THE SIX IMMUTABLE LAWS OF MOBILE BUSINESS

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THE SIX IMMU table  EABLE LAWS OF MOBILE BUSINESS
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When you talk to managers in the Japanese automotive industry about their worst rival, it is often not another car manufacturer that is on their mind, but the mobile phone. Even before the 2008 world economic crisis, passenger car sales in Japan had been shrinking for years. According to an industry insider, one reason was because the vast majority of young men who used to spend significant sums of money on cars now prefer shelling out $100 or more per month for the voice and data services of their mobile companion.

This little anecdote shows that something quite extraordinary is going on in Japan. While physical mobility is taken for granted, the mobile phone is about to supersede the car as a symbol of freedom. The attraction is understandable. The car offered people in the analog age the dream of individual mobility—to go everywhere, whenever you liked. Whereas the mobile phone enables people of the digital age to communicate and to link with almost everything and everybody on this planet from anywhere anytime.

This process is happening first and foremost in Japan (and to some extent in South Korea), where the use and development of 3G handsets and mobile internet services is 2–3 years ahead of that in many other developed countries. Just imagine, 85% of the > 100 million mobile phone subscribers have already subscribed to 3G services. Several mobile services already boast > 10 million subscribers, and they are making money too. At the same time, online commerce is booming. The handsets have become the personal life hub of *homo digitalis*, offering not only traditional calls, but also internet access, e-mail, calendar, reading device, still and video camera, TV, radio, electronic key, purse and credit card, GPS tracking, plus additional services like text and voice recognition, and other applications.

While quite a few books and articles have been written about why the mobile internet made its breakthrough in Japan first and not in other countries, there is still a
lack of understanding about what, if any, universal lessons apply to the development of the mobile internet, which Japan offers to the rest of the world. That is where this book, *The Six Immutable Laws of Mobile Business* by Philip Sugai, Marco Koeder, and Ludovico Ciferri, comes in.

As outsiders working inside the Japanese system, and as academic researchers under Professor Sugai at the International University of Japan, as consultants and scouts for western mobile phone carriers and handset manufacturers, advertisers, and hands-on application and content developers for a broad range of Japanese and foreign companies (and, of course, as users), the authors are uniquely positioned to separate myths from facts, microdevelopments from macrotrends, and cultural characteristics from universal rules of the mobile internet.

In this book, they start by dismantling the deeply rooted belief still held by many in the industry, that Japan’s mobile industry is an exotic Galapagos Island, with little meaning for the rest of the world. Certainly, the global rise of Apple’s iPhone and the hype about the entry of the global giants of the computer internet like Google, Microsoft, YouTube, or Facebook into the realm of the pocketable web clearly shows that the world is playing catch up. The authors remain convinced, however, that Japan is still the biggest field laboratory of the mobile net. As such, it offers valuable hints for successful business models for carriers and especially for content and service providers in the new era of the mobile internet.

One important message the authors impart in this book is that to leverage the power of the mobile device for economic success, the companies have to put the user needs first and stifle the urge to shoot for quick returns. Fortunately for Japan, mobile carriers in that country understood the concept already in the late 1990s and chose instead the role of a gardener, who carefully nurtures a flourishing “ecosystem”, as the authors call it. In contrast to their peers overseas, Japanese carriers charged only small fees from professional content providers on the official sites and focused on data-transfer fees. This created a positive feedback loop: Because all organisms of the ecosystem from the handset manufacturers to the service and content providers could make some money, they developed more content and more phones with new functions, thereby creating rapidly increasing demand for ever-richer data services.

In addition to lofty business models, the book also analyzes the biggest success stories in Japan, to give the industry some practical hints on how to create appealing sites. The common denominator is that big successes span two important “time zones” of the mobile internet: the “in-between time”, in which users kill time with quickly consumed contents while waiting on the train or a date, and the “golden time”, which is for consuming richer content-like ordering online or reading novels that others may type on their mobile phone.

The book highlights the fact that the biggest challenge is to create “simplicity”; in other words, to combine a highly complex, high-tech device with an enriched service in such a way that both are easy to use. The authors state: While other players struggle to make larger screens and wider keypads, or pump their content and services, simplicity will be what truly empowers individual users through their mobile devices. Based on a centuries-old tradition of serving customers’ needs (the customer is not king in Japan, but god), Japan is pushing the envelope even in this field. Under
the slogan of “universal design”, Japanese electronic and car manufacturers want to create goods that are easy to use for the greatest number of people, regardless of age or disabilities. The iPhone is a good Western example for the realization of what the authors have in mind. But they name numerous Japanese examples as well. Hopefully, this book about developments in Japan, these remote islands at the edge of the Eurasian landmass, will offer some thought-provoking impetus to the global mobile industry.

