Pricing 3G Mobile Services

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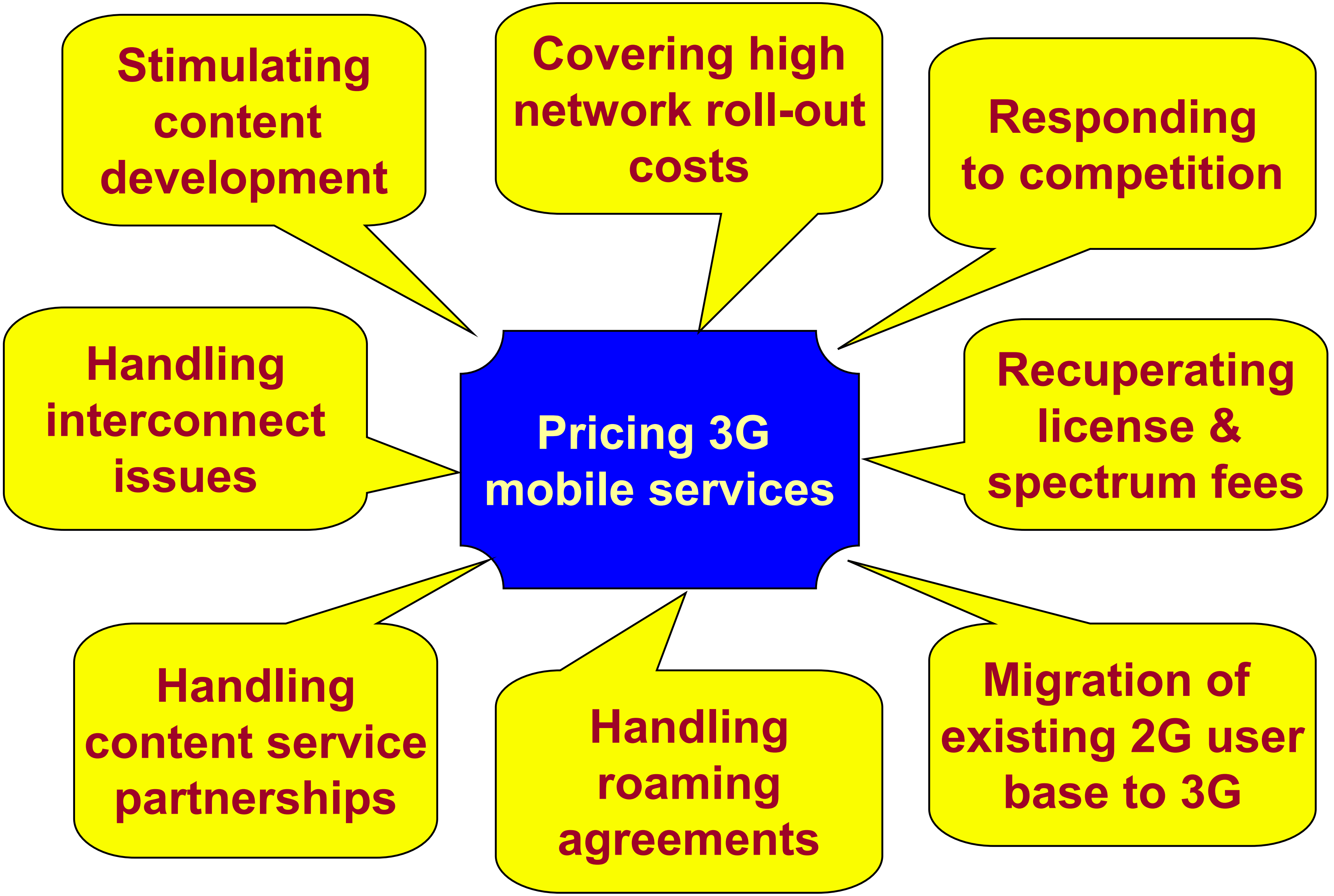
GPC6, Barcelona,
15 February 2001

Note: The views expressed in this presentation are those of the author and do not necessarily reflect the opinions of the ITU or its membership. Dr Tim Kelly can be contacted by e-mail at Tim.Kelly@itu.int.

