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**Master Exercise WS 2011/2012
Mobile Business I
- Case Study -
University Frankfurt**

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The objective of this exercise is to gain a better understanding of the current situation and the challenges of the mobile industry.

Objective Case Study

- Gain a better understanding of the mobile industry
- Deal with the current challenges of a M-Commerce company
- Acquire knowledge about mobile services and M-Commerce

Table of Content

- **Trends and challenges of the Telco industry**
- Mobile Services
- Presentation of the case study

Think back: In 2006, did you expect...

Development



Over 750 million people being social?



News reporting in under 140 characters?



16B+ songs downloaded on iTunes with 20M tracks?



18B+ apps downloaded on a new platform?



Sold 300M iPods in ten years and 100M iPhones every year?



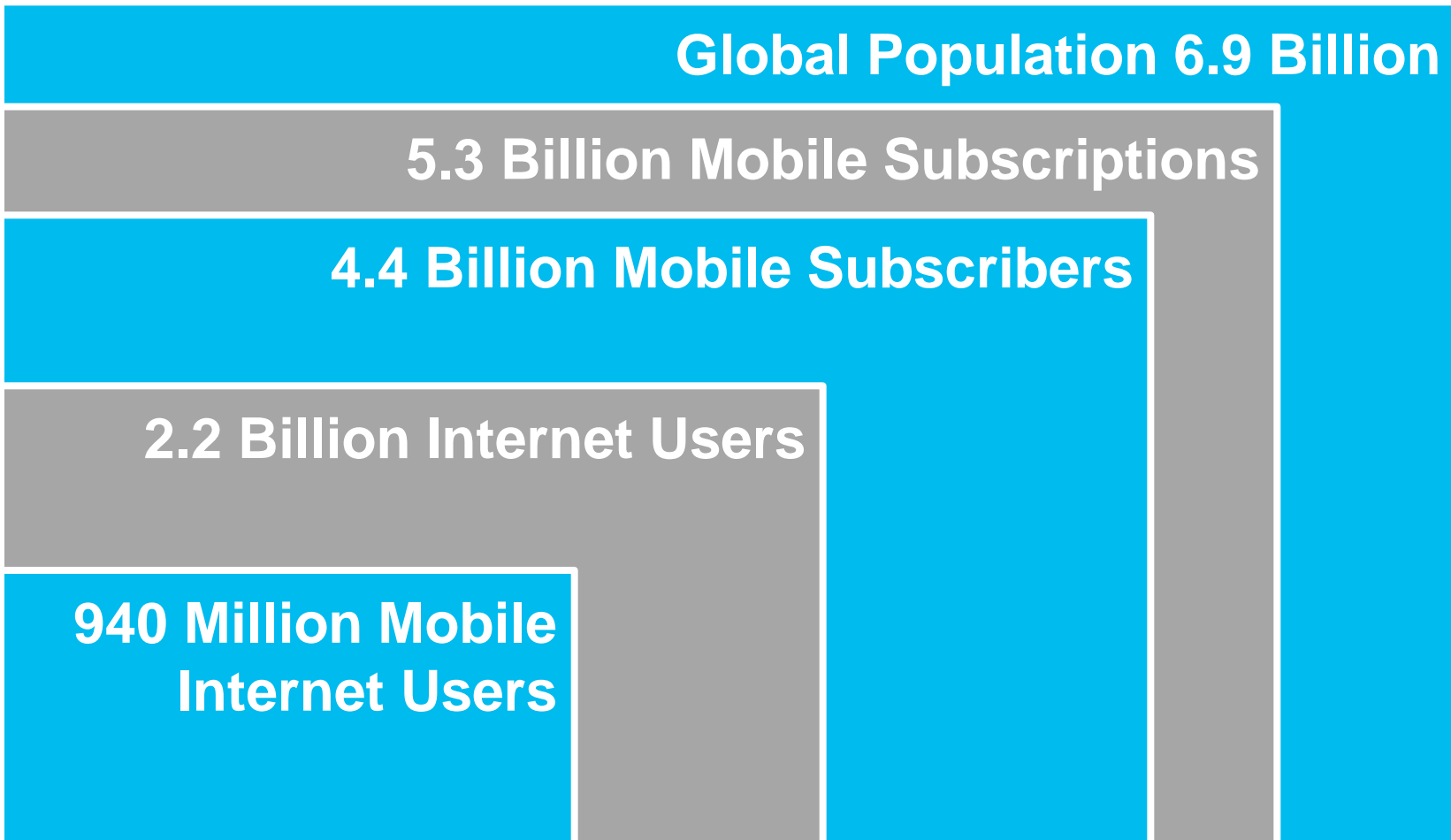
Gaming control in thin air with your hands?



An entirely new smartphone OS?

XX

Digital Consumers Globally



Exabyte-Era: due to video internet the internet traffic increases.

Development of the Internet-Traffic



- IP Traffic doubled every two years until 2011
- Consumer IP Video Traffic: 81% CAGR

The mobile usage increases – particularly in the Emerging Markets. Content becomes the revenue driver.

