies around the world, **two markets** exist with clearly disparate dynamics: mature markets in developed countries and emerging markets. In mature markets the demand for new subscriptions is lower, however users request services with a higher level of quality and sophistication for which they are willing to pay a higher price. By contrast, in emerging markets, even when the number of potential users is greater, the price barrier means that the revenue per user will be lower. In the near future, the success of businesses will be about achieving the right balance when addressing these two markets.

To face up to this two-fold challenge, operators are starting to ease up on their "walled gardens" (closed business models) and cooperate with other market players (manufacturers, developers, etc.). Within the current trend toward the **opening of the mobile market**, this new manner of operating is considered an essential requirement, albeit insufficient.

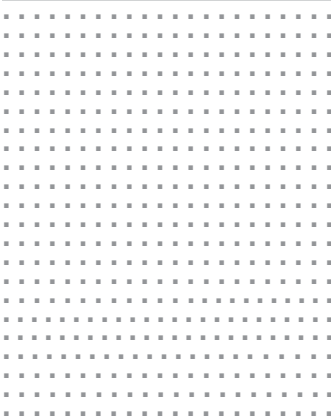
But what exactly is an **open mobile market**? Basically, one in which the users have easy, affordable access to any service, from any provider, with any device. From the human perspective, an open mobile network should encourage cooperation among subscribers. Moreover, any company can freely offer its products or services to all consumers.

Thus, the opening of the market will mean an exponential increase in the innovation of products and services, and, ultimately, that consumers will no longer use their mobile phones simply for talking or text messaging. Now, they will use them to connect to the Internet, link up with anyone, anywhere, locate people and products based on their location, and countless other uses that are currently almost nonexistent.

Nevertheless, in order for that scenario to unfold, there will have to be **cooperation** among everyone involved (Government, operators, manufacturers, developers, etc.) so as to debilitate the many **potential barriers** that present themselves in a truly open market. Some of those barriers are technical or commercial in nature, while others are social.

What seems clear is that this open context will give rise to more opportunities for **new actors** in the mobile market, with many coming from other sectors.

Mis notas



While the market opening promises new business opportunities, it also portends new challenges. For instance, **operators** will see increased competition and their status quo put in jeopardy, and will thus be forced to adapt their business models to the new context. Meanwhile, mobile device **manufacturers** will have to develop new, more functional models that can handle the most sophisticated services at affordable prices. They will also reach revenue-sharing agreements with operators (similar to those promoted by **Apple** for the iPhone) as well as service providers. Finally, **service providers** will be faced with fragmentation and the lack of tools and resources for developing applications for the mobile environment and turning quick profits. This will ultimately promote models of cooperation with all of the market's actors as they look for content options that can bring added value and allow them to communicate directly with the end customer.

### The expanding range of mobile devices and services

Users are being offered increasingly more sophisticated services (Internet, mobile TV, etc.). This means greater requirements on mobile devices, which in turn become a strategic element in the value chain. Handsets have evolved at a blistering pace in recent years: they have gone from simple models, which were limited to voice transmission, to small pocket PCs or smartphones. These smart handheld devices are capable of connecting users to the Internet and, by doing so, opening the door to a wide variety of services that are sure to change the habits of mobile users. The outstanding issue, however, is that out of the billions of handsets in circulation throughout the world, fewer than 10% are smartphones. It is therefore vital that operators and application developers not limit their innovation to these devices alone, as that would mean excluding a large part of the population, which in many cases resides in emerging countries.

With regard to mobile services, we have seen evidence that thus far innovation, variety and quality have not enticed most consumers, whose use essentially boils down to voice and SMS messaging. The factors that have produced this situation include: market fragmentation (dynamics and technology), the powerful control of the operators, the price of services, the shortage of specific content, the lack of business models that justify investments, etc.

Once these barriers have been overcome, or at least reduced, the services providing the best business opportunities will be mobile location-based services, mobile social networks and mobile Internet connections. To a lesser extent, financial services, commerce and health services will also be successful among mobile users.

### The impact of mobile technology on businesses

It seems clear that the opening will change the dynamics of the mobile market, but how will it affect the business models of telecommunications companies? Or those of companies from other sectors that use mobile solutions? And, most importantly, will we see the emergence of innovative business models that justify the development of new products and services?

Companies from all sectors will enjoy numerous advantages in their business processes thanks to the improved range of mobile devices and services resulting from the opening of the mobile market. The ability to personalize the range of products and services being offered, the increased mobility for employees, and the prospect of having a new marketing channel: these will be the aspects that contribute most to the improvement of their businesses. The use of the mobile device as a sales channel (m-commerce) is still in its early stages and, despite the potential it offers, a number of things need to happen before it can take off. Aspects such as security and privacy are fundamental in that regard. Finally, machine-to-machine communication (M2M) is becoming more prevalent and can provide major opportunities to companies that are able to apply this technology to improve their internal processes or customer service.

With respect to the companies competing in the mobile market, it seems clear that rehashing their current business models in the new open landscape is not going to work. **Operators' new business models** must factor in the dichotomy existing between consumers' needs in developed and emerging markets, as well as their newly evolved relationship with consumers resulting from the diversification of their services. They also need to take into account the change in their relationship with other market agents through the proliferation of agreements and their involvement at links of the value chain that they had not previously explored. With regard to viable sources of revenue in this new landscape, advertising will play an important role, but will merely be one part of a far more complex marketing mélange. Flat-rate subscriptions, service packages and profit-sharing on content revenues are just some of the options available to operators looking to improve their financial situation.

Meanwhile, **manufacturers**, facing pressure to lower prices on their devices, will be forced to reinvent themselves as online service providers.

As for which services shall bring the greatest opportunities to companies, that will depend on the yet unsettled issue of the commercial framework in which those services will be offered to consumers. With respect to **mobile social networks**, some have started to integrate advertising. In terms of **mobile location-based services**, it seems that one of the best alternatives is to design the range of services being offered according to a clear user segmentation and to establish specific sales policies for each one.

In short, the opening of the mobile market offers new opportunities for companies from all sectors, provided that they design innovative services that are attractive to consumers and built on a solvent business model. When this happens, the impact that mobile solutions have on businesses and society will be quite similar to, if not greater than, that of the Internet a decade ago. From that moment on, consumers will no longer use their mobile phones as mere means of communication but instead as a "remote control for their lives."