Pricing 3G Mobile: Agenda

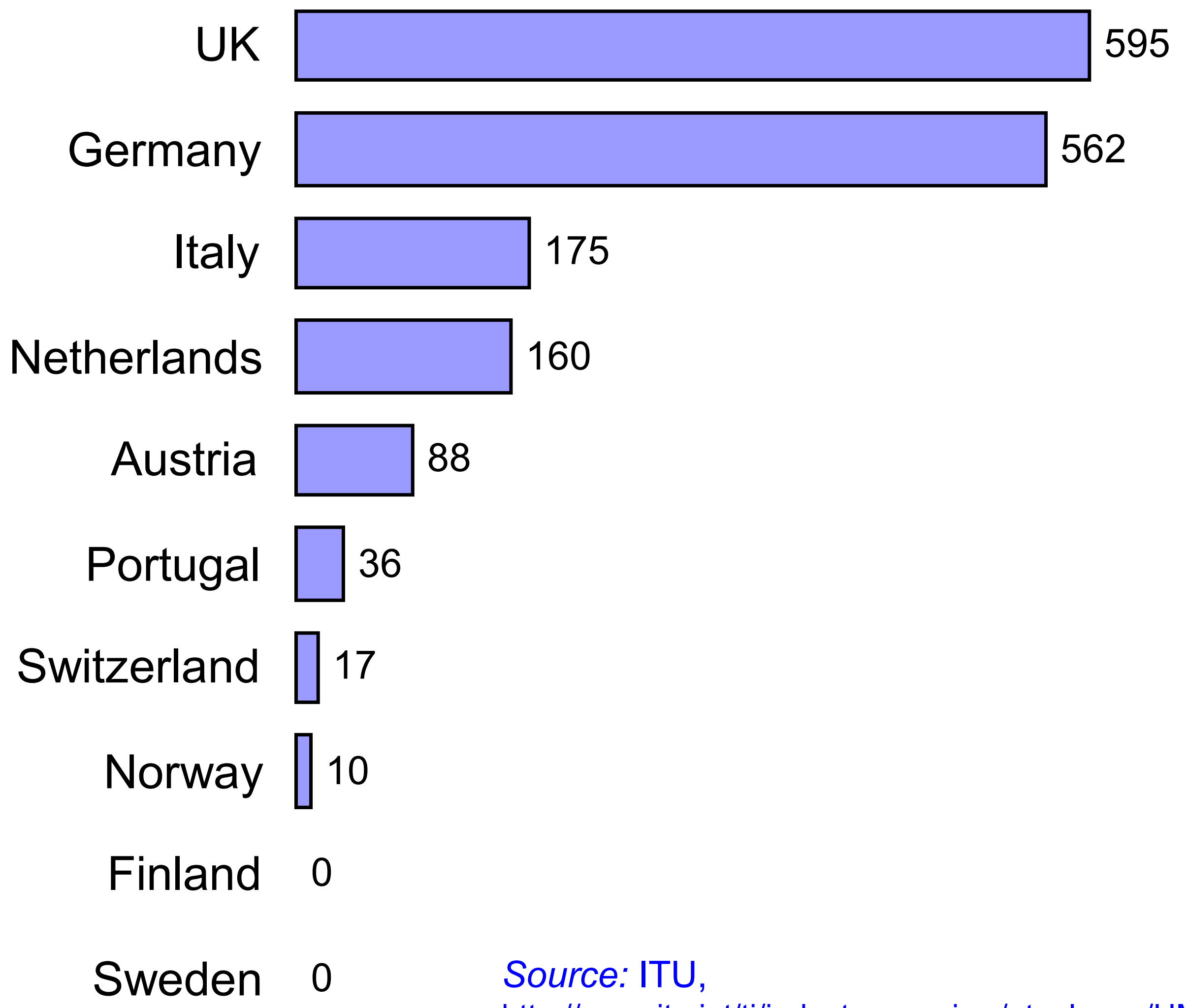
- The 3G pricing arena
  - ⇨ Factors to consider
  - ⇨ Technology trends
  - ⇨ Mobile Internet dilemmas
- Selected national scenarios
  - ⇨ Finland
  - ⇨ Japan
  - ⇨ Uganda
- Lessons for pricing