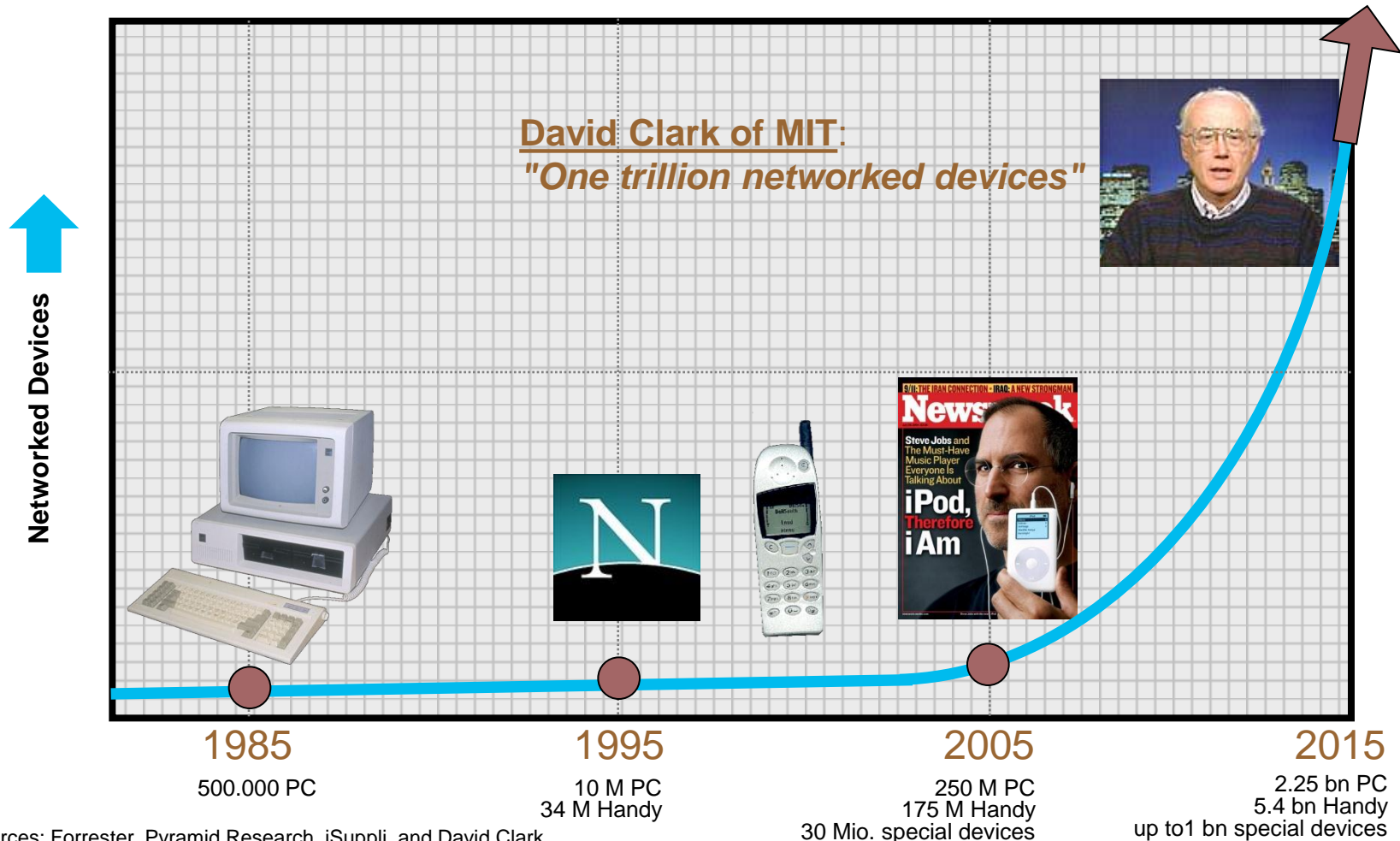
Development of Mobile Users



- Revenue decrease in West-Europe for fixed & mobile voice by 9.1% and 0.4% CAGR 2007-2011
- Increase in new data services by 17% CAGR from \$250 bn to \$466 bn worldwide
- Revenue growth in West-Europe for mobile data by 21% CAGR 2007-2011

In 2015 one trillion networked devices will communicate with each other.

Development of Networked Devices



Sources: Forrester, Pyramid Research, iSuppli, and David Clark

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Top entrepreneurial and technical talent have shifted their attention from the enterprise to the consumer market.

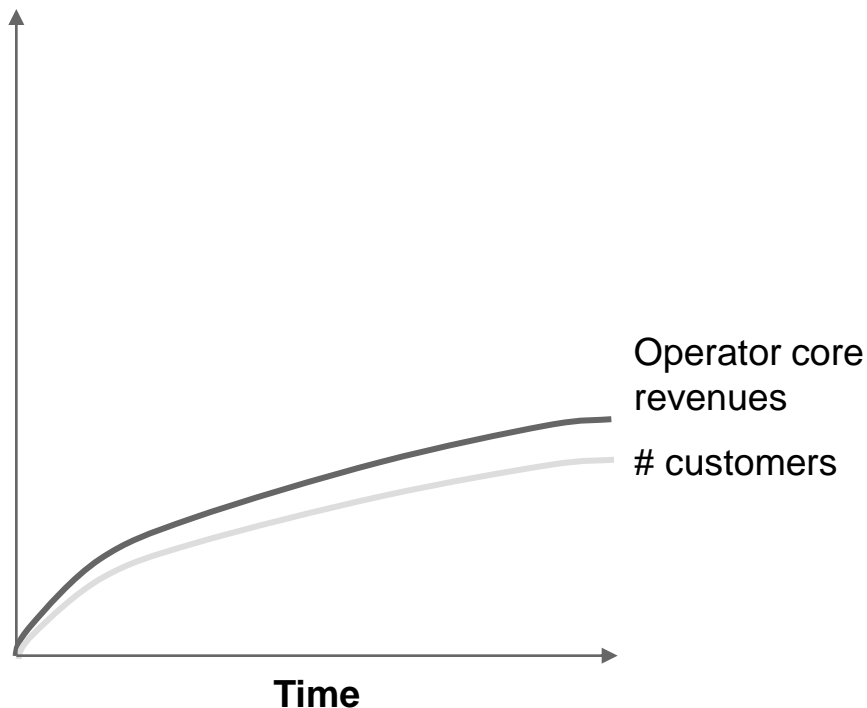
Outlook

Imagine a world five years from now...

- The 9th generation of Apple's iPhone is many employees' primary computer.
- Time employees spend on enterprise systems is measured in minutes per day, not hours.
- Blended social interaction between enterprise and personal usage on a single device.
- Everything from personal music collection to work documents will be entirely stored in the cloud.

For the Telcos the level of saturation regarding the revenues in the core business and the numbers of customers is to be reached.

Wave 1: Development of revenue and number of customers



Dynamics of wave 1

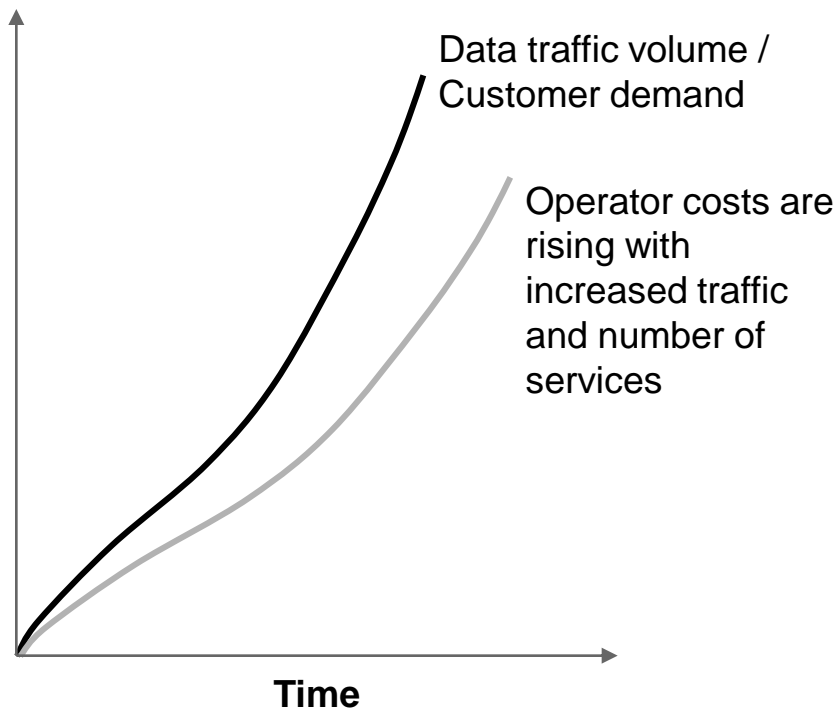
- Highly penetrated mature markets
- Increase in mobile usage
- Decrease fixed voice and data prices
- Margins under pressure
- Increased importance of Emerging Markets

Industry response to wave 1

- Increase usage and manage pricing for core services
- Retain customers via bundling, segmentation and customer experience
- Gain exposure to emerging markets
- Reduce costs and free up capacity to make changes

A growing customer demand and more data traffic are soaring the costs of the Telcos.

Wave 2: Development Mobile and Value Added Services



Dynamics of wave 2

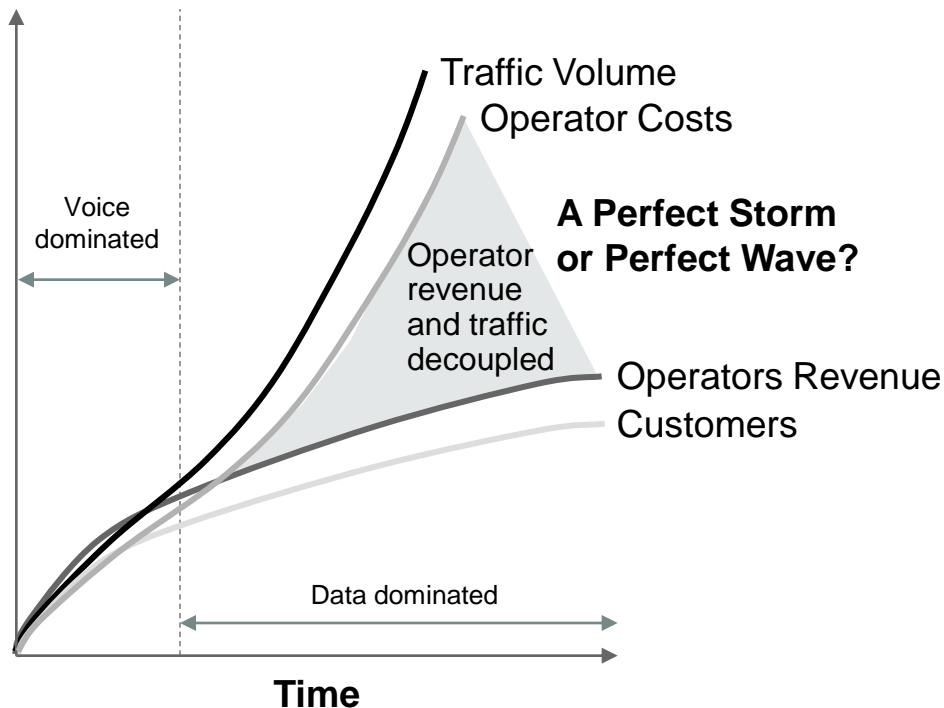
- Increased IP traffic and services
- Mobile broadband now significant
- Push open development platforms
- Innovation “ecosystems” linking network, application, content and device companies
- Operator costs are increasing

Industry response to wave 2

- Push mobile internet
- Create new value-added services
- Focus on usability
- Revenue shift from connectivity to content (customer centricity).

