

**Title: M-Commerce and Strategic Innovation**

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## **M-Commerce and Strategic Innovation**

It is rapidly becoming clear that m-commerce (commerce conducted via mobile telephony) has the potential to eclipse internet-based e-commerce. Even names such as Amazon and Yahoo! may be trampled in the rush, as mobile penetration reaches 80% in some European countries, overtaking personal computing and even television to become the dominant communication medium.

The wireless revolution is already underway. Some basic applications have been available for some time, and have been enthusiastically adopted by consumers. Sports scores, financial data, messaging/paging capability and limited e-mail access are already available on most mobile networks, and as technological platforms are standardised and bandwidth becomes broader and cheaper, the potential for m-commerce seems limitless.

As mobile penetration increases, and applications become ever more sophisticated, the transformation of the mobile phone into a fully integrated data, communications and commerce tool seems inevitable. Wireless shopping, travel information, ticketing, mapping, banking, trading, and gambling are just a handful of the myriad applications that will see m-commerce revenues rise to an estimated \$45 billion in Europe and the US by 2002.<sup>1</sup> If, as some analysts are suggesting, mobile banking advances to the point that the phone becomes an e-wallet, replacing cash almost entirely, then m-commerce looks set to claim a significant share of the estimated \$320 billion of low value (<\$25) payments made in cash by European consumers every year.<sup>2</sup>

As has been the case in PC-based e-commerce, even these glittering Business-to-Consumer (B2C) opportunities are likely to be eclipsed by Business-to-Business (B2B) applications. Applications in areas such as supply chain management, remote condition monitoring, credit card

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<sup>1</sup> E-Stats, Business 2.0, Jupiter Communications, Forester Research

processing and customer data capture could see B2B m-commerce reach \$80 billion by 2003.<sup>3</sup> The panel will briefly preview the European B2B m-commerce environment, outline potential developments that would dramatically alter the commercial landscape, and present a perspective on how these changes will impact the nature of strategic innovation by a broad range of incumbent firms.

## **The Players**

So who are the key competitors seeking to dominate the m-commerce landscape, and what are the capabilities and strategies integral to success? The panel will examine five categories of competitor who are well positioned to leverage existing skills, assets and relationships to realise the value of the m-commerce opportunity:

**Equipment manufacturers** have strong brands, a large installed customer base, and technological expertise. They have relationships with the major telcos, and a key component of their strategy is likely to be installing software onto their technology platforms. A significant danger facing players such as Nokia, Ericsson and Motorola is that as standardisation of both software and hardware increases, their products become increasingly commoditised, and their margins are rapidly eroded.

**Major telecommunication providers** will continue to own the relationships with the end-users, and are well positioned to play the role of kingmaker in the m-commerce value chain by sourcing content and technology from partners and branding it as their own.

**Incumbent consumer brands**, whether they are strong offline incumbents or innovative internet attackers, are jostling to position their products and services at the forefront of the m-commerce revolution. Their customer relationships, executional capabilities and strong brands make them the natural owners of the market for key m-commerce applications such as media content, shopping, banking and other financial services.

**Software providers** are essential to the rapid development of m-commerce. However, with little or no relationship with the end-user, they will struggle to capture significant value. The demand for open protocols and the intensity of competition mean that it is unlikely

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<sup>2</sup> European Central Bank

<sup>3</sup> Forrester Research, E-Stats

that even a player of the stature of Microsoft will dominate the m-commerce environment purely as a software player.

**Wireless start-ups** are unencumbered by legacy systems and mindsets. Operating in all sections of the value chain, from content provision through wireless ISP to fully integrated solutions, start-ups have flexibility and an innovative, attacking mindset which may enable them to outflank their incumbent competitors.

### **The Landscape**

To discuss the emerging m-commerce landscape, the panel will outline the industry value chain for m-commerce and how it may develop over the next three to five years. Currently, there is a low degree of vertical integration along the value chain, with players largely confined to their traditional activities--Yahoo! providing content, Vodafone carrying the traffic and Nokia manufacturing the end-user devices. However, as players seek to improve their strategic positions, a period of considerable turbulence seems imminent. Recent alliances between Microsoft and Qualcomm, Motorola and Cisco, and the formation of Symbian, a joint venture between Nokia, Ericsson, Motorola and Phone.com suggest that a key element of the m-commerce race will be partnering arrangements.

In almost any scenario, end-users are likely to benefit from increased ease and speed of access, convenience and price transparency of the m-commerce revolution. However, the number and scale of potential applications for m-commerce suggests that it will have implications for a wide range of established players, including banks, insurers, media companies, brokers, travel agents and retailers. Thus the panel will discuss the impact of this technology on not only the players at the centre of the m-commerce revolution, but also for industries that may be able to leverage this infrastructure.

### **Strategic Innovation**

The wide-ranging implications of m-commerce will clearly create opportunities for innovative business models and novel value propositions. While it is

almost inevitable that small, newly established firms will take advantage of these developments, innovation is hardly the exclusive domain of the entrant. Leading established firms will need to identify, test, select and develop new business opportunities as well as implement those initiatives that will truly offer a sustained profitable growth trajectory.

This panel will discuss the issues facing incumbents that opt to introduce new business models while maintaining their core businesses. The strategic challenges of attempting to occupy multiple positions are illustrated by Merrill Lynch's current efforts to operate their PC web-based brokerage channel along with their traditional broker network.

While the turbulence of the m-commerce race itself is of interest, the broader impact on established firms will be dramatic. Firms that have experienced the transformational effects of e-commerce, whether as incumbents or entrants, will now face a new series of challenges. Those firms that have been largely buffered from the web revolution may not be spared again.