[Simple in a vacuum]



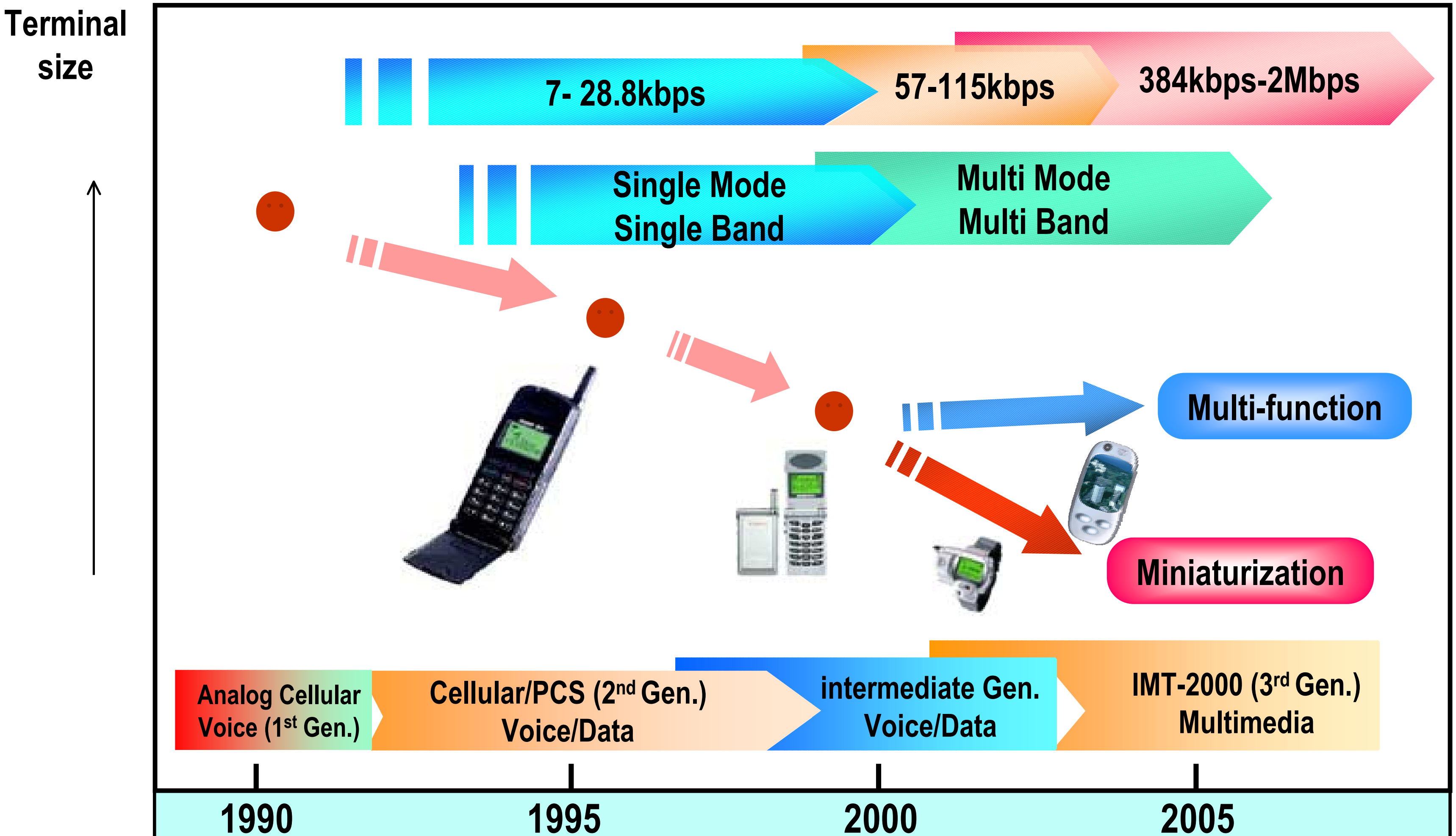
[… hard in the real world]

Average price per pop. of European 3G licences (US$)