The decoupling of operator revenue and traffic leads to a new telecommunication industry model.

Wave 3: Industry Restructure Wave



Industry response to wave 3

- Adapt organization and capabilities to the diverging value chain: InnovateCo, NetCo, ServCo
- Fragmentation of value-added chain
- Investments in Next Generation Networks
- Outsourcing and outtasking of IT systems or processes
- Industry consolidation through M&A and cooperation's
- Increase bargaining power with equipment vendors and service suppliers

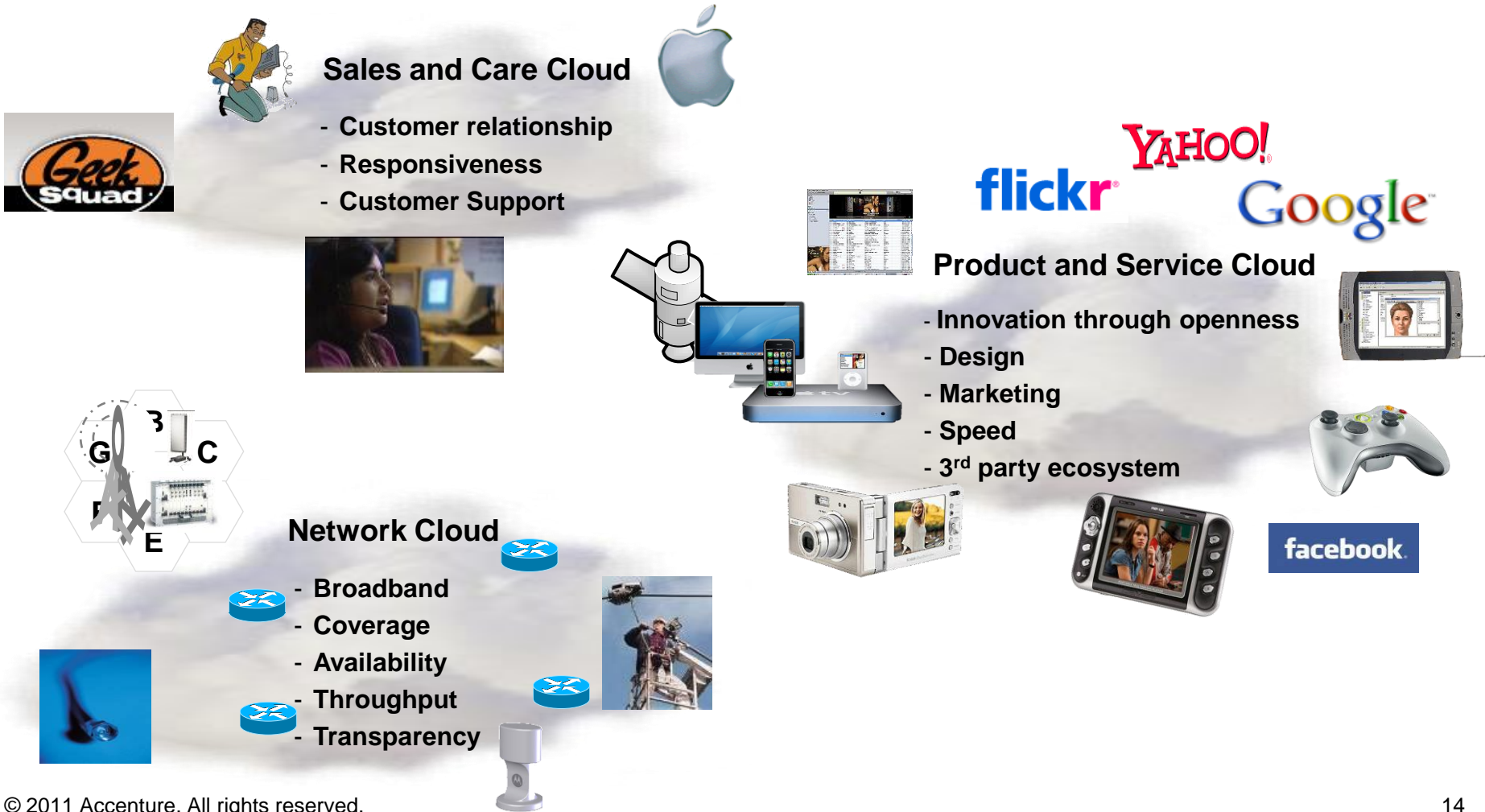
For markets with more than 5 operators a consolidation in the mobile industry can be observed.

Industry consolidation in Germany

A map of Germany is shown with several white dots indicating the locations of mobile operators. The dots are labeled with city names: Düsseldorf, Bonn, Frankfurt, and München. To the left of the map, the logos for Vodafone and Arcor are displayed, with the tagline "Es ist für dich" below them. In the center of the map, the Deutsche Telekom logo (a red 'T' with a square) is shown, followed by the text "Deutsche Telekom" and "T-Mobile". To the right of the map, the logos for Telefonica, O2, and Alice are displayed. The Telefonica logo is in a blue box with yellow text. The O2 logo is a blue circle with a white 'O' and a '2'. The Alice logo is a red circle with white text.

The consumer technology industry has started to reorient around three primary “Clouds”.

Value-Added Chain



New players enter the telecommunication market, take place in the fragmented value chain, and become new competitors of the Telcos.

