Pricing 3G Mobile: Agenda

- The 3G pricing arena
  - Factors to consider
  - Technology trends
  - Mobile Internet dilemmas

- Selected national scenarios
  - Finland
  - Japan
  - Uganda

- Lessons for pricing
[Simple in a vacuum]
Pricing 3G mobile services

- Stimulating content development
- Covering high network roll-out costs
- Responding to competition
- Recuperating license & spectrum fees
- Handling interconnect issues
- Handling content service partnerships
- Handling roaming agreements
- Migration of existing 2G user base to 3G

[... hard in the real world]
Average price per pop. of European 3G licences (US$)

- UK: 595
- Germany: 562
- Italy: 175
- Netherlands: 160
- Austria: 88
- Portugal: 36
- Switzerland: 17
- Norway: 10
- Finland: 0
- Sweden: 0

Technology trends

Mobile Internet dilemmas

In the Internet world:

- Access is generally unmetered, flat-rate
- E-mail is perceived to be a “free” application
- Content providers gain revenue principally through advertising or subscription

In the mobile world:

- Access is generally metered, per-minute
- Voice mail and messaging are charged by air-time
- Content providers share airtime revenues

In a mobile Internet world:

- Which business model takes precedence?
- Who does the billing?
- How are revenues shared between content provider, service provider and portal?
Example 1: Finland

Source: ITU, “Mobile/Fixed Interconnect: Finland case study”
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Pricing 3G services in Finland

A good starting point

- Early licensing process (March 1999), based on a Beauty Contest
- A consensual (if incomprehensible) interconnect regime

Universal service achieved

- >98 per cent of families have telephone access
- 20 per cent of families now use only a mobilephone
- Only 15 per cent of families now have only a fixed-line telephone

The market opportunity

- 3G market opportunity may lie in fixed-line substitution, esp. for Internet access
Example 2: Japan
Number of Mobile Internet subscribers (millions)

Source: www.tca.or.jp
3G service (FOMA: Freedom of Mobile multimedia Access), to be launched, May 2001

Current i-Mode pricing structure
- ¥300 (US$2.60) per month fee
- ¥0.30 (2.6 US cents) per packet downloaded
- Content subscription fees set by provider (ranging from 0 to ¥300 per month)
- Average revenue around ¥2’500 (US$21.50 per month)

BUT: I-Mode = 9.6 kbit/s; FOMA = 384 kbit/s

SO: how to price FOMA without undercutting profitable I-Mode market?
Example 3: Uganda

3G in an African LDC

- One of first African countries to permit competition (three mobile operators)
- Mobile overtook fixed-line in mid-1999
- BUT:
  - Low levels of literacy (64%)
  - Even lower levels of IT literacy (PC ownership <1%)
- AND:
  - Fixed-line network in poor state of repair
  - Wireless ISDN used for by businesses, hotels and embassies
- SO: Market opportunity for 3G is for fixed locations:
  - Simple to install Internet access for consumers
  - High speed Internet access for businesses
Lessons for pricing policy

- Price 3G as a service not as a “technology”
- Price structure will be closer to Internet than to today’s mobile networks
- 3G will enter different markets in different ways:
  - In some countries, it will be a fixed-line replacement
  - In other countries, it will be as a consumer device
  - In other countries, it will be as high-speed Internet access for businesses
- In the developed world, 3G take-up will be primarily driven by young, mobile consumers
- In the developing world, 3G take-up will be primarily driven by fixed-location businesses