Source: ITU, http://www.itu.int/ti/industryoverview/at_glance/UMTS2001.htm

Technology trends

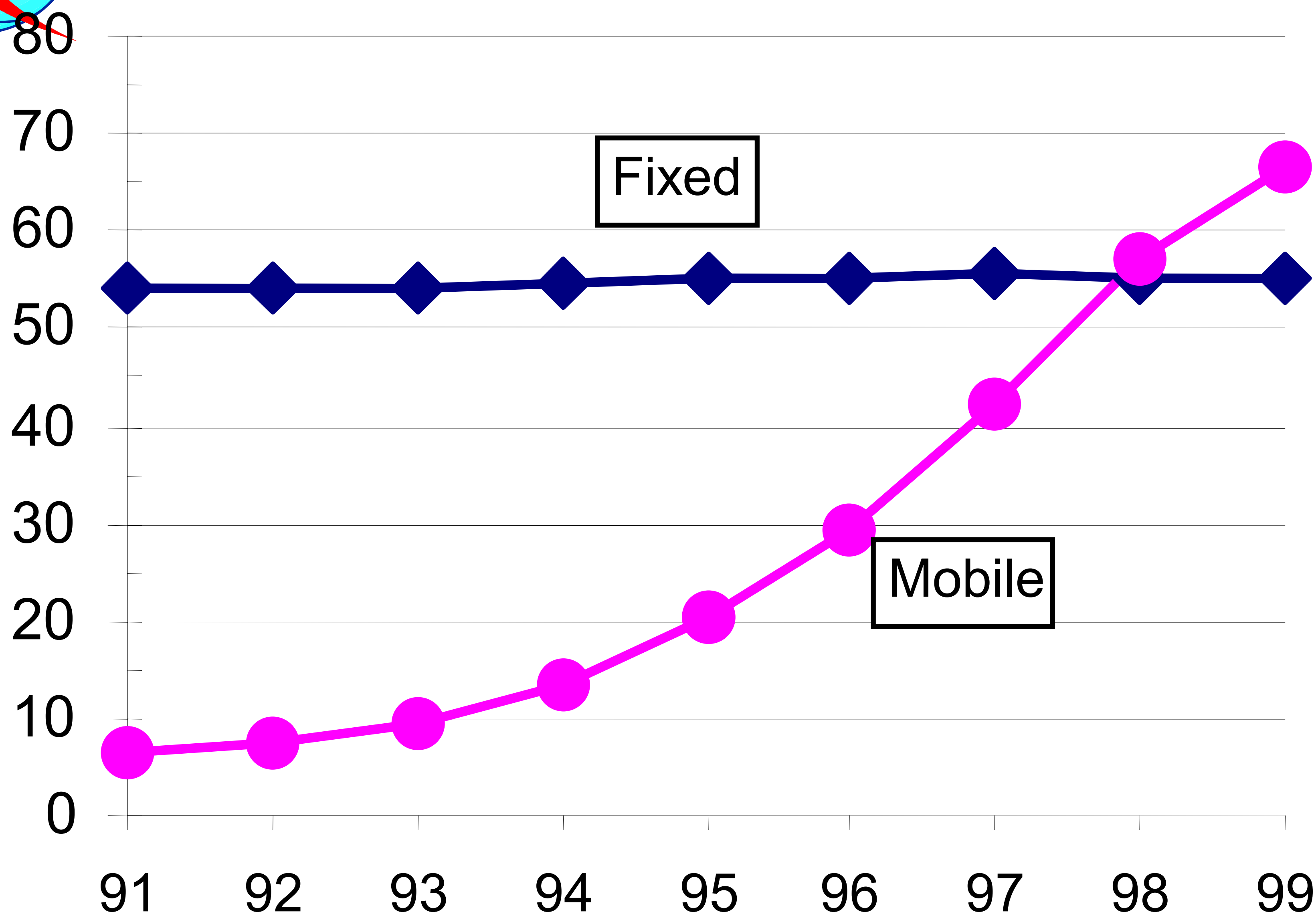


Source: ITU IMT-2000 Task Force.