Value Chain in Telecommunication Industry

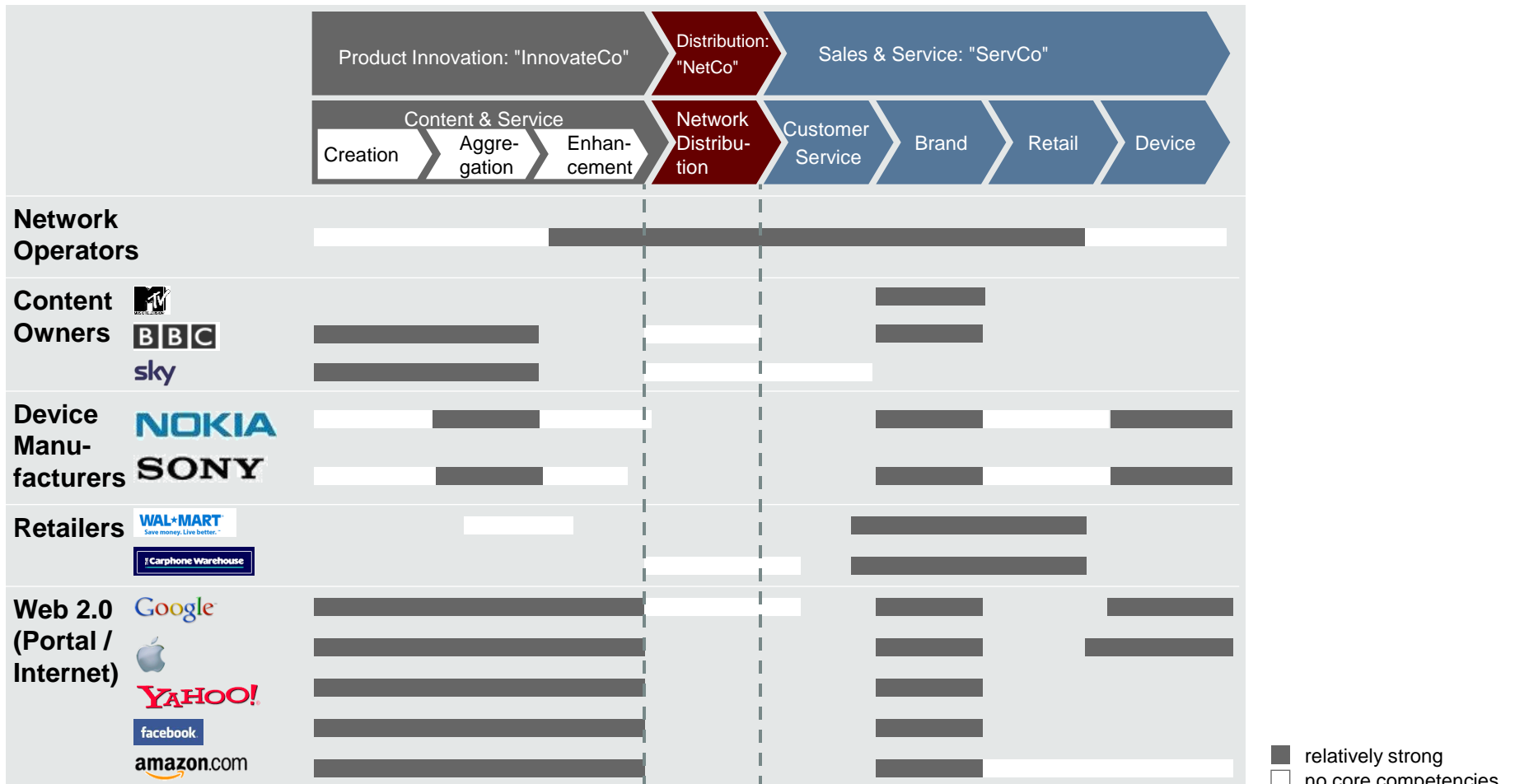
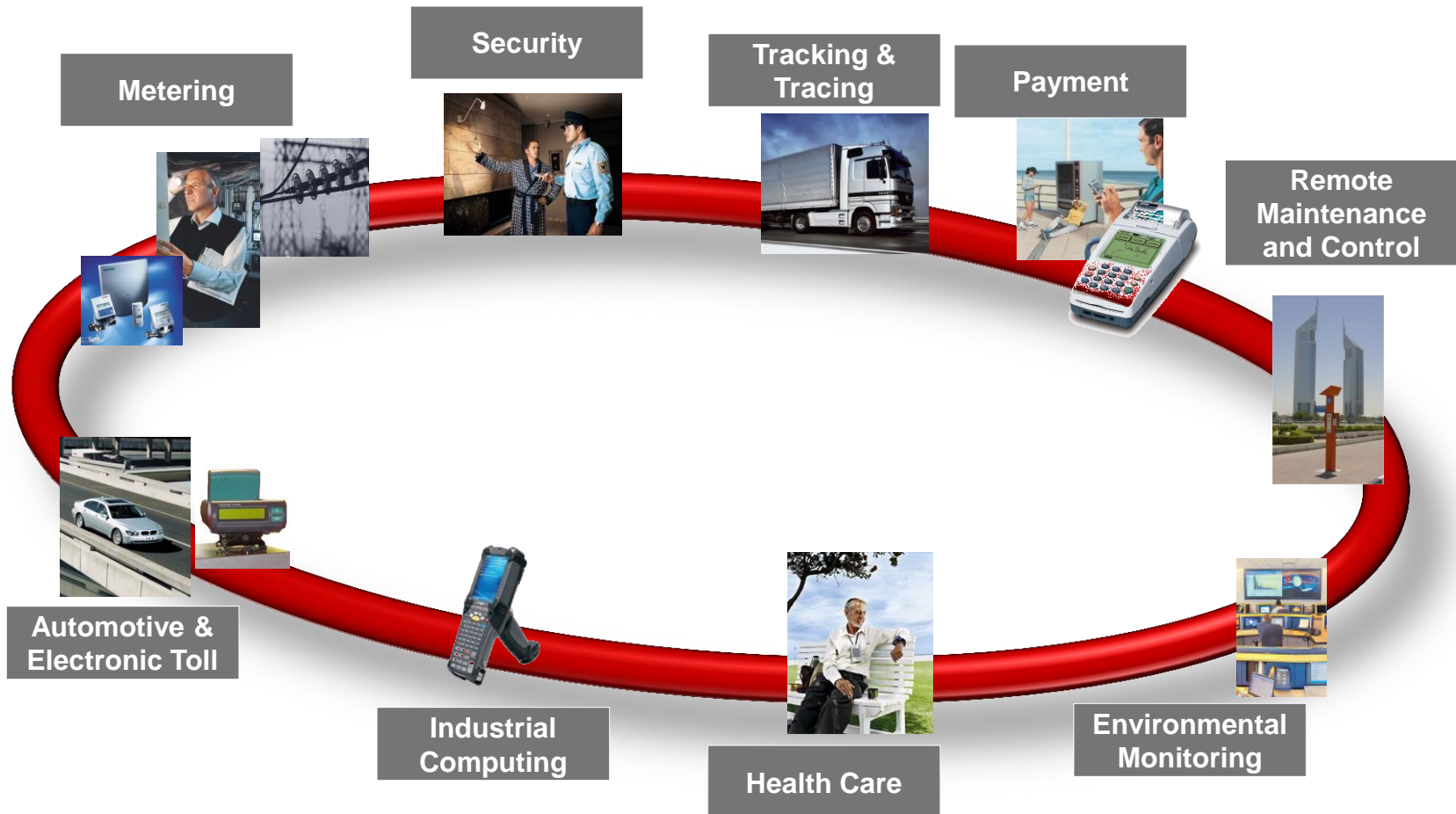


Table of Content

- Trends and challenges of the Telco industry
- **Mobile Services**
 - **Services/Applications**
 - **Media Consumption**
 - **Examples of Mobile Advertising**
- Presentation of the case study

A myriad of services is possible to be embedded in vertical industry value chains – creating the anchor-point for MNOs or managed service providers to tap new revenue sources.

