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Chapter IX

Moving Up the Mobile Commerce Value Chain:
3G Licenses, Customer Value and New Technology

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EXECUTIVE SUMMARY

In the spring of 2002, a team within Digifone, in the Republic of Ireland, deliberated on how they would generate revenues from a Third Generation (3G) mobile license. Their plan was to facilitate third-party mobile commerce services, and receive a percentage of the resulting revenue. A key challenge would be differentiating the value of content based on transaction context. Mediation technology, based on open standards, was seen as the solution. The case describes Digifone's evaluation of an XML vocabulary as the basis for a mediation and billing solution. The Digifone experience suggests that the key to exploiting 3G technology is inter-industry agreement on measurement standards to effectively manage the value of the associated services — a "bar code" for measuring value and distributing revenue amongst value Web participants.

INTRODUCTION

The sun was shining as Brian Noble looked out over Dublin from his office in Digifone Headquarters in Lower Baggot Street. He was pleased to see the large number of people using their mobile phones as they walked along the street. The "executive dominated" mobile market so evident during the early 1990s had since been replaced by usage patterns that better reflected the general population. The "Celtic Tiger"[1] and market competition ensured that mobile phones were now an affordable item essential to social and business life. The majority of phone users on that day held their handsets to their ears as they held a conversation, but a significant number were using their phones to send or receive SMS text messages: probably arranging where to meet for lunch, he thought! Brian wondered how long it would be before Digifone's customers would regard having a conversation as an "old fashioned" way of using their mobiles.

Turning away from the window, Brian considered the issues facing him in his role as marketing manager, and how these related to the major decisions facing the company during 2002. The Irish government had announced the bidding process for the new 3G mobile licenses in late 2001, and Digifone was widely regarded as a major contender for two of the four licenses on offer. "3G" refers to the third generation of wireless communication technologies, and to the pending improvements in wireless data and voice communications through any of a variety of proposed standards.[2] The immediate goal was to increase quality and speed from current GPRS (General Packet Radio Service) standards. 3G would fully realize multi-media and real-time services, but might still suffer from operational difficulties (3G News Room, 2001). GPRS, 3G and other wireless technologies are explained in the Appendix.

Brian knew that the manner in which Digifone would be able to exploit 3G, and the amount that they could be expected to pay for the license, would depend on their ability effectively position the company within the emerging 3G value Web, and to bill appropriately for the services provided. He needed to consider this complex issue. In particular, he needed to give some thought to the development of intra-industry value definition standards.

ORGANIZATION BACKGROUND

Digifone was established as Esat Digifone in Ireland in 1997, and positioned itself as the main competitor to the state controlled Eircell (now owned by Vodafone). After a series of share purchases, British Telecom (BT) acquired 100% of Digifone in April 2001 (CNN Money, 2000). In November 2001, Digifone, as part of the mmO2 set of companies, completed a de-merger from British Telecommunications PLC and devised plans to re-brand as O2. The group is made up of five national mobile networks — Digifone in Ireland, BT Cellnet in the U.K., Manx Telecom on the Isle of Man, Telfort in the Netherlands and Viag Interkom in Germany, plus Genie, the international mobile portal — and shares the common brand name O2.

By early 2002, the mmO2 businesses served 16.5 million mobile customers in the UK, Germany, Ireland, The Netherlands and the Isle of Man. The group's mobile businesses in these countries were all wholly owned and together covered territories with a total population of over 160 million people. The combined turnover for the year ending March 31, 2001 reached £3,200 million, up 22% from £2,618 million for the preceding year (mmO2, 2001).

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