

Exporting the i-mode Concept

a report by

David Macdonald

Executive Advisor, i-mode Strategy, DoCoMo i-mode Europe

First introduced in Japan in 1999, i-mode is a packet-based mobile multimedia service providing users with e-mail and instant access to Internet content via their mobile phones and handsets.

Understanding the Concept and How it Works

Attendees of the Telecom 99 event in Geneva were told that a new era of Internet and commerce was dawning, with terms such as 'mobile Internet' and 'm-commerce' becoming buzz words overnight. Most industry experts agreed that the new technology before them, based on WAP, would lead users into a whole new interactive world beyond their imagination such as searching and accessing websites using mobile phone handsets. At this event, reaction to i-mode was low key, despite the fact that the number of subscribers was nearing two million just eight months after launch of the service.

While the i-mode concept was relatively new, after only a couple of months its success had been witnessed and initial assessments were already changing. There seemed no reason why the i-mode concept would not work overseas.

In the autumn of 2002, i-mode has reached approximately 35 million subscribers in Japan alone. It has also been launched overseas in several markets, including Germany, the Netherlands, Belgium and Taiwan, and is being prepared for launch in France and Spain. Even while the number of subscribers outside Japan is already nearing 200,000, many would still like to claim that i-mode will only work in Japan. Often, the origin of this scepticism is a misunderstanding of what i-mode really is, why it has been so popular, the secrets to i-mode's wireless Internet success and, most importantly, whether this success be transplanted to other markets.

Simply, i-mode in Japan is a mobile phone with a screen that is larger than a standard-size screen, containing both an Internet browser and an e-mail client. The browser allows the user to access well

over 60,000 websites that are specifically designed for a smaller display.¹ These include more than 3,200 sites (provided by over 2,000 companies) within DoCoMo's portal and nearly 60,000 other independent sites, accessible by inputting a URL. In addition to these Internet-like features, the handsets themselves are rich in functionality, including polyphonic ring tones based on a subset of midi, high-definition colour displays, Java™, data exchange with infrared and, in some recent models, digital cameras.

i-mode is a Value Chain

To describe i-mode so simply is to forget the solid strategy behind it. i-mode is essentially an extremely well co-ordinated value chain, composed of an assortment of players. So that all members of the value chain operate in harmony, the objective of i-mode is always to discover the right win-win relationship: the handset vendor must create a handset that is attractive to the end-user; network and server vendors must create the right infrastructure for a high quality of service and scalability; content providers must develop rich services for the end-user; and the mobile operator is the provider of this combined value proposition directly to the end-user.

In this position, with a focus on the end-user's needs, the mobile operator is best placed to co-ordinate the entire value chain to provide the best service. With this in mind, DoCoMo takes an active role in co-ordinating the whole value chain, working closely with handset manufacturers, server vendors, content providers and other third-party solution vendors, in the best win-win business model so that all partners in the value map can enjoy success.

Key Elements

i-mode's success can be attributed to strong value-chain management but, in addition to this, it is important to examine the four key elements that have led to this success: technology, business strategy, the right services and marketing.



David Macdonald is Executive Advisor for i-mode Strategy of DoCoMo i-mode Europe, a position he has held since January 2002. He has seven years of experience in the Japanese market and has worked for three years within the i-mode Strategy Department. He joined the i-mode team in the summer of 1999, shortly after service launch, concentrating first on building business relationships with international content partners, then with other partners to expand the i-mode platform. Based on his domestic experiences, he began advising NTT DoCoMo's overseas partners from 2000. Mr Macdonald is a graduate of Canada's Royal Military College and was commissioned as an officer in the Military Intelligence Branch upon graduation. He also holds an MSc from the University of Sheffield's East Asian Business Programme.

1. Data for the number of sites, partners and users as of time of writing (October 2002).

In terms of technology, there are two key features. The first is the packet-switch network. This packet network (in Japan, known as the PDC-P), often called an 'always-on' connection, allows for quick access to Internet services by removing the need for a lengthy circuit-switched 'dial-up' and 'log-on' process. This quick connection promotes greater access to the service overall, in addition to offering a 'data-size' pricing scheme, through which users pay for the amount of information downloaded rather than for the number of minutes spent online.