M2M Services



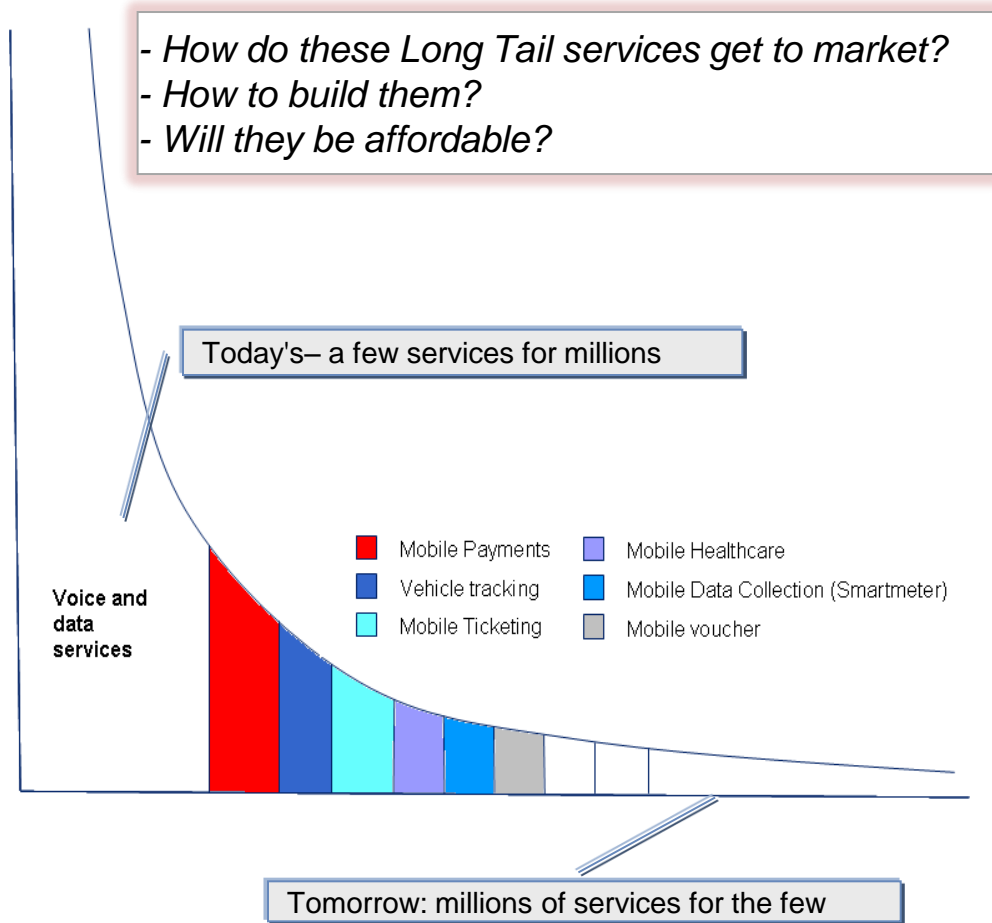
Mobility requires the integration of a wide set of devices and technologies with the vertical applications.

Device Ecosystem



There is not a mass market anymore. It's been replaced by a market of mass niches.

Evolution of the Mobility Market

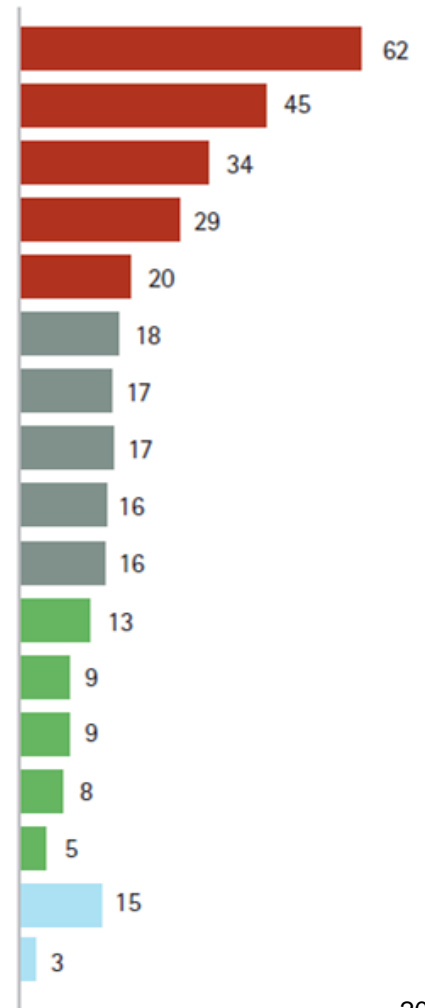


- Shifting from the killer application to the killer portfolio
- Most of the new mobility services will belong to the Long Tail
- Low capex development, early market feedback and multiple iterations
- Building standalone services is not enough anymore
- Transaction based / Revenue sharing business model be the prevailing one
- Limited increase in revenues, but interesting contribution to profitability

Applications with the biggest potential for the web user are still such, which are offering a concrete value add for the user's mobility.

Mobile Applications

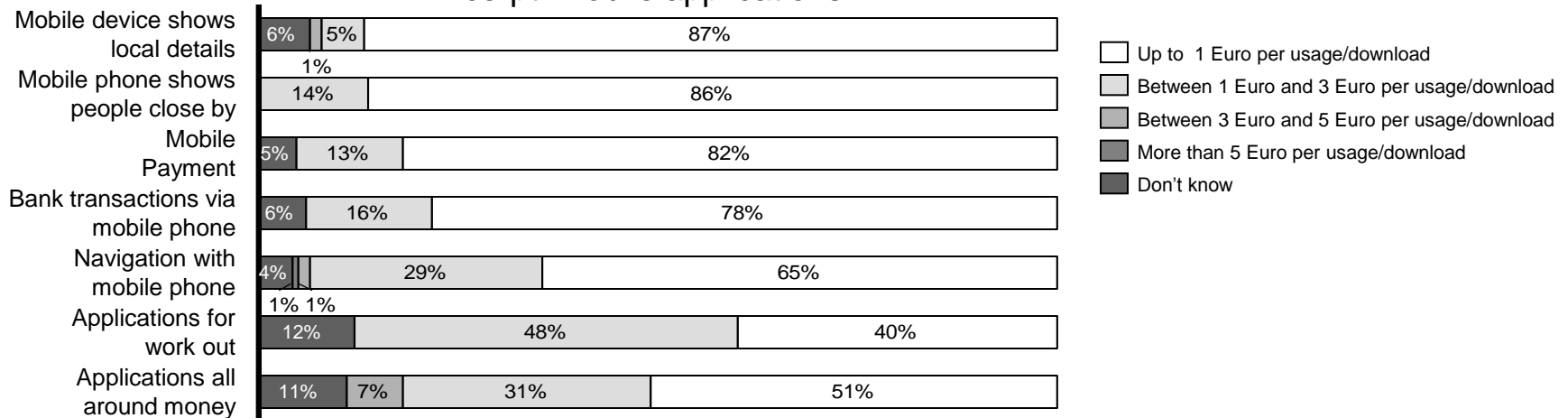
- Use mobile phone as a navigation device in the car
- Mobile phone shows interesting restaurants, shops on the road
- Mobile phone loads information programs (e.g. weather)
- Pay with mobile phone like with cash- or credit card
- Mobile phone shows on the road relatives/friends nearby
- Educational programs (e.g. reference books)
- Programs for recreational activities (e.g. events)
- Mobile phone loads music
- Conduct banking activities over the mobile phone
- Receive mobile-TV/TV-programs over mobile phone
- Mobile phone loads programs for entertainment (e.g. single player, game, games for a group)
- Programs for organization (e.g. financial programs)
- Mobile phone loads music videos and movies
- Programs for fitness and health (e.g. workout planning)
- Mobile phone loads programs all about money (e.g. book of household account, tax calculator)
- Nothing out of this
- I don't know



The willingness to pay for most of the people for mobile applications is up to 1 EUR.

Willingness to Pay

Excerpt: Mobile applications



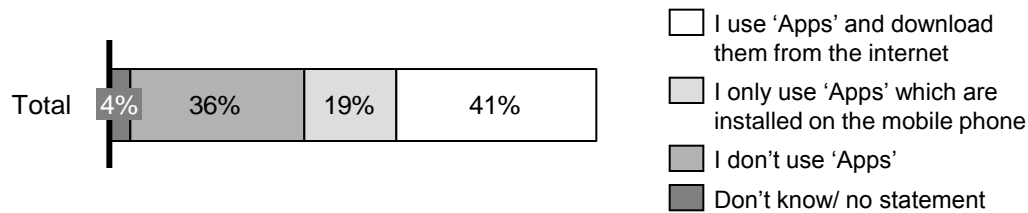
- The number of respondents to consider new or future application as meaningful and to imagine to use them at all is decreasing
- The willingness to pay is declining:
More than half of the interested people are indicating that they are not willing to pay for any of the listed applications (2009:14%)
- Partly however, users are prepared to pay more for singular services with high value add perception

If the value add is recognized the users are prepared to pay for it

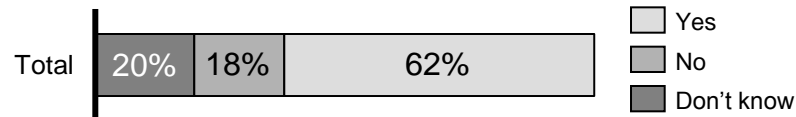
Since the launch of the iPhone in 2007 Apps are becoming more and more popular.

