Silicon Valley
WORLD INTERNET CENTER

THINK TANK SESSION

DRIVING MOBILE COMMERCE IN THE U.S.: WHO IS LEADING WHOM

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SUMMARY

On August 29, 2001, the Silicon Valley World Internet Center continued its invitation-only series of Think Tank Sessions on mCommerce with a specific focus on Driving Factors for mCommerce in the U.S. market in both the consumer and corporate environments. Corporate leaders, non-profit think tanks, academics, and consultants numbering 24 converged on the topic in a knowledge exchange around the following guiding questions;

- Are the key driving factors technological? Social? Standards-based?
- What actual driving factors need to be addressed before we see mCommerce take off?
- What is the timeline for the driving factors to coalesce into (new) market opportunities?

Following on the theme of the previous mCommerce session of June 27, 2001, general elements of successful drivers were reviewed at this session in order to initiate conversation that built upon the previous thinking. Some of those key identified factors were Instant Messaging proliferation, device screen form factors and user interfaces, and battery technology. Also considered were the successful deployments of mCommerce services in Japan and Europe, and how U.S. carriers may lead, follow, or get out of the way as new options emerge for compelling mCommerce applications.

It is clear from looking at Japan and Europe that youth adoption has been a major factor in the success of mCommerce in those markets. In Japan, i-Mode has generated tremendous incremental revenue for NTT DoCoMo, with the model being introduced in Seattle later this year as a result of an AT&T partnership. But the participants seemed to agree that the i-Mode model is unlikely to succeed in the U.S. due to the largely fragmented networks and lack of converging standards. An alternative to i-Mode was recently introduced in Japan -- L-Mode, which mimics the concepts of i-Mode in the home. This technology leverages the landline with a base station that communicates with the wireless handheld phone in the home. Built on narrow-band Internet, the service signed up 12,000 users in its first month.

The working definition of Mobile Commerce for the purpose of this Think Tank Session:
• Any transaction with a monetary value that is conducted via a mobile telecommunications network.
• A subset of all eCommerce transactions, both for the consumer and business user.
• Applications and services on the mobile phone or other PDAs.

Based on the definition of mCommerce for this session, and the potential for many new mobile models to emerge, the idea of mobility was explored in a short presentation by Robert Noakes entitled "The 3 Modalities of Mobility". Mobility could encompass a broad spectrum of usage paradigms and device types, with the purpose of this presentation to define the many ways mobility affects our daily lives as business users or consumers. Outdoor mobility, indoor mobility and auto-mobility were defined and discussed which generated lively conversation about conventional mobile phone networks, the emerging 802.11 LAN activities, and to a lesser extent, Bluetooth.

The idea of "parasitic networks" was introduced by Ken Berger of Logx Technologies. The premise is that individuals would share broadband connections with roaming users by installing an 802.11 node at their home or business, thereby circumventing the business model and billing systems of the carriers, but not the carriers' networks. This issue raised the question of who would control the flow of money. Would it be the carriers, the handset manufacturers, the service providers? The answer from one knowledgeable particpant was "probably not the service providers".

The argument moved to the topic of 3G networks, and how the carriers must figure out a way to tap the huge investments made in wireless broadband spectrum. Participants refused to dismiss 802.11 as an alternative to 3G for cars, stating, "Telecoms are handicapped in the free market system by over investing in 3G licenses", said one auto-industry expert. The thought is built on the possibility that "free rides" on 802.11 nodes could render 3G redundant and costly in comparison. Similar arguments against 802.11 success were made, citing the many failures of "free ride" business models; eg: Broadband 2 Wireless in Boston, because of expensive infrastructures, and device prices that are still beyond the average consumer. Real 802.11 demand may be driven more form the business side of the equation as users bring their 802.11 devices home from work, and create demand for wireless connectivity at home.

In the one-hour discussion that followed, the specific driving factors for the U.S. mobile commerce opportunity were discussed at length, leading to a reasonable consensus that the top three factors are:

1. Usability
2. Contextual Marketing/Selling
3. Personalization

Also considered important were the youth market in the U.S. and how to apply the learning from Europe and Japan; the need for new kinds of payment and billing systems to support new models; the need for easy-to-use devices and user interfaces; the idea of translating successful eCommerce services to mobile environments; and finally the opportunity for bricks and mortar stores to integrate wireless services into their retail models.

Of course, for every driving factor there is an obstacle standing in the way of progress, the largest of which appears to be the carriers themselves, according to the session participants. One participant suggested, "You can't change a dinosaur into a hummingbird" when the discussion turned to carriers and the emerging models of MVNOs (Mobile Virtual Network Operators) surfaced. The dinosaur metaphor was challenged by many in attendance, with some suggesting that the dinosaur may actually be a "redwood tree", big and strong and unyielding to the pressures applied by smaller more nimble companies that need access to the carriers' networks to succeed, or must make huge investments in infrastructure to compete head to head, regardless of equal access regulation.

The real outcome from this Think Tank Session was the realization that there are no simple answers to the mCommerce opportunity in the U.S. market, and the best scenario may be to follow a path of small incremental steps in the next 12-18 months beginning with Instant Messaging, while methodically pursuing the larger opportunities that may be available in the following 3-5 years. Patience may be the most important commodity in the pursuit of mCommerce success. Either that, or a strong stomach for investment into a highly competitive market where incumbents have deeper pockets and more patience than their nimble counterparts.

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