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Mobile payments key to rise in m-commerce

It has long been hoped in the mobile industry that the mobile phone will evolve from simply being a communication device. Yet, mobile commerce and using the mobile device to make transactions is not a "no brainer" for users – it needs to be made attractive. For users to want to make mobile transactions, mobile payment systems must be simple, reliable, secure and ubiquitous. Early mobile transactions required up to 60 key presses. This ideally needs to be fewer than five.

Security is absolutely key, both in terms of reality and perception. While there has been much focus on Internet fraud, some security experts fear that the mobile phone is much more open to abuse. Before users start making payments or sending their credit card details across the mobile Internet, they need to have faith that the appropriate security is in place.

Linked to this is the issue of standards. People like credit cards because they can be used nearly anywhere. If mobile payments are to take off, then the same needs to be true. By developing strong standards and getting widespread industry support, security concerns can more easily be addressed.

The mobile industry has tended to struggle with developing any sort of standards around mobile payments. This is partly due to the complexity and variety of possible approaches. It is also due to competition and the differing needs of the stakeholders, including mobile operators, handset makers, banks and credit card companies.

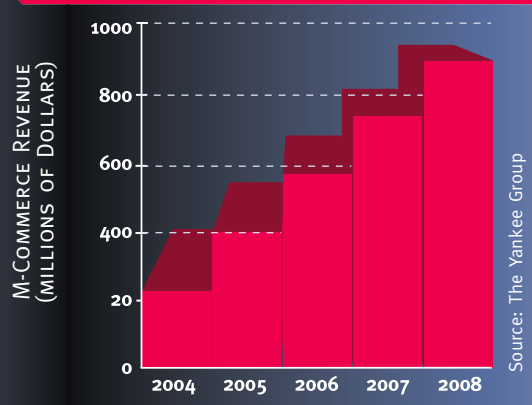
In Europe, this problem may be resolved by the launch of Simpay. This is a joint venture of four major operators – T-Mobile, Vodafone, Telefónica Móviles and Orange – with other operators likely to join the initiative. The scheme will allow payments across multiple carrier networks, allowing users to pay for goods or services from a wide variety of retailers and merchants. The payments made through Simpay will typically appear on the mobile phone bill of users.

European operators will also use their own mobile payment schemes in parallel with Simpay. One example is Mobile Wallet from T-Mobile. This allows users to pay for goods and services from their mobile devices using credit or debit cards. By not processing payments through the mobile phone bill, T-Mobile will avoid the complexity and risk involved in doing this itself. This latter issue will lead to major opportunities for billing vendors, such as Qpass and Amdocs, and mobile payment specialists, such as Encorus Technologies, to sell to the mobile operators. Turkey was one of the first countries in the region to introduce m-payments, with Turkcell working with Yapi Kredi Bank back in June 2003.

Of course, there are a number of other areas needed for success in m-commerce – from user friendliness to multi-channel support – but getting the payments right is key to meeting research analyst expectations for market growth.

In Japan, NTT DoCoMo has taken a different approach. It launched its i-mode FeliCa service in July 2004, and by mid-December had sold one million compatible handsets. The service is a combination of DoCoMo's i-mode mobile Internet service and Sony's FeliCa contactless IC chip technology. By simply waving the handset across a reader/writer, i-mode FeliCa allows the user to pay for goods and services using the handset as a credit card or for e-money. The handset can even be used as a house key or e-ticket. The widespread support for the service shows that this can also be a successful model for mobile payments.

M-Commerce Revenue Projections for Western Europe



3GSM WORLDCONGRESS05
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What will be the real impact of 3G?

The third generation (3G) of mobile networks is now upon us in most developed markets around the world. It is the evolution of existing mobile networks, CDMA and GSM, which were known as 2G technologies. To complicate matters, interim technologies such as GPRS were known as 2.5G, and the mobile industry is already talking about the launch of 3.5G in 2007. There is not even just one '3G' but at least two variants – cdma2000 from the CDMA camp and WCDMA from the GSM world. There had been fears that the Chinese would develop a completely different standard, T-SCDMA, although this is now likely to be compatible with WCDMA.

After much fanfare and concerns over the business model, particularly where large license fees were paid, what will 3G mean in practice?

In more developed markets, such as Japan and Korea, early expectations were not met, although this has recently been changing with, for example, the number of NTT DoCoMo's 3G(WCDMA) subscribers is hitting 10 million mark.

In Europe and the US, the jury is still out on the demand and impact of 3G. Many of the teething problems faced in Japan and Korea, have also been a problem in Europe and the US. These include reliability problems, high pricing, cost and lack of availability of handsets, and lack of compelling applications particularly when compared with the GPRS network. US operators have cautiously introduced 3G, with Verizon and Sprint launching initially as a business service available in a limited area. Cingular will launch its 3G network in 2005, although recent acquisition AT&T Wireless already has a limited service, with plans for all major US cities by the end of 2006.

To avoid over-hyping subscriber expectations, many European operators have chosen a "soft" launch for 3G. This has meant targeting business users of laptops with 3G datacards, and upgrading high-spending consumers to 3G phones.