Apps and App Store

Which of the following statements regarding this applications (“Apps”) is applicable for you?



Would it be desirable to provide such 'Apps' on a central online portal, where it is possible to use them for free or to pay for them (e.g. Apple's Apps Store)?

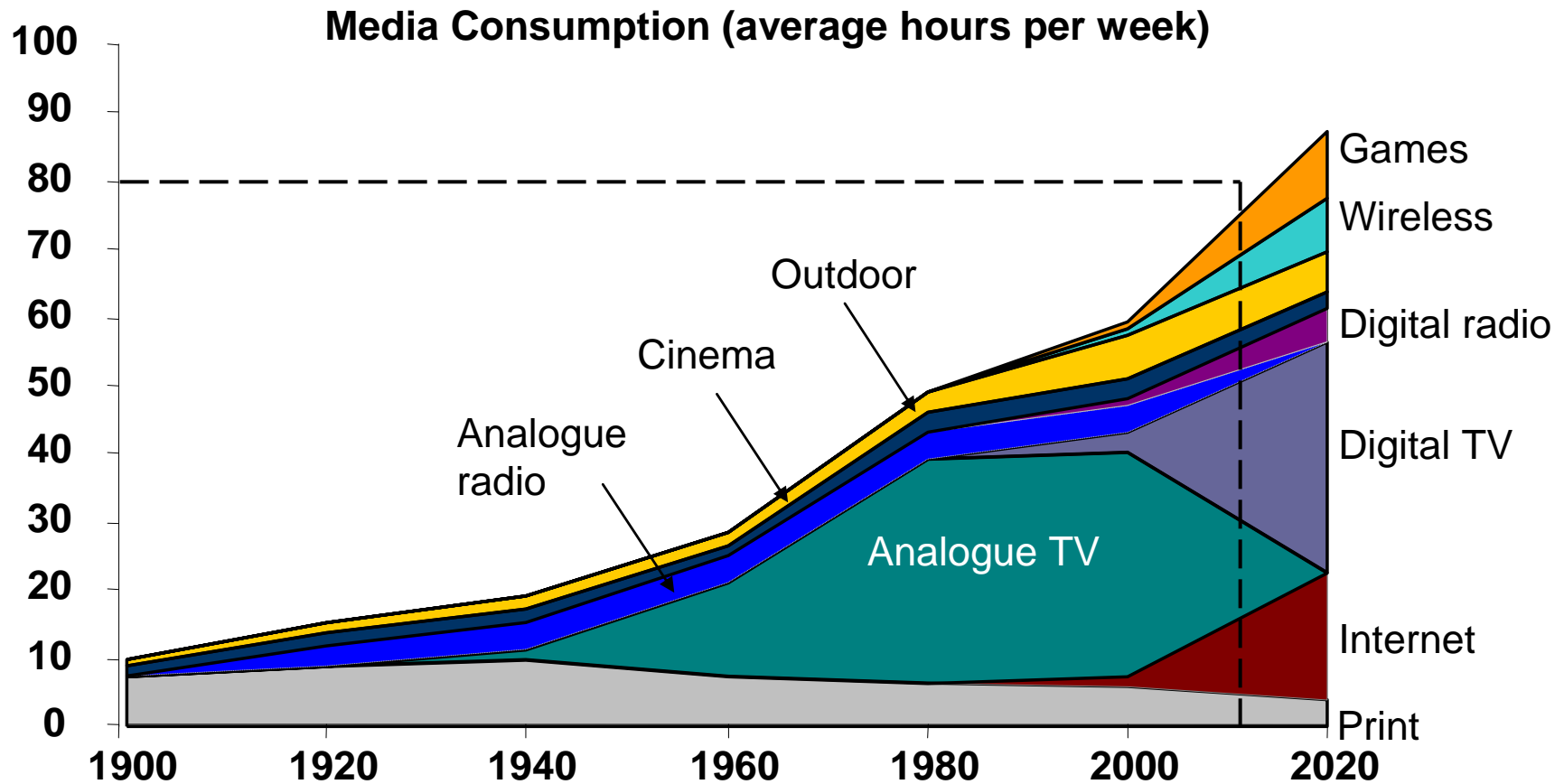


- Today more than 60 % of the mobile surfer are using apps on the mobile phone
- Most of the apps are being downloaded by the users themselves over the internet – only few remain limited to only the ones which are preinstalled on the mobile phone
- Two third of the mobile internet users wish for a placing of apps at disposal in a central online portal provided by their MNO

Apps and central application stores are advancing

During the last 10 years a significant shift in the media consumption can be observed and digital online media consumption becomes a main driver.

Media Consumption



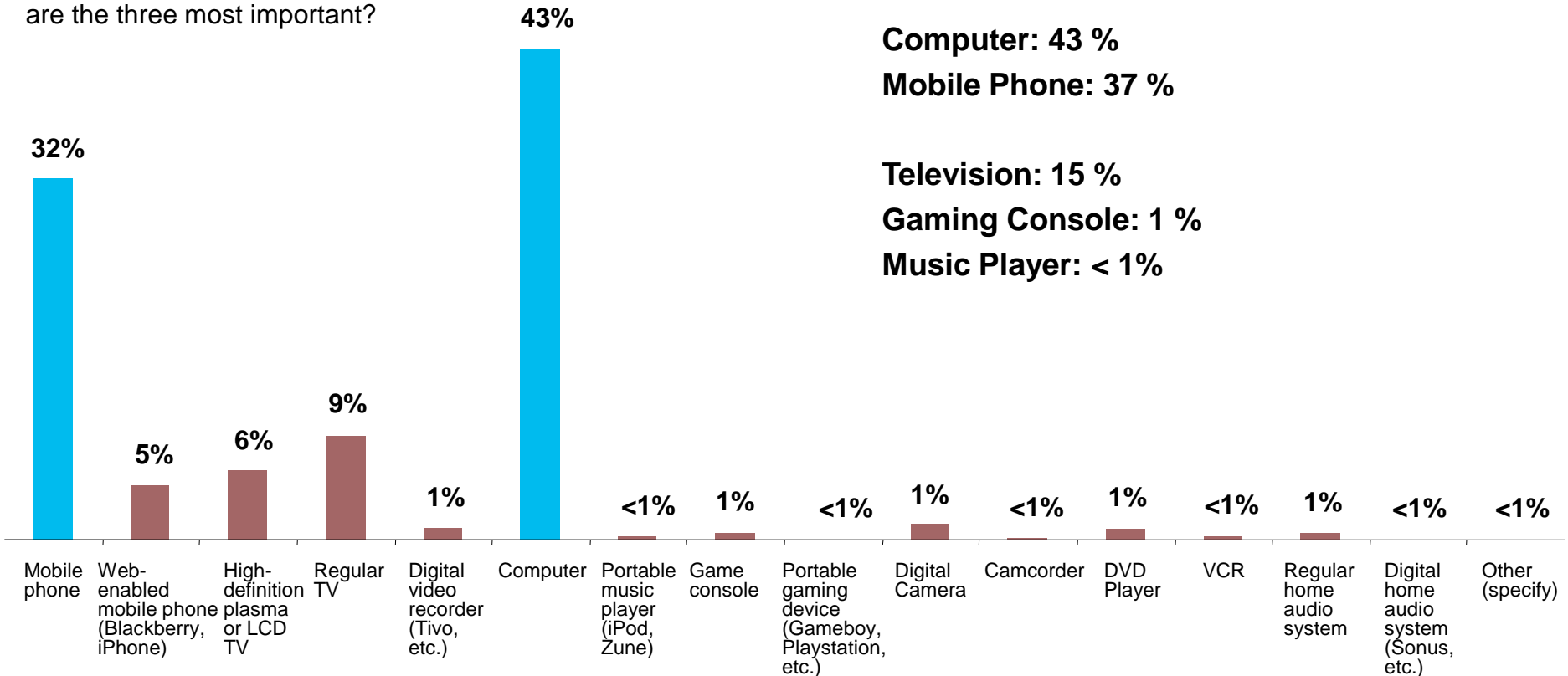
Sources: Aegis, Ofcom, Accenture

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PCs and mobile phones dominate the TV by the major electronic consumer products.

