



## The Arvani Report

February 2008

With over three billion mobile phone users around the globe, the enormity of mobile experience dwarfs the experience on Internet Connected PC's (1.1 Bn) and the experience on TV's (1.5 Bn). The growth is accelerating and is mostly coming from the developing countries. Of the four rapidly growing emerging economies, India and China together added 45 M net subscribers in Q4 2007 alone.

Over 55 thousand mobile industry professionals gathered from around the world to Mobile World Congress(MWC) in Barcelona last week to take advantage of the enormous opportunities and to address inevitable challenges. We have summarized the highlights in this report.

In his final keynote presentation as GSMA chairman, Craig Ehrlich called on the leadership to be agnostic to the choice of radio technologies and embrace the entire constituency.

### **Mobile Internet is Coming of Age**

Many in the industry believe that experiencing Internet on a mobile phones is finally becoming acceptable. 2008 will mark the year where the advancements in mobile phone capabilities and network speeds enable a practical user experience for accessing the Internet. This has tremendous social and business implications. As the Nokia CEO said, the next billion Internet users will connect through mobile phones. Craig Ehrlich called for the need to bring together the Silicon Valley community and the mobile community to create a future for the wider ecosystem. The Vodafone CEO called the Mobile Internet the New New Thing. Vodafone picked Microsoft's top mobile executive to run its Internet services division.

Device makers are rushing to develop Internet services strategies. Nokia pioneered this trend with Ovi entertainment services last year, followed by Sony Ericsson's announcement of PlayNow arena. At the show, Samsung announced a similar Internet services strategy. LG will launch phones preloaded with unlimited music subscription from Omnipone's MusicStation Max service in second half of 2008 .

### **Mobile Broadband: Moving Towards One Standard?**

VHS won over Beta. One standard! Blu-ray just won over HD-DVD. One Standard! Will there be one standard for mobile broadband networks? Is LTE set to win over WiMAX and UMB?

Several operators are evaluating LTE technology, including Verizon Wireless in US, Vodafone in Europe and China Mobile just joined the bunch. Telstra of Australia anticipates a move to LTE as well.

Infrastructure vendors are happy to help with the migration to LTE. Ericsson, a long time LTE supporter, claims to have made the first voice call using LTE technology. Nokia Siemens Networks announced a few LTE products. Alcatel-Lucent and NEC are starting a joint venture to work on the LTE infrastructure.

Interestingly, Vodafone who seemed to be against WiMAX last year, is pondering whether WiMAX can be part of LTE in some way. Vodafone CEO is urging the industry to come up with a single set of standards.

Samsung is a big proponent of mobile WiMAX. The company argues that WiMAX is available here and now in contrast to LTE that is a future solution. Samsung has provided mobile WiMAX infrastructure to SK Telecom in Korea. According to SKT, there are only 1000 active users on their WiMAX network.

According to ETSI, move to LTE is also driven by economics of reusing cell sites and infrastructure. Australian operator Telstra claims high speed networks pay for themselves. Their HSDPA network has attracted 2.6 M subs with \$20 extra Average Revenue Per User. So, payback is less than 2 years.

To Qualcomm's disappointment, we heard no talk of UMB.

### **Devices: Is More iPhone Better or Is It Just More?**

Every one agrees that iPhone has raised the bar for mobile phones and their user interface. Overnight, multitouch screens have become popular on phones. We are seeing new phones from, such as LG KF700, that have multiple input methods to "maximize user convenience". They have full touchscreens, they have shortcut dial, and they have keypads. Are we confusing the users with too many buttons and GUI's?

Dedicated service buttons on phones help adoption if you can get them. Yahoo saw a 75% increase in traffic when Softbank put a Y! button on its mobile phones.