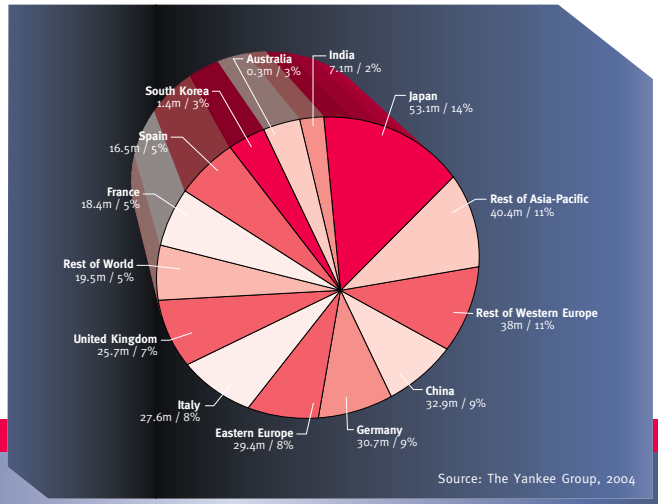
Price has also meant that it is difficult to market 3G as a mainstream technology. For example, the basic price of 3G handsets remains around the €500 mark. For an operator like Telefónica Móviles, 90% of their Spanish handset sales are below €200.

However, the desire for a slow introduction of 3G and to avoid massively subsidizing handset sales has been tempered by factors that vary widely between countries. One issue is regulation, with some operators facing onerous license conditions that mean they must build out their 3G networks quickly and therefore need to also offer services more rapidly. A second issue is competition, with Hutchison's 3, operating in markets as diverse as the UK, Italy and Australia, a particular thorn in their side. Its success, with over 2.5 million subscribers in Italy, has been built on aggressive pricing and heavily subsidized handsets. It has also pushed voice calls on 3G devices, while other mobile operators would like to portray 3G as something offering a raft of new video and data services.

The market evolution for 3G will differ considerably between countries. In some, the regulatory and competitive pressure will force operators to push 3G hard, and we have already seen some of the aggressive promotions for Christmas 2004. In most countries, however, 2005 will still see 3G positioned mainly as a business solution and a complementary solution to other mobile technologies.

After 2005, the situation can change quickly. In some markets, the pressure will come from network congestion problems, as operators need the additional capacity supplied by 3G. In others, as the 3G network is built out and investor pressure builds, operators will want to quickly migrate users to the 3G network. In fact, as many users replace their handsets every 12-24 months, mobile customers will find themselves being naturally upgraded to 3G. By 2008, 3G users on the WCDMA standard will be widely spread around the globe.

Top 10 WCDMA Markets by Users in 2008



Written by Steve Wallage. Designed by dotcomms.net

Music will also increasingly be marketed as a key element of 3G offerings, as being shown by Vodafone's 3G Live!

Everybody jumping on mobile music bandwagon

The incredible success of mobile ringtones highlighted the potential for the mobile music market, but it has been the uptake of iPods that has really convinced the industry that this is a major opportunity.

The development of new handsets and faster networks has also fundamentally changed the mobile music market. It is now possible to get high quality music and short video clips downloaded to phones.

The major record labels have all set up digital divisions to maximize their opportunities in new markets. Although there is still conflicting evidence of whether the Internet has been an opportunity or a threat to the industry, the record labels are determined to ensure they develop a strategy for the mobile market. One key lesson from the Internet has been that the "do nothing" approach is the most dangerous of all, and is likely to lead to both new entrants dominating the market and the proliferation of non-original music.

A key concern for the record labels was that of copyright, and implementing proper Digital Rights Management. New mobile standards have ensured that there is widespread support for such rights protection, although there is a risk that this will deter users who have become more accustomed to the freedoms afforded in Internet music downloads.

It is also still unclear how users would like to buy and hear music, and who is best placed to provide this. A buzzword of the industry is in personalization, with mobile music options changing to reflect the individual users' preferences and past selections. Another emerging trend is to allow users to share music among their friends and family. Some in the music industry are happy to encourage this as it is seen as the ultimate form of viral marketing.

Many different groups see themselves as the natural beneficiaries of mobile music. The record labels are typically working with numerous partners to ensure that they are covering all options. SonyBMG is taking this a step further, with its media subsidiary offering the Sony StreamMan music service to mobile operators. This integrates Internet and mobile content, which is also likely to be a growing trend. It is also hoped the StreamMan service will encourage the sale of Sony handsets and speakers. Independent record label, Chrysalis, is pioneering a scheme in the UK where listeners to its radio stations can have music downloaded to their mobiles that they have just heard on the radio.

The mobile infrastructure vendors are also keen to provide a music service to the mobile operators. Ericsson has launched its M-USE platform that provides all the functionality for a mobile operator to launch a music service. The offering is similar to an outsourced service, with Ericsson providing all the expertise and content rather than the operators trying to do it themselves. Handset vendors such as Motorola have also been aggressively positioning themselves as new mobile music download providers.

The mobile operators have also developed their own music services, both as a revenue opportunity and as a way of retaining customers and thereby reducing the expensive churn of customers. Music will also increasingly be marketed as a key element of 3G offerings, as being shown by Vodafone's 3G Live!

The fear for the mobile operators is that music startups will start selling directly to their subscribers. Such companies include Musiwave and Melodeo, and Napster is also looking to ramp up its mobile service.

The 3GSM World Congress is an essential forum which brings the mobile and I.T. community together, and sets the agenda for the global mobile industry's future. To book your place, or to get the latest show updates and news please visit: www.3gsmworldcongress.com/bweek

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