Digital Lifestyle Study USA

Question: Refer to the electronic devices you currently have, which are the three most important?



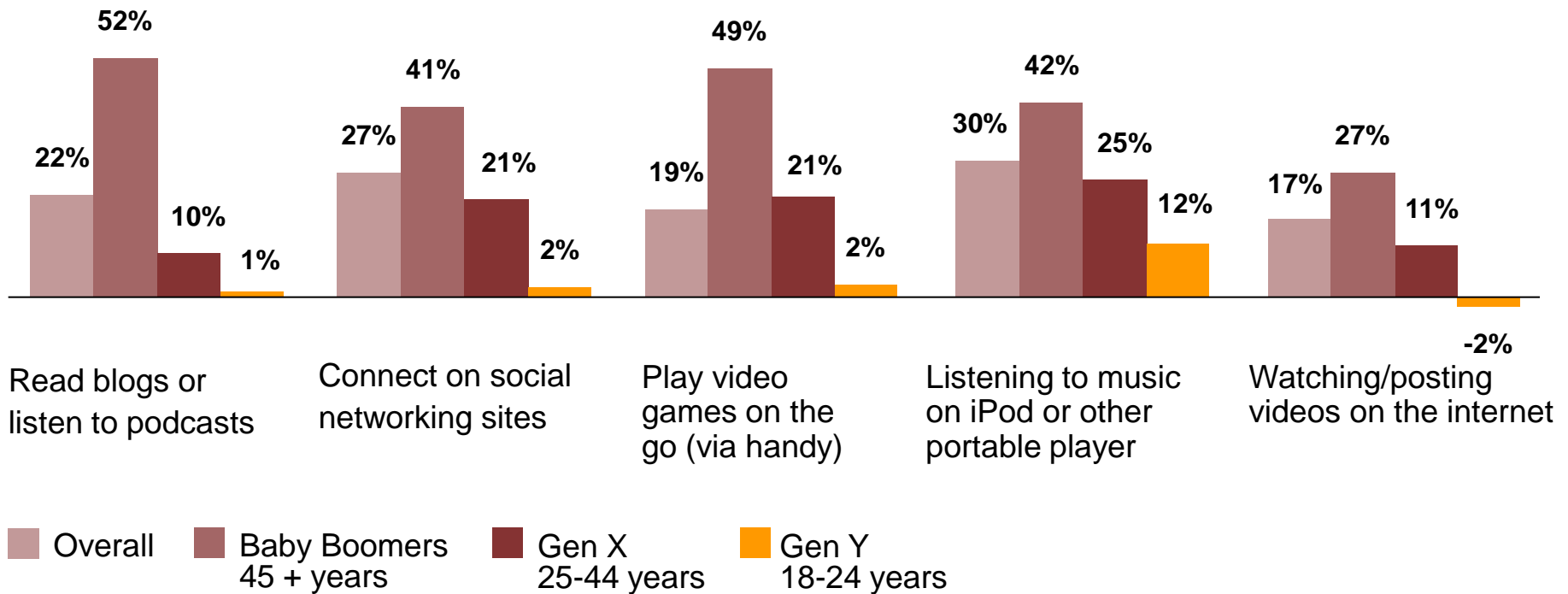
Source: Accenture 2009 Digital Lifestyle Survey (USA only)

The Baby Boomers have a 20 times faster growth rate in adopting new electronic services than Generation Y.

Digital Lifestyle Study USA

Take over new electronic services refer to the different generations

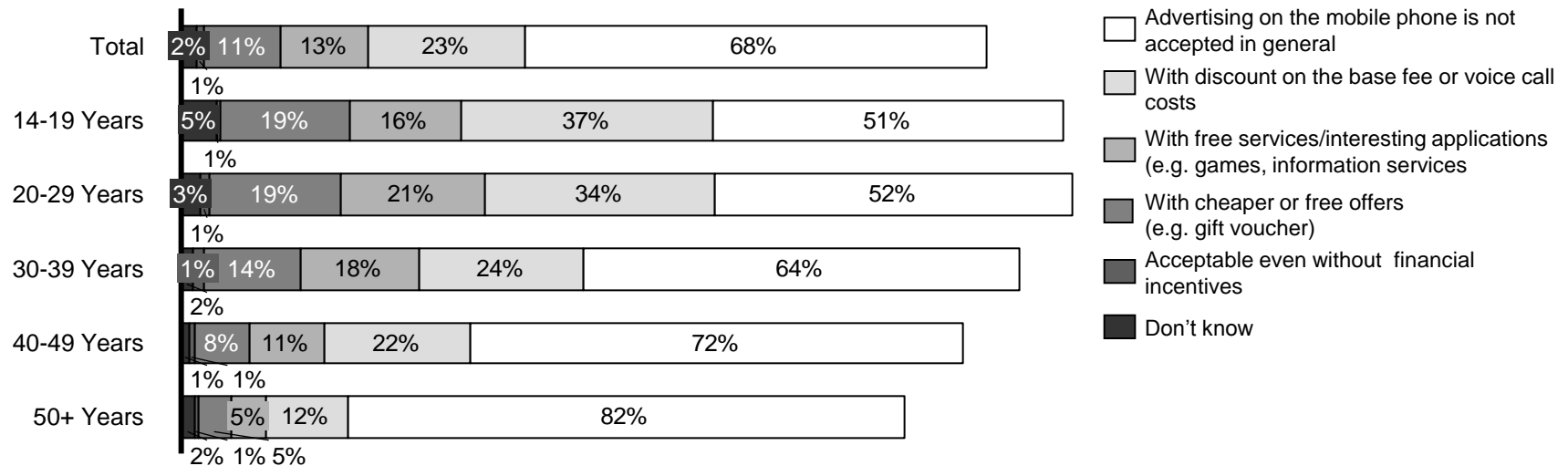
[% variation to the survey 2008]



Source: Accenture 2009 Digital Lifestyle Survey (USA only)

Mobile advertising is still not accepted by consumers at any price.

Mobile Advertising



- 68 % of the respondents don't accept in general advertisement on their mobile phone.
- After all 23 % of the respondents indicate that advertisement in combination with a discount on their base fee or their voice call fees would be acceptable
- Also free services and interesting applications (13 %) as well as cheaper or free offers of other companies (11 %) make mobile advertisement for mobile phone owners attractive

The increase in acceptance of mobile advertisement still remains a challenge for the companies

Mobile advertising is an integral part of Web 2.0 business model, which offers unlimited possibilities...

Web 2.0 Business Model



... to develop innovative applications and services and bring them to the market.

Examples Mobile Advertising

Insertions

Rich Media

Coupons

8:48 AM
DreamWalk™
Current Prize Bag Value: \$1,000,000

FREE Coffee from Starbucks W 44th St, NY

FREE Fries from McDonald's W 44th St, NY

FREE iPod from iTunes.com Broadway, NY

AT&T 11:45 AM
Land Rover
<http://apps.netbiscuits.com/585...>

WELCOME TO LAND ROVER

- RANGE ROVER
- RANGE ROVER SPORT
- LR3
- LR2

REQUEST A BROCHURE
SHARE WITH A FRIEND

Table of Content

- Trends and challenges of the Telco industry
- Mobile Services
- **Presentation of the case study**

Ecom established in 1999 as an online marketing agency which now is moving towards a M-Commerce company.