## **Google Getting Mixed Messages from Mobile Players**

Google lost two mobile carriers and added one handset vendor to its search partnerships. The company lost 90 million mobile users of its search engine when its first European partner, T-Mobile replaced its Google search with Yahoo. Tele2 Sweden is also dropping Google as search provider in favor of Mobile Content Networks. However, Google and Nokia announced a partnership to integrate Google's search engine with Nokia's search application on select handset models.

Masayoshi Son, chairman and CEO of Softbank argued dependency on advertising on mobile Internet is much smaller than on PC Internet. He added that glory of Google may not last another 20 years.

On the "Moving from Search to Discovery" panel, Yahoo argued that mobile search is different from Internet search. Being best search engine online does not equal being best search engine on mobile.

Many chip vendors, including Freescale, Marvell, NEC, Qualcomm and TI, showed prototype handsets of their ARM-based chips with Android. However, Vodafone said it will not endorse Android until they are certain that Google will not use the technology to control the mobile Internet.

## **Is Our Love Affair with Symbian dying?**

In a shocking announcement, Sony Ericsson showed off its newest high-end XPERIA X1 device running Windows Mobile platform. The phone is a converged device for both personal and professional use.

With competition heating up from iPhone's OS X platform, Google's Android platform and LiMo Foundation's platform, Symbian will have to run faster to grab the new design wins for disruptive phones.

## **Mobile Search and Discovery: What Is New?**

Admittedly, we didn't hear anything brand new. Everyone talks about contextual search and serving of relevant ads that will be beneficial to users. Conceptually, it makes sense. In reality, we are far from understanding the context of mobile users and how they would welcome unsolicited ads. Mobile operators are holding on tight to potentially valuable raw data about their subscribers claiming privacy and trade secrets. Data mining this vast array of transactional, behavioral and demographic data enables precision targeting of ads. As mobile industry executives, we are salivating. As users, we feel scared, exposed, and vulnerable.

## **Mobile Advertising: Operators Taking the Rein**

Vodafone, Telefonica O2 Europe, T-Mobile International, FT-Orange Group and 3 are teaming up to define common metrics and measurement processes for mobile advertising. The operators have formed a working group as part of GSMA's Mobile Advertising Program, with UK as the first target.

Masayoshi Son, CEO of Softbank, mentioned in a keynote speech that mobile advertising is different from online advertising. He believes banner ads are too noisy and has instructed his team to get rid of them.

## **Mobile Content: Is Anybody Using It?**

Mobile TV is not picking up yet. A new M:Metrics study shows former mobile TV users have grown twice as fast as current mobile TV users. Price, quality, and reliability are cited as main challenges.

We chaired the session on "DRM - Fight for the Right to Make Money" where Real sided with the DRM-free camp, HP called DRM-free an interim solution, and Turkcell remained DRM-agnostic. See our complete show coverage of DRM issues on DRMWatch.com.

## **What Do You Get When You Combine a Base Station and an Access Point?**

You get a femtocell and a 3G hotspot. Femtocells increase cellular channel capacity and help with coverage inside buildings. Telefonica O2 Europe is trialing femtocells in UK with commercial launch planned for early 2009. Sprint in the US has done a limited rollout of femtocells.

Qualcomm's CEO, Paul Jacobs, cautioned that increasing capacity by adding more network pieces from macrocells to microcells to picocells and now femtocells produces a complex heterogeneous network. Technologists should address this challenge by creating a self-optimizing and self-adapting network.

## **And, More...**

We found a bit of the green with Nokia's eco-friendly Remade phone. Flexenclosure makes base stations powered by renewable energy. Robert Redford and Isabella Rossellini are big believers of mobile channel. Congratulations to our friends at INSIDE Contactless and mChek for winning GSMA awards!

*Arvani Report: Serving wireless and mobile industries by providing potent insights and analysis on major market trends, challenging all assumptions and giving a fresh new perspective to enable healthy debates and optimal decisions.*

*Arvani Group: Helps a select group of international clients in mobile and wireless markets with expanding into new technology markets and establishing business partnerships*