Mobile Internet dilemmas

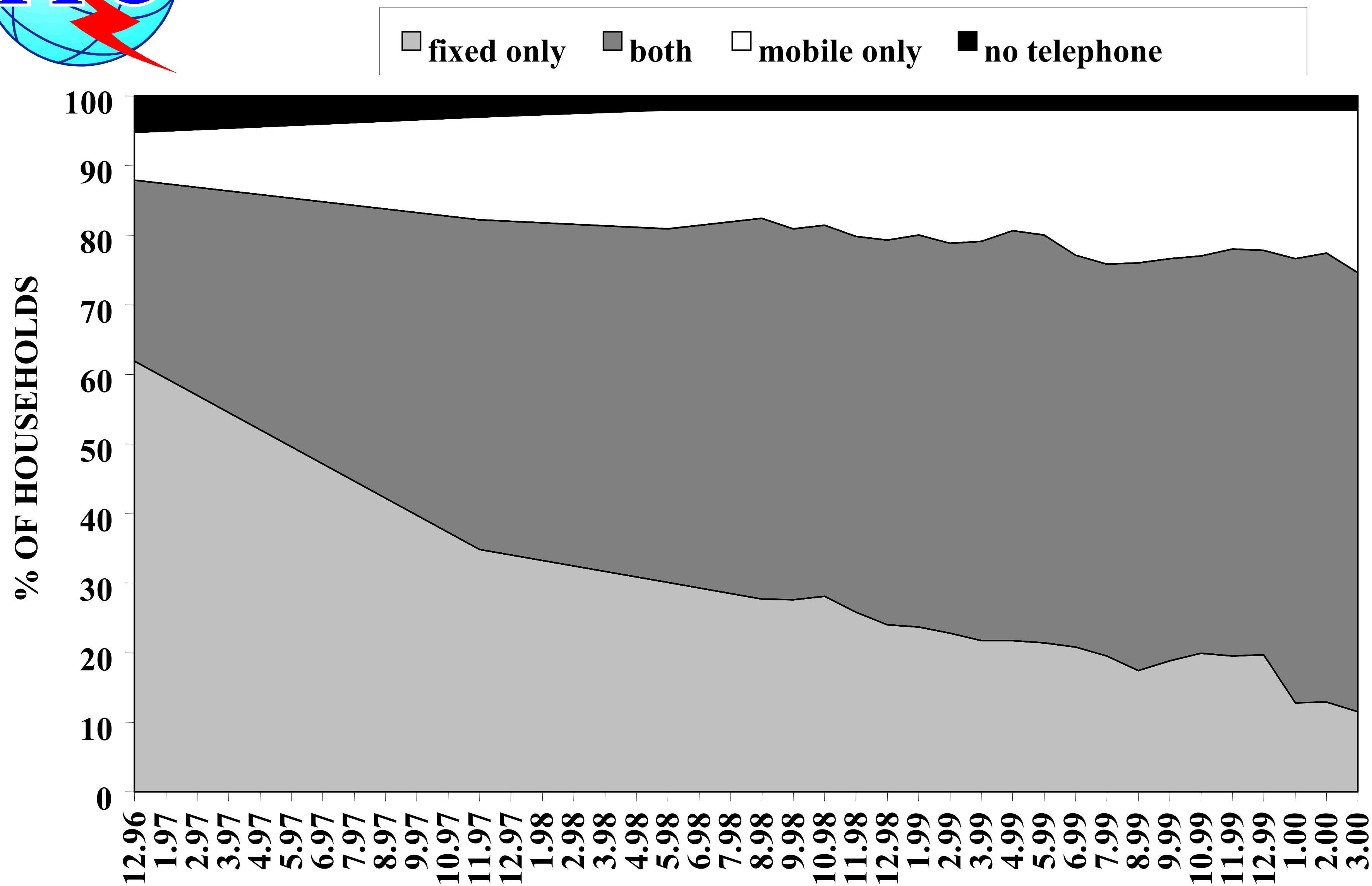
- In the Internet world:
  - ⇨ Access is generally unmetered, flat-rate
  - ⇨ E-mail is perceived to be a “free” application
  - ⇨ Content providers gain revenue principally through advertising or subscription
- In the mobile world:
  - ⇨ Access is generally metered, per-minute
  - ⇨ Voice mail and messaging 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”

