i-mode® pricing

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Structure of this presentation

- Background (what is i-mode?)
- Who uses i-mode?
- Current i-mode pricing model
- Advantages and limitations
- i-mode GPRS and Internet pricing
- Future of i-mode pricing
- Conclusions
Background (what is i-mode?)

- Launched by NTT DoCoMo in 1999
- One of the very few successful mobile services to-date, apart from voice and short messaging.
  - over 30 million subscribers from 1999 to end 2002
- Service characteristics:
  - PS service (based on NTT’s proprietary PDC-P packet technology)
  - Content portal vs. content provider
  - Official and unofficial content
Who uses i-mode?

- Subscribers distributed evenly across all age groups
- Most active users are young people
- Mainly used for communication and leisure
- Over 40% of i-mode usage is e-mail related
- Entertainment accounts for 70% of all accesses to official sites
- Majority (>80%) of i-mode subscribers pay their own bill.
- Not so popular as initially expected, amongst business customers
Current i-mode pricing model

• (1)+(2)+(3) resulted in an ARPU increase of ~ 20€ (20% increase), in 3Q 2002 and still rising

• (2) accounts for 87% of the i-mode ARPU!

• (3) accounts for less than 1% of the i-mode ARPU

1) March 2002 figures. Source: www.mobileMMS.com
Advantages and limitations

+ Micro-billing (one bill for the subscriber)
- price cap (2.34€/month) for official content (limits content providers’ business model)
- No facility to charge per transaction (only monthly charge is possible) => content providers put a limit on the amount of downloads per month
- Traditional payment solutions still required for purchasing online goods & services (CDs, tickets, etc…)

=> No known plans for DoCoMo to enhance its billing solution. DoCoMo’s revenue is mainly from traffic. Cheap content /w flat monthly fees => more traffic => more money for DoCoMo.
i-mode, GPRS & Internet pricing

• Most dominant GPRS pricing schemes are following the i-mode model
  – low monthly and per-packet fees, and possibility to pay premium content via the phone bill.

• Reasons why content is free on the Internet today:
  – there is no convenient micro-payment solution
  – there are other business models, primarily advertising.
  – Lack of proper copyright protection

• Most of the popular content in i-mode is:
  – handset-related. No equivalent in the Internet (people are ready to pay for an operator logo on their handset but not for a wallpaper on their desktop!)
  – offering specific products/services that are purchased on impulse but not needed immediately (flowers, tickets). Phone more suited than PC for these kind of purchases.
Future of i-mode pricing

- NTT DoCoMo owns a 3G licence (awarded at no cost)
- FOMA, NTT DoCoMo’s 3G service was commercially launched in October 2001.
- Data rate increased from the current 9.6kbps to a maximum of 64kbps (UL) and 384 kbps (DL)
- 4 pricing plans available with varying block pricing rates.
  - Monthly rates are 0, 18, 36, 72 €/month
- Cheaper than PDC-P packet charge, but FOMA consumes much higher bandwidth
- Monthly fees considerably higher than PDC-P. Non-business users will think twice before subscribing…
Conclusions

• Pricing based on the customers’ willingness to pay.
• Capability to collect a small amounts of money from a large number of users
• DoCoMo is mainly interested in acting as portal for content which generates traffic