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At the time this book goes to press, the economy is struggling under the weight of the worst economic crisis of our generation, with market caps, salaries, employment levels, and consumer confidence having fallen sharply around the globe. Within this context, however, a strange and compelling fact has gone relatively unnoticed. That is, that the pace of mobile subscriber growth has continued to rise, almost undaunted by such “minor” details as the economic tailspin that has engulfed the entire world.

Now we have surpassed the 4 billionth mobile subscriber, and in a few more years may soon find mobile operators and handset vendors having to look beyond the human species (after pets, machines perhaps?) to maintain their momentum. All joking aside, if nothing else can convince you of the unprecedented power that the mobile phone is bringing to consumers, businesses, governments, and societies around the world the fact that mobile subscriptions continue to grow even within our current global economic turmoil should do the trick.

However, as we will show you throughout this book, subscriptions to voice and SMS services are only the beginning. The real excitement that the mobile platform brings rests in the myriad of content and service offerings that are built upon this foundation of voice and text-based communications. As Apple’s App Store, Google’s Marketplace and other competitive and complementary solutions continue to evolve and expand in both their scope and their capabilities, the Six Immutable Laws of Mobile Business are becoming clearer and more vital to understand. And the point we will continue to make is that because of the astounding levels of adoption of mobile phones around the world, whether or not you, your organization or your company have currently embraced the mobile platform, all indications that we can find suggest that you ultimately must and will; a fact that makes the Six Immutable Laws of Mobile Business essential reading for any individual or organization looking to gain a competitive edge in the coming months and years.
In looking back at the changes that have already occurred since we finished writing this book a few months ago, we are even more convinced today than ever before that you are holding in your hands a guide to the future of mobile business. With more than 4 billion mobile phone subscribers walking around on this planet, we might even be so bold as to say that you are simply holding in your hands a guide to our collective future. And as that future moves closer to becoming the reality within your market, country, or region, we are confident that those who understand these Six Immutable Laws that are shaping this future, will be able to position themselves to take the greatest advantage of the seismic shifts in how businesses and individuals will soon navigate the course of their daily lives.

The difficulty with a published version of this book rather than the form that these laws typically take in our seminars and executive training sessions is that the pace of change within the mobile industry is lightning fast. Once we have written and published our thoughts in the form of a book like this, we run the risk of appearing “out of date” with the events and trends of your “today”. We have done our best to remove examples and ideas that will surely fade in relevance as time goes by, and focus instead on the fundamental meanings of the examples that we use. But for the most recent examples, ideas, and discussions, we have created a companion site for this book, www.siximmutablelaws.com, which we hope that you will visit. As these Six Immutable Laws continue to shape the evolution of mobile content, services, and solutions around the world, we will be using this website to integrate these developments, and collaborate with you, and others shaping the world’s wireless development.

We are looking forward to continuing the conversation that we begin here within our book *The Six Immutable Laws of Mobile Business* with you at www.siximmutablelaws.com.

Philip, Marco, and Ludovico

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Finally, a disclaimer: Although much care has been taken in providing updated figures and in checking all names and facts, any inaccuracies, omissions, or mistakes are exclusively the fault of the authors and not our sources.
INTRODUCTION

THE SIX IMMUTABLE LAWS OF MOBILE BUSINESS

The future is already here. It’s just not very evenly distributed.
—SF author William Gibson, 1999

Currently, more than one-half of the world’s population owns a mobile phone, and we are slowly arriving at the point where the world’s entire population will live in range of a mobile network. Mobile phones have become the most ubiquitous and indispensable digital devices on the planet.

In fact, by 2009 the International Telecommunications Union (ITU) showed that there are four times more mobile phone subscribers than Internet subscribers. They also outnumber PC owners 3:1, and television owners 2:1. They even outnumber fixed line telephone subscribers. No other service or technology has ever reached a similar diffusion level in such a short time.

If those figures do not impress you, let us put the phenomenon into financial perspective: At the end of 2007, global revenues from mobile phone related services reached parity with those derived from total worldwide crude oil production—figures no business executive can ignore. Andrew Robertson, CEO of BBDO Worldwide, a subsidiary of the Omnicom Group, the world’s largest advertising agency holding company, stated “We are rapidly getting to the point where the single most important medium that people have is their wireless device.”