Current situation Ecom

CASE STUDY

Products

- Advertisement for websites (e.g. banner advertising)
- Context sensitive online advertisement
- Embedded advertisement in homepage together with mobile payment
- Current e-Commerce approach: C2C market place for innovative and creative ideas (e.g. actors market) with mobile payment solution

Target Segment

- Focus on business customers: 75 %
- Consumer customers: 25 %

Sales Channel

- Online Portal
- Call-Center

Technology

- Operations of a C2C platform
- Secure payment via mobile device

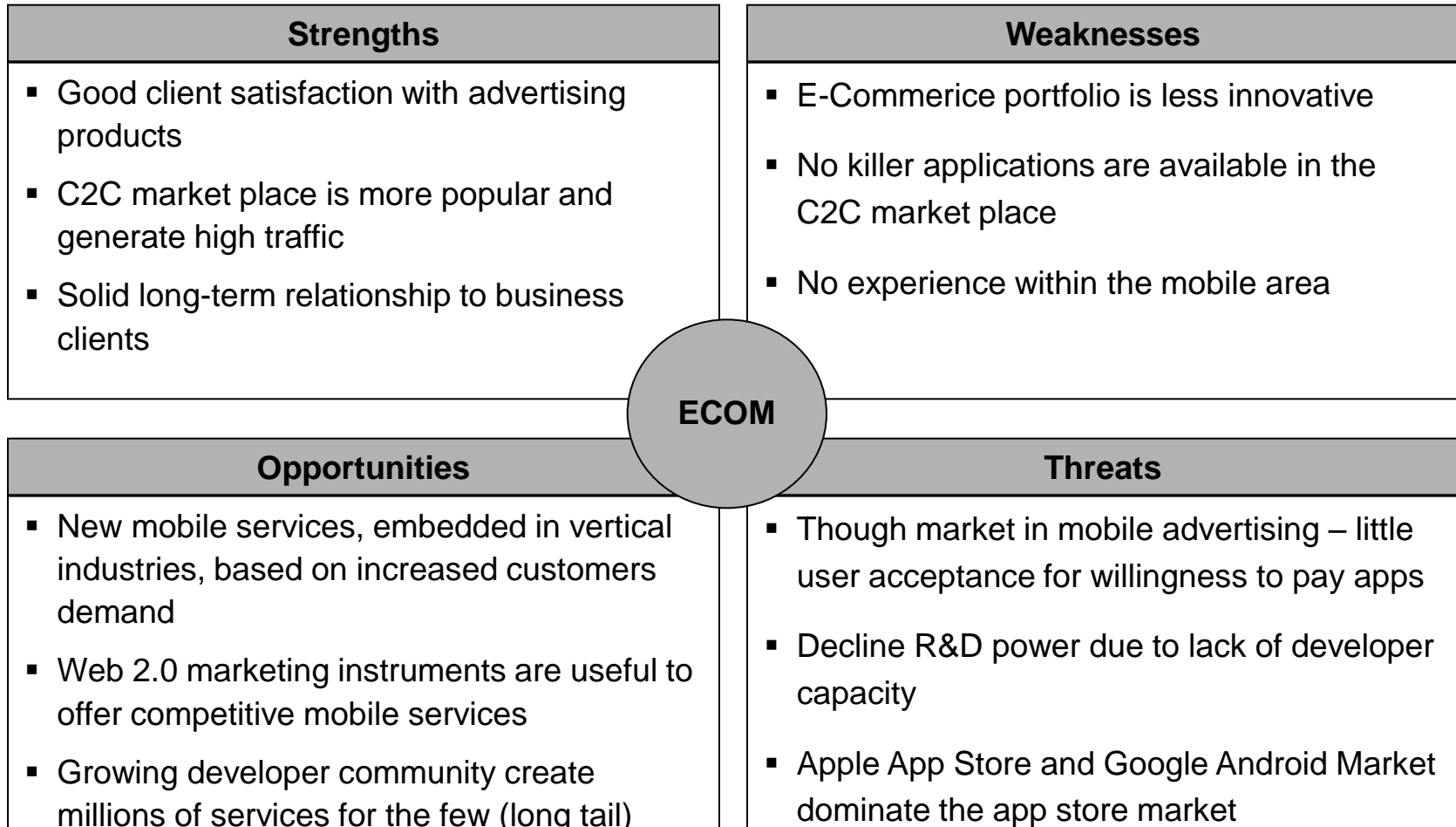
Financials

- Revenue stagnate by business clients with stable EBIT
- C2C market place members increased, but the revenue increase is not proportional

Client satisfaction is key to get the user acceptance for willingness to pay apps.

SWOT Analysis

CASE STUDY



On the way to a M-Commerce company it is necessary to redefine the target segment and develop a new portfolio.

Challenges *Ecom*

CASE STUDY

Redefine target segment of
consumer customers

Create a market strategy to gain
high value business customers

Develop a M-Commerce
portfolio for consumer &
business customers

Introduce new marketing
instruments

Evaluate technical and
commercial prerequisites to
operate an app store

A new marketing approach is necessary to come back on a successful track.

Task Description to Product Marketing

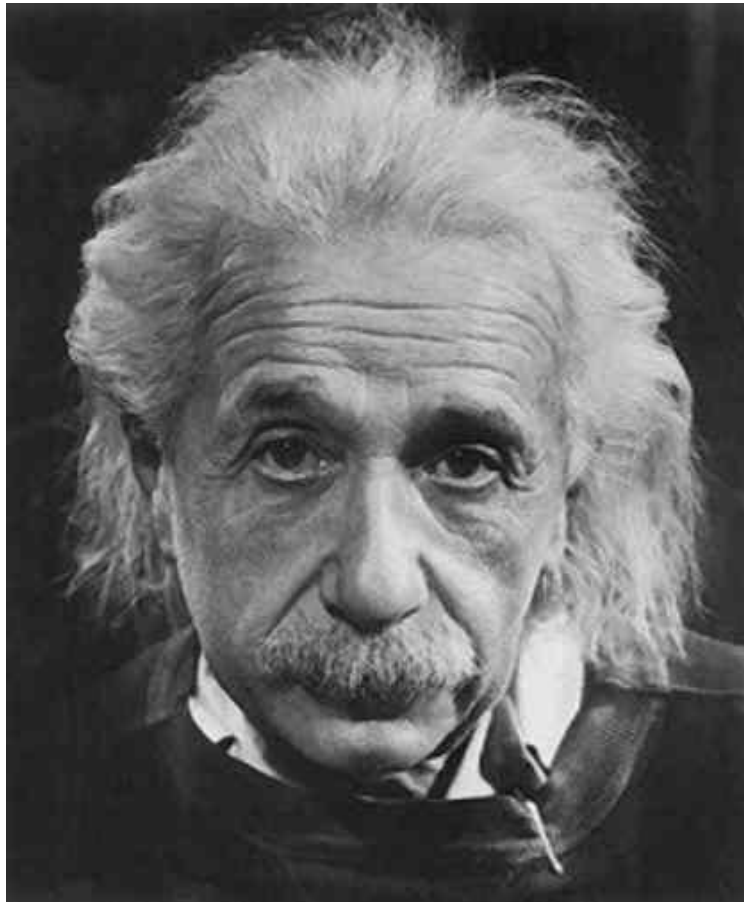
CASE STUDY

- Deliverables to the Executive Board:
 - Concept of target segments for consumers
 - Market strategy for business customers
 - Portfolio of M-Commerce products
 - Fine concept for one new portfolio item (business model, value-added concept, revenue sources)
 - Prerequisites of an app store
-
- No finance analysis needed
-
- Presentation to the Executive Board on December, 20th 2011
 - Time frame: 20 min. presentation and 10 min. Q&A
-

"The important thing is not to stop questioning. Curiosity has its own reason for existing."

Q&A

CASE STUDY



Assessment Criteria

CASE STUDY

- Quality of content
- Structure of developed results
- Comprehensiveness of the results
- Validity of conclusions
- Argumentation towards the Executive Board

**Weighting
50 % each**

- Quality of presentation
- Textual presentation of results
- Graphical presentation of results
- Lecture: Speech and verbalism
- Compliance with time frame

Take these references as a starting point of your further research.

References

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