

Mobile Outlook for 2003

Predictions for the Mobile Sector
in Europe from Deloitte Research

**Deloitte
Consulting**

Soon to become Braxton.

Mobile Outlook for 2003

Predictions for the Mobile Sector in Europe from Deloitte Research

2002 has seen the continued adoption of mobile technologies. While the rate of subscriber growth in Europe slowed, the application of mobile technology changed.

For the business user, maturing GPRS networks have made mobile data relevant for yet more companies and SMS is now, rightly, being regarded as a business medium. For the consumer, mobile now means colour, multimedia messages and downloadable games.

The following are Deloitte Research's predictions for the mobile industry in 2003, including scenarios for the industry in general, for specific applications, and for different user groups.

Contact: Paul Lee, paullee@dc.com +44 207 779 6014

1. Mobile data + process improvement = ROI.

The minority of companies that match mobile data implementation to business process analysis will earn high returns on investment and payback periods within two years or less. Mobile data will allow a few, forward thinking companies to develop totally new revenue streams based on the technology.

2. Mobile data in business disappoints.

More companies will trial and deploy mobile data. Close to two thirds of businesses in Europe will have deployed mobile data at least at trial level by the end of 2003. But companies will make mistakes of adding to lap-tops, instead of choosing PDAs. Disappointing trials will halt further deployment of mobile data. Business will spend more on mobile data. But some of this will be squandered.

3. 3G launches with a whimper, not a bang.

Users will be confined in 2003 to early adopters and beta testers, and will number a few million at most in Europe. But they will be plagued by problems with inter-operability, coverage and roaming. Teething problems will prompt incumbent operators to delay their roll out of 3G services. Only a few 3G handsets will be launched by the end of 2003.

4. Mobilising machines will be ignored.

The mobile industry will fail to develop the fledgling market for mobile embedded into machines. Operators will not provide the quality of service guarantees required for some embedded mobile applications; operators will not develop tariffs for machines; device vendors will not devote sufficient attention to working with OEM vendors to develop embedded mobile modules.

5. SMS flourishes.

SMS volumes will rise strongly in 2003, driven by business rather than consumer use. Businesses will exploit SMS for both communicating with their customers and their staff. SMS revenues will also grow, boosted by premium SMS services. SMS volumes made by consumers will tail off as early adopter consumers migrate to instant messaging platforms running on GPRS.

6. Slowly, slowly for mobile payments.

Operators will launch a mobile payment facility as pre-pay top-up from phones. Operators will also make it easier to transfer credit between phones. Limited trials will test the use of mobile phones for buying goods and services from machines via Bluetooth and infrared connections. These could be local transport tickets, products from vending machines, cigarettes, juke box credits or gaming machines credits.

7. Mobile gaming makes serious money.

Phones with colour screens, GPRS and Java will propel the market for mobile games. Initially the market will be dominated by arcade favourites reproduced for mobile devices. The industry will overlook the opportunity to create multi player games, based either on connections over cellular or over Bluetooth.

8. MMS is troubled - but ultimately pulls through.

Interoperability between networks and MMS roaming will remain limited for the first half of the year. But the growth of MMS phones will drive the consumer take-up of MMS. Operators will miss the chance to deploy MMS for business though some enterprises and government bodies will trial their use.

9. WAP rises from the ashes.

Colour, higher powered, new generation phones and improving GPRS coverage mean that content providers will develop compelling content specifically for mobile users. General interest news and national weather will be provided at standard data rates by operators to drive usage. Specific content such as traffic, local weather and business news will be charged at premium rates. WAP will also be driven by a new trend to insert hypertext links within SMS messages. Businesses will use WAP for simple applications.

10. Public WLAN will not threaten GPRS or 3G.

Publicly offered WLAN will make little or no impact on the prospects for GPRS, or where this is available, 3G. There are two main reasons for this: firstly as WLAN (a technology for static usage) and GPRS (a mobile technology) complement each other and will hence co-exist, and secondly as there will be few WLAN hotspots in Europe. As has been shown in the US, the economics for WLAN hotspots today don't yet add up.

11. Operators share to save.

Mobile operators, as part of their year long campaign to reduce capital expenditure, will increasingly look to network sharing to reduce costs. This will apply to both GSM and 3G networks. This trend will be facilitated by relaxation in regulation. Some operators will outsource elements of their network infrastructure, shifting capital expenditure to operating expenditure.

12. Data will drive revenue growth.

Voice revenues will remain stable, with price and quality unlikely to change significantly over the year. Price falls resulting from regulator mandated reductions in interconnect will phase in slowly. Thus data needs to be the main driver for growth. Data volumes will be driven by: business SMS, MMS, premium SMS and file transfer.

Deloitte Consulting

Deloitte Consulting is one of the world's leading management consulting firms, and is uniquely known for its straightforward approach to solving today's most complex business challenges. Deloitte Consultants work hand-in-hand with clients to improve business performance, drive shareholder value, and create competitive advantage. The firm has 15,000 professionals in 33 countries, and serves more than one-third of the companies in the Global Fortune® 500. For more information visit www.dc.com.

Deloitte Consulting will become Braxton upon its separation from DTT.

Deloitte Consulting and the Deloitte Consulting logo are trademarks or registered trademarks of Deloitte Consulting. All other product and company names and marks mentioned in this document are the property of their respective owners and are mentioned for identification purposes only.