Mobile Technologies and Applications:
The Case of Mobile Shopping

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Research Overview

- Research Goal
  - Understand evolution and intersection of user behavior and technological change to create effective long-term strategies for the mobile Internet
- Methodology
  - Focus on lead users (von Hippel, 1986)
  - Primarily ask firms about the lead users (150 interviews)
- My book (Mobile Disruption) addresses six applications
  - Entertainment
  - Mobile marketing
  - Mobile shopping/multi-channel integration
  - Navigation services
  - Phones as tickets and money
  - Mobile Intranet applications
- Today's presentation: only mobile shopping

Overview of Mobile Shopping

- Market Size
  - 2001: 100M$; 2002: 270M$
  - 2003: 800M$ (estimate); 2004: bigger than content market?
- Different customers (e.g., younger) on mobile than on PC Internet
- Different Products/Selection Method from PC Internet
  - Not travel, computers, books but: fashion, CDs, concert tickets,
  - Not from search engines but from mail, followed by products at top of the page, in new release section, or product rankings
- Business Model
  - Competing as much by convenience as price
  - Most official sites make money (>30) & many unofficial sites
- Fastest growing market is combination of phone with other media (magazines, television, and radio)

Fashion: Leader is Net Price

- Sales
  - 7 M$ in sales and 380K$ in profits a month from April to September 2003
  - Same amount as Amazon.com in 1997 when it went public
- Business Model
  - Offers unsold inventory at a discount to its 430,000 registered members
  - Level of discount (up to 30%) depends on number of buyers
  - Members have one week to convince friends to purchase products and obtain volume discounts
- Depends on:
  - Mobile mail culture (fast mail responses)
  - Virtual communities of users
- Key role of other media: its best selling products are
  - Worn/used by actresses on TV programs
  - Appear in magazines

Fashion – Xavel's Girls Walker

- It has used mail magazine portal to become a leading seller of fashion-related products
  - Current sales of 4M$ a month
- Mail magazine portal
  - Users write mail magazines
  - Xavel merely screens proposals and organizes the magazines
  - Used viral marketing to collect writers
  - 11.6 million PVs/day and 5 million unique users in mid-2003
- Strong interaction between fashion related mail magazines and mobile mail culture
  - Fashion mail magazines describe current fashion trends
  - Writers and readers constitute a virtual community
  - Magazines contain links to shopping pages
  - Role of celebrity endorsements: many consumers choose perfume based on perfume usage by popular actresses

Magazines and Mobile Shopping

- Integrate Mobile Site with Magazines and Catalogues
- Advantage of Mobile Over PC Internet
  - PC Internet requires big change in consumer behavior (must sit in front of the PC)
  - With phones, consumers can order products from couches, bathtubs, beds
- Magazines are Important Part of Consumer Information Searches
  - Consumers search for magazines in stores and for information in magazines
  - Bookstores and magazines are organized to support such searches
- >50 magazines Integrated with Mobile Internet Services
  - No need for sites to advertise services since the magazines do it for them
  - Internal cameras and bar code readers facilitate site access

Radio Programs and Mobile Shopping

- Mobile Internet is main source of song and concert requests
  - Participative environment is important to radio stations all over the world
  - Japanese radio stations give points to members for requests and home page accesses
  - Purpose is to promote advertising on PC and mobile home pages for sponsors (many are music related)
- Music purchases may be big market
  - Now integrating on-air info about music with CD on-line site
  - Success of KDDI's Chaku Uta ringing tone service (as many downloads as i-Tunes) suggests integrated on-air downloading services will succeed
  - Challenge for radio listener is finding site: easy with internal radio but what about regular radio?

Television Stations and Mobile Shopping

- Japanese broadcasters
  - Initially opposed creation of virtual communities due to fear of losing commercial "viewing time." Young people send mail during commercials, particularly following popular TV programs
  - Now realize mobile mail is here to stay
  - Thus expanding content from ringing tones, screen savers, and games to voting, surveys, chat mail, and creation of virtual communities
  - Hope to sell products and information in programs
- Challenge for TV viewers is finding relevant site
  - Internal TV phone enables easy site access and greater program viewing
  - Infrared capable phones
    - Can be used as remote control devices
    - In combination with digital broadcasts to existing TVs, they can provide easy site access

Summary

- Mobile shopping market will likely pass entertainment contents in 2004 or 2005 in Japan
- The main customers are young people who
  - Would rather be outside than inside
  - When inside their homes, they would rather watch TV than look at a PC screen
  - Are heavy users of mobile mail
  - Quickly form virtual communities
  - Are heavily influenced by celebrity endorsements
- Technology and multi-channel integration
  - Internal cameras and bar code readers will facilitate integration of magazines and mobile sites
  - Facilitating the integration of mobile sites with radio and TV programming
    - Internal radios and TVs
    - Infrared for integration with existing TVs and their programs
  - Other technologies like Java, 3D rendering techniques (not covered here)
- Similar trends will occur in the West as i-mode, Vodafone Live! and similar services diffuse in Europe and later the US, etc.