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Formerly VoIP Business News

IP Business

Worldwide VoIP Subscriber Numbers

	VoIP users (000s)	
Region	**Q4 2005**	**Q4 2004**
Asia Pac	8,862	7,071
Americas	4,583	1,389
Europe	5,254	1,864
Retail VoIP total	18,699	10,324
Skype, etc.	4,730	4,050
Total	23,429	14,374

Source: Point Topic

Adobe Trojan Horses Approach Gates

By Gary Kim

If you are a provider of voice services to customers of any sort, Adobe is rolling a Trojan Horse right up to your door. Because Adobe 8, the latest version of the ubiquitous document tool, adds some interesting new collaboration features.

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MVNO Still a Go

By Martin Vilaboy

The potential for post-paid branded wireless resell certainly took a big blow earlier this month when The Walt Disney Company decided to shut down its Mobile ESPN service. But the MVNO (mobile virtual network operator) industry overall will continue on its present growth path, argue economists at NERA Economic

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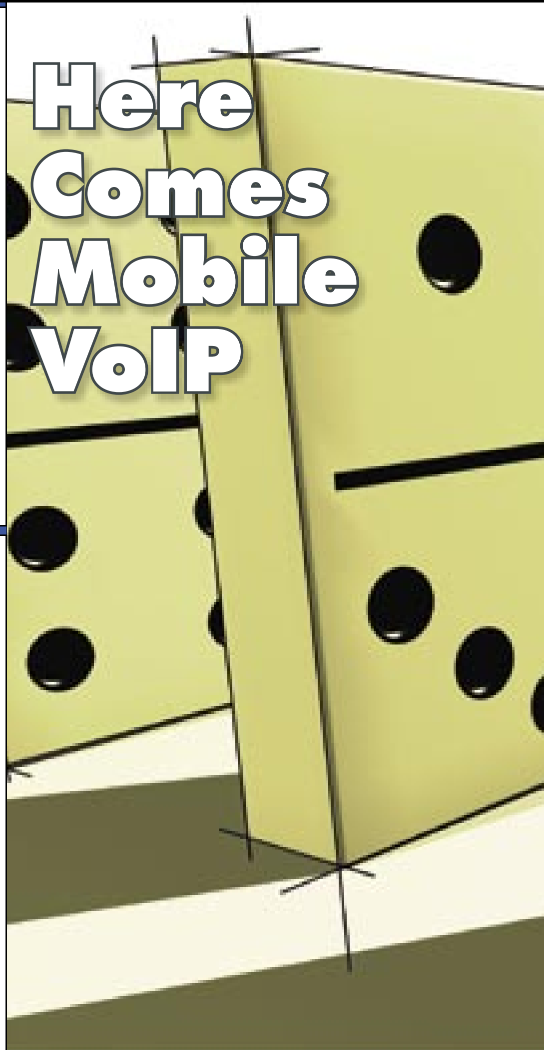
Here Comes Mobile VoIP



By Gary Kim

It's just a matter of time before VoIP is widely available on mobile phones. How long it takes is the issue. Since insurgents and incumbents alike agree that all services and all networks will run Internet protocol, VoIP is inevitable on all communications devices.

But what most people mean when they talk about VoIP on mobiles is the business model, not the technology. And lots of decisions, by lots of value chain participants, will influence the speed with which the transformation occurs.

Governments could regulate VoIP in ways that eliminate or enhance end-user perceptions of significant differences from traditional time division multiplex-based voice. Carriers could interfere with the packets, or might lower their prices, reducing the price arbitrage which is driving mobile VoIP.

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MVNO Still a Go

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Consulting. For starters, MVNOs, despite the high-profile setback, simply provide clear benefits to MNOs (mobile network operators), says NERA, including established access to market segments such as pre-paid cell phone users, where mobile operator have not traditionally succeeded.

"The dramatic growth of MVNOs in a few short years (in both the U.S. and EU)… indicates that prevailing mobile market circumstances favor spontaneous emergence of voluntary MVNO-MNO relationships," argue Christian Dippon, vice president in NERA's Communications and Intellectual Property Practices, and Aniruddha Banerjee of Analysis Group.

Currently, about 250 MVNOs are operating worldwide, NERA estimates, including about 42 in the U.S. that serve close to 50 million subscribers. During the next 18 months, NERA expects as many as 13 new launches in the U.S., and by 2010 MVNO subscribers could account for as much as 12.5 percent of all U.S. mobile subscribers, up from 6.6 percent of subs in 2005. Total MVNO revenues in the U.S. are expected to rise from $9.6 billion this year to $29.6 billion by 2010, according to NERA.

