Communications & High Tech

Finding the mobile competitive edge
Winning the race to high performance in the wireless technology and services industries

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The global economic downturn has slowed the expansion of the mobile industry. But given the importance of mobile technologies—especially wireless broadband—to the growth of both developed and emerging nations, mobile remains one of the most powerful technological and economic forces in the world today. The question is, how should companies be positioning themselves during these challenging times so they can emerge in a strong competitive position when the economy turns around?

Recent Accenture research has found that, although the various different types of companies competing in the mobile, networked marketplace have their inherent strengths—carriers, software firms, high-tech companies, electronics retailers and so forth—no particular type of company has emerged as a dominant force. What these various companies are asking, therefore, is what they need to do to gain a competitive edge in the world of mobile networks, applications and services.

Disruptive 4G technologies

The disruptive technology that is redefining the wireless marketplace today is 4G—an Internet protocol (or "all-IP") environment for services based on mobility and high bandwidth. With 4G, traditionally closed wireless networks and development platforms are becoming a thing of the past. As a vendor-agnostic platform, application developers in a 4G world will be able to write to open systems.

This will reshape the entire mobile industry and its business models. We are witnessing the birth of cross-platform mobility, blurring many of the traditional distinctions by which the communications and media industries have defined themselves.

Competition in three primary areas

Based on these technology and industry developments, the various competitors are now positioning themselves primarily at three positions along a spectrum. At one end of the spectrum are the network-based companies—the traditionally dominant carriers and a few new entrants that are focused on providing the necessary delivery infrastructure.

At the other end of the spectrum are the application-based companies—those looking for a competitive edge through innovative products emphasizing their brand names. Their focus is on innovation and on creating great products based on access to other carriers' infrastructure or on some future-state open model.

In the middle are the services-based companies, which include the traditional carriers as well as cable companies and players from other sectors including names such as Best Buy and Virgin Media. These companies are focused on customizing, aggregating and distributing products and services to end users.

Each of these alternative business models suggests different points of view about where the competitive edge in the wireless industry is to be found. For a network-based company, it's all about network speed and reliability. The application-based companies focus on a strong brand and about getting lifestyle-enhancing innovations into the market as quickly as possible. In the middle, the services-based companies are banking on their ability to deliver a compelling user experience and create "stickiness" by making complexity simple and by creating long-term relationships that are supported

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by strong billing, revenue assurance, customer experience and customer service capabilities.

Enablers

Differentiators founded primarily on the wireless network infrastructure—coverage and reliability—represent the lenses by which, until recently, most people saw the unique selling propositions of the wireless industry. Today, new technologies such as 4G are enabling new capabilities by which to differentiate. These include:

- **Network features.** Network advancements such as higher data rates and new features give companies the ability to integrate many new kinds of applications and more compelling user experiences. In this environment, enterprise innovation now has a greater voice.
- **Wireless broadband to the home.** Getting wireless broadband services to the home can actually accelerate the take-up of all types of mobile services. People begin from where they live and then seek seamless delivery of services as they move from their homes to their cars, schools, places of work and so forth. This is why femtocells and integrated, in-home Wi-Fi communications are now of such interest around the world.
- **Fixed-mobile convergence.** By converging landline and wireless capabilities together, companies can take the functions and features available in the fixed wireline business and port those over to the mobile world.
- **Web 2.0 impacts.** Web 2.0 trends—Internet application developments that emphasize the social nature of the Internet rather than only its knowledge-management and search dimensions—are heightening the demand for wireless applications.
- **Devices.** User-centric design of devices is an important differentiator not only for the device companies but for those companies that want people to consume their services on a small, handheld device. An important trend on the horizon is the concept of "open devices." That means services are created on an open development platform, and also that consumers can port their device more easily from one carrier to another. If consumers have assurance that they can follow the market in terms of which carrier is offering the best bundle of applications and services at the best price, they are more likely to customize their handsets and download revenue-generating applications from application providers.

Challenges

What inhibitors and challenges may arise that could prevent different players—especially application- and service-based competitors—from achieving their strategic goals in the mobile broadband future? One inhibitor is simply the investment required for 4G deployment—investment both of financial resources and human resources. Delivering true 4G quality requires additional cell sites and expensive coverage enhancement features. Network-based companies understandably wish to realize a return on their substantial investments in 3G and 3.5G before making new investments. And until 4G standards are completely finalized, those investments may appear too risky.

A second challenge has to do with the limited 4G footprint in the near term. Even if the 4G network is designed with relatively low data rates, operators are already signaling that they do not plan to make such a network generally available for several years.

Finally, there are psychological barriers. It is difficult to let go of an old business model and grab onto a new one. But it's the only way to move forward. For many companies, that means letting go of the monopolistic model that proved so successful for years and figuring out how to thrive in a new, more dynamic marketplace.

Implications of a more open future

Accenture believes that the force of history is with the move to a more open approach to development and services in the communications and high-tech industries. If one looks at the competitive jostling and strategic positioning today, companies know intuitively that the trend toward openness is powerful. Both device manufacturers and carriers are offering specific enterprise applications in an effort to claim more of the end-to-end ecosystem.

Consider an analogy to the computer industry, where consumers now buy their processing unit from one vendor, monitor and printer from another, and applications from still another. Accenture expects the same thing to happen in the mobile industry. Consumers may buy a phone from one company, network services from another and user applications such as location-based services or mapping from still another.

The move to open standards and development creates challenges for companies as they assess their portfolio, however. Companies may be able (and perhaps should try) to hold onto profitable business models as long as they can. Many aspects of their business are the "cash cows" of the industry—more mature services that generate greater profits because the investments in development costs have already been paid back.

But because those mature services are usually beginning to enter a period of decline in terms of their overall lifecycle, companies must be wary of focusing on those current offerings at the expense of the future. Long-term competitiveness cannot be continuously sacrificed in the pursuit of this-quarter profits. The revenue stream from current profitable business models should be used to invest in new capabilities that can drive new sources of high performance.

Conclusion: What's good for consumers ...

Ultimately, the trend toward open systems and devices is good for consumers because it encourages competition and innovation. One concern is that open development may give consumers more choice and flexibility than they truly want, and that it may make the use of multiple devices and services overly complex. Companies might then offer added services to such consumers: premium technical support or even managing the entire mobile ecosystem or digital home on behalf of customers. It's a business opportunity companies should be ready for.