This book charts the future of the mobile platform. We were going to show you where we were, where we are today, and where the many dazzling developments in mobile and wireless technologies, services, and solutions that are being created and deployed globally are leading us. More specifically, we identify the key drivers powering this evolution and assess the impact they will have on our jobs, businesses, and lives.
We are already witnessing the vast changes in society that a mobile phone carrying population brings. From microcoordinating meetings to negotiating the streets and shops of foreign cities, the mobile phone has evolved from a relatively straightforward communications device into the hub of power for more than one-half of the world’s population. People are using their mobiles to navigate the ebb and flow of daily life, all just 26 years after personal cellular technology first became a commercial reality.

No Digital Divide

Global PC Internet diffusion led to a stark “digital divide” between the information rich and poor. The mobile channel has not and will not. According to C. K. Prahalad, author of The Fortune at the Bottom of the Pyramid and an expert in global poverty reduction, “emerging markets will be wireless-centric, not PC-centric.”

The quickening spread of mobile services in both developing and developed economies is a key to the mobile platform’s burgeoning power. We will focus on the growing technical capabilities of mobile phones, related services, and the long-term effects these will have on consumer behavior.

In fact, consensus is growing that the mobile phone will soon replace television in the minds (and budgets) of the advertising industry. With Digital Video Broadcasting-Handheld (DVBH), One-Seg and other mobile digital broadcasting technologies being deployed globally, the mobile phone has actually become the television and will help to lead the way for the next generation of television (Internet Protocol Television (IPVT)) in the next years to come.

Simultaneously, it has become a camera, a house key, a corporate security card, a credit card, an airplane boarding pass, a game machine, a music player, an Internet browser, a watch, an alarm clock, an excuse to leave a meeting early, a scheduling tool, and a wallet, all while retaining its original function of plain old telephony. Putting such capabilities in billions of people’s hands in 150 countries, the question becomes not if the powers of mobile phones will change our personal and professional lives, but how and when.

A Little Focus Here, Please

We have chosen Japan as our focus. At first glance, this may not be the most obvious choice. As of December 2008, Japan boasted more than 100 million mobile phone subscribers in a population of slightly over 127 million. While 70% is a respectable penetration rate, there are more contracts for wireless communication services than inhabitants in Hong Kong, Israel, Italy, Luxemburg, Singapore, Sweden, Taiwan, the United Kingdom, and 50 other nations, meaning mobiles are theoretically in the hands of every citizen there. Japan’s wireless population is the world’s fourth largest behind China, the United States, and Russia, but its mobile phone subscriber base represents < 3% of all users.

If we probe deeper, however, we find some astounding figures. For example, of those 100 million subscribers, 80 million were active high-speed (3G, third generation) mobile data users, accounting for 17% of all 3G subscribers. The Japanese mobile
market also accounts for more than 40% of total revenues generated globally from mobile data. Moreover, the Japanese mobile industry business model, which NTT DoCoMo’s i-mode strategic visionary Takeshi Natsuno calls “the wireless ecosystem”, has spawned some of the most relevant players in the mobile industry. Japan has also experienced 10 full years of a robust and rapidly developing mobile platform, since NTT DoCoMo’s i-mode service was commercially launched in 1999.

While there are several lessons to draw from the Japanese market, we will target the success of the mobile Internet and a thriving worldwide mobile platform.

The economic implications are clear. As we discussed above, there are more mobile phones in use today than PCs, TVs, fixed-line telephones, PDAs, or any other consumer electronic device. The mobile phone is a killer platform. But until now the development of a fully functioning value system has eluded the West, as well as most of the East, North, and South, save for Japan and South Korea.

At the same time, we will concede that global attention has shifted away from Japan to the United States and European markets as the innovative giants of the PC Internet world (Google, Microsoft, Yahoo!, My Space, YouTube, Facebook, Amazon, and others) realign to target the mobile platform. This book distills the most important lessons from how Japanese businesses and consumers have optimized the mobile channel into Six Immutable Laws for mobile business, and through these provides the most viable path forward for global success of mobile Internet content, services, and solutions.

The End-User Game

There are a number of reasons for the mass diffusion of any technical innovation. The end user, however, remains the constant, as well as the most critical decision maker. Throughout the book we will analyze these developments and trajectories from the consumer’s viewpoint.

Here is why. After working with network operators, handset manufacturers, and content and service developers within the mobile industry, as well as many other fields, we have discovered that a huge gap often exists between the development of mobile technology and the end user. Device complexity leaps exponentially, often from month to month, but upgrading the “internal processor” of most consumers to handle the new complexity is not easy. From the engineer’s perspective, end users are the biggest barriers to technical innovation and product diffusion.

When the mobile phone was first introduced, for example, it was simply a wireless, bulky, exorbitantly priced cousin of the fixed-line telephone. Mobiles got smaller and cheaper, but also far more complex, adding mail functions, mobile web access, and personal information management tools that transformed them into digital Swiss army knives that now come with massive instruction manuals. Impressi one? Yes. Usable by the average person? Unfortunately, no.