Similar growth is expected in the European Union, where MVNO subscribers will grow from about 25 million this year to 47 million by 2009, says NERA.

As far as ESPN's fate, Dippon sees the failure of the pioneering effort as more a matter of strategic missteps than inherent defects in the MVNO model. And it's not hard to find other industry observers in agreement. "Almost every key facet of Mobile ESPN's approach was flawed," says Eddie Hold, vice president wireless services at Current Analysis. The upside is that ESPN's failures, "serve as a classic case study for other MVNOs."

For starters, ESPN confirmed prevailing notions that content alone is not enough to float an MVNO strategy, even when it's popular sports content. ESPN, it's assumed, decided it is better off focusing on the licensing of its content than hitting the market directly, and closing Mobile ESPN frees the network to do so. No one said being a service provider was easy.

Countries with the Most MVNOs

United States	43 (55 expected)
Netherlands	38
Belgium	31
Germany	25

Source: NERA

It's even harder when the service goes for a premium price. "MVNOs need to remain focused on the fact that in the wireless world, voice—not content—is king," says Hold. And thus voice pricing remains a key purchasing requirement.

Initially launching its service with higher prices tied to unlimited content, ESPN eventually switched to standard voice-based pricing, with data as an add-on, but still didn't provide a cost advantage over the pervasive plans. All the while, MVNO growth in both the U.S. and European Union largely has been driven by appealing to budget-conscious markets, say economists at NERA.

About a third of all U.S. MVNOs target budget-conscious or low-income customers, note Dippon and Banerjee, and among EU users of MVNOs, the largest portion, 23 percent, is characterized as "budget-conscious."

Amp'd, for its part, adopted a strategy of offering voice at a discount with the assumption that data content would drive higher average revenue per user, says Hold. It's a reasonable expectation. Pyramid Research, for example, estimates that ESPN Mobile subscribers generated at least two to three times the MNO average on data services. But the higher ARPU, as well as the savings on content licensing, simply was not enough to compensate for high customer acquisition and other costs.

Mobile ESPN lost approximately $25 million in the first quarter of this years, says Pyramid, and some estimates had it losing $2 million for each 10,000 subscribers it added in the first year. So, "In a perverse way, success would have meant more losses for Mobile ESPN," say analysts at Pyramid, particularly with the Christmas shopping season around the corner.

Pricing also was an issue with handsets, as Mobile ESPN did not subsidize handsets to spur demand, instead charging a premium of about $100 over similar devices sold by other operators. What's more, handset selection was limited to one and later two phone models, and device selection plays a significant role in choosing a service.

Of course, a key to driving down handset pricing is gaining greater leverage with the handset manufacturers, says Hold, something that will be tough for any MVNO without a large incumbent subscriber base.

Mobile ESPN shared another key challenge with most existing or aspiring MVNOs: distribution. Initially sold through the Web, ESPN mobile did not gain a physical storefront distribution outlet until February when it began selling in Best Buy, says Hold, and even there Mobile ESPN was unable to stand out from the row of Sprint devices.

"Compare this to the retail outlets of the major carriers, which have their own branded storefronts in all major malls and cities," says Hold.

"Perhaps the biggest winner in the Mobile ESPN debacle will be independent resellers," he says, as MVNOs, facing increasing scrutiny, will reconsider their channel strategies. There also may be some encouragement here for start-up MVNOs with existing retail distribution points, such as a 7-Eleven or Wal-Mart.

"With the major carriers seemingly omnipresent across the U.S., the MVNOs need to ramp up their distribution outlets very very quickly," says Hold.

Moving forward, the greatest challenge for MVNOs, says NERA researchers, will be dealing with the ongoing process of convergence or the ability to offer voice, data and video on any one of several platforms, "MVNOs must continually introduce new features and services in order to stay ahead of the game," warn Dippon and Banerjee.

That's something that won't be easy, since MVNO brands, by definition, lack extensive service provider experience. After all, an MVNO is simply a reseller business, where margins are thin and start-up costs can be high, and Mobile ESPN's early end only points out the major issues facing the U.S. MVNO market.

Then again, the Walt Disney Company clearly has not given up on the MVNO model, as it continues to offer wireless service through the Disney brand.

But the House of Mouse has learned some valuable lessons, adding highly targeted and compelling features, such as Family Monitor, which monitors a family's wireless spending, and Call Control, which controls when and to whom a child can make calls, to its offering of Disney-based mobile content and applications. **IP**