The second feature is the correct choice of application-layer technology for third-party developers. It was clear early in the service planning process that content would be a deciding factor and choosing the right mark-up language would be key. With the obvious limitations of the handset, a full Hypertext Mark-up Language (HTML) specification was not possible, but a subset of standard HTML, already the de facto standard of the Internet, with some additional features to take advantage of the mobile handset (such as a 'phone-to' tag to directly dial a phone number from an HTML page) was developed. This has allowed companies to concentrate less on the technological adaptation of content and more on the creative side of content development, that is, the development of the right business model and the right content targeting the users' mobile needs.

The right technology for third-party developers is a key to i-mode's success, as is the business strategy. As far as possible, the business model of i-mode is designed to create a win-win relationship between all members of the value chain. An important element is the billing model of i-mode for content. As DoCoMo is a mobile phone operator with a pre-existing billing relationship with the customer, it is possible to collect payment on behalf of content providers for their services. These payments are added to the user's bill each month and all but a 9% commission is passed back to the content provider.

While this payment method is not for every content provider (in fact, only 30% of i-mode sites take advantage of this option), it has offered a chance to some content providers to receive revenue directly from the end-user if their content is competitive. With this being the case, DoCoMo and the content provider work together to create a win-win relationship for both parties. Through this process of relationship-building, the content provider also benefits from the experience of a dedicated content development team who, having worked with thousands of content ideas and having insight into what really works, can give advice to support the growth of the content provider's business.

A win-win strategy for partnership is essential, but finding the right partners with the right services is equally, if not more, important. Developing the right portfolio of content is essential to attracting both the right partners and the right users. With the right kind of portfolio, i-mode has been able to attract a variety of users, with the philosophy of 'something for everyone'. The basic portfolio itself covers four content areas: entertainment, transaction, information and database-oriented content. In each of these categories, the type of content is carefully considered, paying particular attention to the depth, freshness, continuity and user benefit of each service.

The right technology, the right strategy and the right services are still not enough to make a great service. The right marketing also plays an important role. Another key success factor of i-mode has been a marketing strategy that sells the services and content, rather than 'the box'. That is, i-mode marketing focuses on what the user can really do, rather than the technology or vague concepts. Every effort is taken to demonstrate how easy i-mode is for anyone to use, and to show reality through media campaigns and sales tools for users.

Myths

Now that there is a better understanding of the key elements that constitute i-mode and have contributed to its success, it is important to dispel some common myths surrounding why i-mode has been so successful in Japan.

Many claim that much of the success of i-mode comes from some of the unique cultural conditions in Japan. Many would say that the Japanese naturally embrace technology and so it is only natural that they should take to the high-tech i-mode. There is nothing particularly high-tech about i-mode and it is purposefully marketed as a device for the masses.

While the uptake of new technology in Japan is often fast, it could be argued that the Japanese people adopt new technologies mainly for their convenience, which is what i-mode offers. There are many technologies that, while visible, have little mass market following. Many would also say that i-mode succeeds because of the long hours the Japanese spend commuting. While it is true that commuting times in the major cities (i.e. Tokyo, Osaka and Nagoya) can be lengthy, peak traffic times for i-mode do not seem to correspond with peak traffic on the trains and roads. Another interesting fact is the relatively high data traffic of customers in the Tohoku area of Japan, where most of the inhabitants tend to drive to work. The basic concept of i-mode is to target a niche time and that is anytime during the day when you have a minute to kill. A final cultural argument often cited is

the Japanese people's dislike of typing text using a traditional computer keyboard, preferring the input method of a mobile phone. Many critics would say that Westerners prefer traditional keyboards for writing (which would not seem to be logical looking at the success of short message services elsewhere in Asia and Europe).

Another contention is the low Internet penetration in Japan before the launch of i-mode, compared with other countries around the world. There are two sides of this argument. First, the Internet penetration in other countries in which i-mode is being launched is often not far from Japan's situation three years ago (France, for instance). On the other hand, there is no reason that a high Internet penetration should be a deterrent for i-mode success. i-mode and the fixed-line Internet are complementary, not competitive, and this is always considered in its design (the selection of the right services). What the user wants to do on a personal computer will be different to what they might do using their mobile phone, because the situations and timing are different. However, the existence of rich content already on the Internet, provided by experienced content providers, should be seen as a bonus for i-mode. This is where the selection of the right technology (the de facto standard of HTML) has helped, allowing these experienced partners to develop content quickly and to concentrate on the right services, not the technical hurdles.