Access in Finland



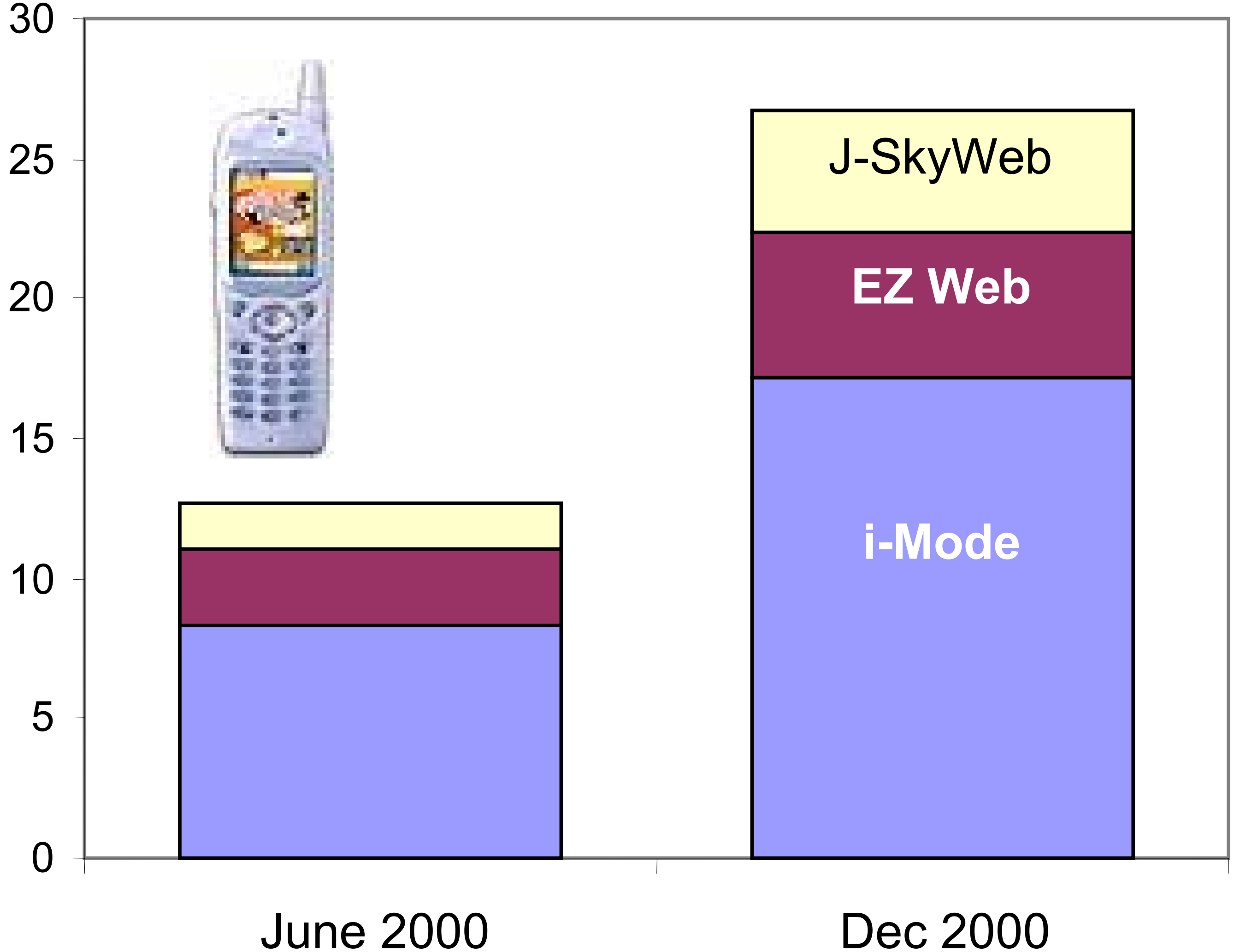
Source: ITU, "Mobile/Fixed Interconnect: Finland case study"

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

NTT DoCoMo: 3G Pioneers

- 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