To us, the issue is not how many more cool functions or features we can cram into mobile devices, but how these devices and their related services can become accessible again. This concept of simplicity merged with complexity (what we call simplicity) will serve as the foundation for many of our ideas on how to make mobile services
profitable in world markets. This simplicity concept even goes beyond mobile services and has the power to reshape the current technology related consumer industry into a posttechnology society that focused not on the gadget, but on the user.

**Chapter and Verse**

Chapter 1 deals head-on with the importance and relevance of the Japanese mobile market in global terms. We will explore a number of common myths that have been given as reasons the mobile Internet has succeeded in Japan, but not elsewhere, and debunk them. Our first law of mobile business focuses on the value of mobile services rather than the cultural environment within which they are developed.

Chapter 2 presents our second law, the law of the ecosystem. We explore the different wireless technologies that have been deployed globally, and the achievements of the operators in Japan in developing a platform for mobile innovation unlike any other in the world.

We will also get into why Japan’s ecosystem model is imperfect, and has not traveled well. Yet the spirit of such development is worthwhile, and has valuable implications for the growth and expansion of global mobile markets.

Chapter 3 will introduce our third law, focusing on the empowering nature of the mobile platform versus any other communications channel deployed to date. This vibrant, robust mobile platform has had a great impact upon consumer behavior in Japan, empowering consumers in unprecedented ways, and bringing wide-ranging consequences as well.

For example, we will show you how the mobile platform empowers modern businesses to attract and retain more loyal customers. We will also examine negative elements that arise, including breaches of security and privacy.

Our fourth immutable law of mobile business, covered in Chapter 4, describes new “time zones” peculiar to the mobile channel. We will introduce you to the idea of “in-between” versus “golden” time, and what each means for businesses hoping to obtain high loyalty levels from mobile consumers.

Chapter 5 introduces our fifth immutable law, which focuses on the emergence of some of the most viable mobile business models to date, using a number of short case studies to show how the more advanced mobile services in Japan are folding Web 2.0 applications into their service offerings.

In Chapter 6, we present the concept of simplicity and its importance to the evolution of mobile Internet services and beyond, both in Japan and globally. In exploring this concept and its overall impact on the technology related industry and society itself, we return to where we began, looking out at the world, on the brink of the true Big Bang of mobile Internet innovation that will empower consumers and businesses in ways we cannot imagine, all based on one important subject: the user.

Those overall innovations are coming soon. While Japanese consumers have already grown accustomed to robust mobile services and solutions woven into the fabric of their lives, the real source for innovations appears to be all of us.

The final section, Chapter 7, is designed to give you food for thought as you evaluate your next moves relating to the mobile realm and maybe even beyond. The
Japanese mobile market is both a testing ground and an early warning system for the possibilities that a fully functioning mobile ecosystem can provide. Linking current consumer behavior and market realities will reveal many opportunities for you, both in business and on a personal level. This book should also serve you as the springboard for new ideas required to take the mobile platform to its next evolutionary step.
IMMUTABLE LAW NO. 1: VALUE OVER CULTURE

Our excitement and determination in writing this book stems from our belief that the lessons learned in the Japanese mobile market can serve as effective guides for the global evolution of the mobile Internet and the products, services, and solutions created for it.

While presenting our research and insights in a variety of international forums, however, we found that many audience members do not share our views. When we say those who study and learn from the Japanese mobile market will hold a competitive advantage in their own markets, for example, the typical reaction is “Gentlemen, is that not just a Japanese thing?”

No, it is not. If you will take our word for that, or already believe Japanese culture has had no significant impact on the success of the mobile Internet in Japan, please jump to Chapter 2. If you are still in doubt, however, we are here to convince you.

First, let us provide some essential background. Japan has had an advanced mobile data market since NTT DoCoMo launched its i-mode service in February 1999. (Japan Telecom’s J-Phone actually launched its “SkyWeb” mobile Internet service 3 months earlier in December 1998, but regionally rather than nationwide.) The Japanese market has also racked up a number of innovations over the years. In addition to being the first to successfully offer 2.5G data services above and beyond SMS text messaging (in February 1999), it introduced the camera phone, third generation (3G) services, and full-song downloads through a wireless network.

The financials are there as well. As Figure 1.1 shows, Japan’s mobile subscriber base accounts for less than 3% of the world’s mobile subscribers. Yet data from Chetan Sharma’s “Global Wireless Data Market Update 2007” shows that the Japanese market accounts for nearly 40% of all global revenues generated from advanced mobile data use.