One of the principal claims of i-mode's critics is that it is proprietary, a solution of DoCoMo, and not an open standard. i-mode is based on HTML, which is clearly the de facto standard of the Internet. This has contributed to the rapid growth of independent i-mode sites. By managing the value chain, DoCoMo has tried to follow the open standards of the Internet while pushing time to market, to allow the most number of players entry to the value chain, but not to submit on either the quality of handsets and services.

i-mode Outside Japan

i-mode is no longer only a Japanese phenomenon. In March 2002, the first i-mode service outside Japan was launched in Germany with partner E-Plus (a subsidiary of the KPN Mobile Group). In April 2002, i-mode was launched by KPN Mobile in its home market of the Netherlands and, in October 2002, in Belgium. In Taiwan, KG Telecom launched its own i-mode service in June 2002. NTT DoCoMo is an investor in both KPN and KG Telecom. Already, only several months after launch,

the number of i-mode users outside of Japan is approaching 200,000.² Though some could compare this figure to the uptake in Japan and suggest that it is unsuccessful, if all of the factors, such as the limitation of one handset, smaller market size and the previous negative WAP experience of the market, are considered, this is a considerable number of users.

In France, Bouygues Telecom announced that they plan to launch their own i-mode service in November 2002. In Spain, Telefónica SA has also partnered with NTT DoCoMo to bring the success of i-mode to their market and to combine the successful features of their e-moción WAP service with i-mode to create a hybrid of the two.

These services are not simple copies of the original i-mode service. It is not a 'cut-and-paste' solution. In each case, the partner operator has taken the basic i-mode concept, understood the important lessons and implemented the core elements, while giving a slightly different coating. As with the many cultures and nationalities that have now implemented i-mode services, the framework is the same, but the features are different. What is important is the i-mode 'way of thinking'.

The i-mode partner operators are working hard to co-ordinate the value chain to provide the best user experience to the end-user. All operators have implemented their GPRS networks, which will enable always-on connectivity. The handsets have all of the key features of i-mode (HTML, with the addition of Wireless Mark-up Language, browser, e-mail client, polyphonic ring tones, colour screens, etc.) and what is clear is that handsets alone will not be competitive enough in a rapidly advancing mobile market. More importantly, the business strategy, services and marketing follow the same principles of i-mode in Japan. The i-mode partner operators have begun a strategy of win-win partnering with content providers to find the right services for the mobile Internet.

Across the five markets for i-mode outside of Japan, there are approximately 400 companies providing rich and interesting services for the end-user.³ In a break from the traditional telecoms business strategy, the operators themselves are not creating content, but are developing win-win relationships and are taking an active role in designing and testing the services with content partners to ensure a high quality of service for the end-user. As for marketing, the message is clear and based in reality – i-mode is not only a concept offering rich content and, in the marketing campaigns of each operator, the content providers are the stars, clearly showing the reality of the content.

2. Estimated figure at time of writing (October 2002), across the services of KG Telecom, KPN Mobile, Base, and E-Plus.

3. Estimated figure at time of writing (October 2002), across E-Plus, KPN, Base, KG Telecom, and Bouygues Telecom.

There is a common 'i-mode way of thinking' shared by all i-mode partners, but there is no need to directly 'cut and paste' the service from Japan. In fact, this would be a mistake. Having understood the key concepts, each partner takes the time to give the service its own unique feel. The content for each market is enhanced for that market. The marketing, while sharing the same content, is also enhanced for the local environment. While there are common threads, the success of each service comes from the careful consideration of how to tailor the service.

Three years ago the i-mode team in Japan was very domestic and, over these three years, DoCoMo and especially the i-mode team, has undergone a transformation from an introspective team, aiming for success in Japan, into an outward-looking team, looking to support its partners. This transformation has not been easy, and is far from complete, but the importance of overseas markets is now clear.

Overseas, it is always the partners who are in the lead in designing their own service. The objective of

DoCoMo is to share know-how to help interpret the i-mode way of thinking. This includes technological considerations (handsets and platforms), content development, marketing and long-term strategic planning. DoCoMo has recently established DoCoMo i-mode Europe, which is responsible for co-ordinating and supporting the development of i-mode with partners in Europe.

There must be constant challenge to take the i-mode way of thinking and apply it to the local environment to create the same success as is enjoyed in Japan. This is a challenge but not an insurmountable one.

i-mode is not based on culture, but on good solid strategy. This strategy could be simplified as the i-mode way of thinking, and includes careful management of the value chain, concentrating on the right technology, the right content, the right marketing and the right user experience. While each market may create a tailored i-mode experience, the underlying concepts should ensure its success. ■