

# Where mobile really means business

Growth in the Italian mobile market has long been among the most impressive in Europe—and even now shows no sign of slowing. Could PMG gain a foothold in a market that has for many years been a highly profitable one for operators?

Stefano Cazzani

**The mobile sector** has been a goldmine for telecom operators since the 1990s, when Italians fell head over heels in love with their “telefonino”. The success of the prepaid model was also a major boost (more than 90 per cent of users are now prepaid): it fuelled furious growth in the number of SIM cards, now totalling more than 54 million and still increasing.

According to the latest report released by the regulatory authority, revenue from the Italian telecom market, including fixed and mobile communications, grew 3.3 per cent in 2002 to €31.2 billion (\$38.7 billion), despite a lower average selling price for most of the services.

## Accelerated growth

The mobile sector drove growth at an accelerated rate in 2003. According to the latest estimate by Assinform (an association of ICT companies in Italy), revenue from mobile service in 1H 2003 was €6.99 billion (\$8.71 billion)—14.2 per cent up on the same period in 2002) and the number of SIM cards grew to 54.6 million by the end of June 2003. What’s even more interesting is the steady growth in ARPU, now at €29 (\$36) per month per line (up 10.3 per cent), and the furious growth of value-added mobile services (like data, XMS and web), totalling €0.92 billion (\$1.15 billion)—up 42.6 per cent.



Rome, capital of one of Europe’s major mobile markets

In terms of SIM cards, TIM, the mobile arm of incumbent Telecom Italia, accounts for slightly less than about 47 per cent of the market, followed by Vodafone Omnitel (36 per cent) and Wind (17 per cent), a company owned by the state-controlled electricity utility Enel.

The other active mobile operator in the country is H3G, which launched its UMTS-only service in March 2003 with the brand name “3”. The company is cagey about its performance so far and how it will fare in the longer term remains to be seen. Despite the lack of UMTS phones—a problem that has hampered its development so far—H3G still hopes to reach one million customers by 2Q 2004. In a country where GSM mobile phones

have never been subsidized by operators, H3G is believed to be planning to follow the subsidy route in order to attract new customers.

The other GSM operators have been delaying UMTS launch and are trying to make the most of their existing 2G networks. They have succeeded so far, even deploying video services using GPRS. Wind has also signed a partnership with DoCoMo that has enabled it to launch an interactive i-mode service.

Among GSM operators, Vodafone Omnitel has launched a UMTS service, but at the moment it is only for business users using a data card for laptops.

TIM is not simply sitting by while others take its customers, however.

TIM is looking at a number of ways to further boost ARPU, and its portfolio has been complemented with offerings such as postcards printed from MMS messages and real-time football highlights. TIM is also upgrading its GSM network with EDGE technology, ready to launch it in early 2004. This will give it the capacity to support much higher bandwidth data and video services.

**High charges**

And the future looks just as bright as the present for Italian mobile operators. Italians spend a lot of money on their mobiles. According to Assinform, the annual mobile ARPU in 2002 was €317 (\$395), up from €310 (\$386.3) in 2001, while the non-voice ARPU was €39 (\$48.6), up from €31 (\$38.63) in the previous year—and users don't seem to care too much about high fixed-to-mobile termination charges. Italian consumers pay between €0.14 (\$0.17) to €0.35 (\$0.44)—inclusive of 20 per cent VAT—for a fixed to mobile call, depending on factors such as the time of day and the operators involved.

Could PMG have a role in this market? In fact, Vodafone Omnitel in Italy is actively evaluating PMG technology as part of its ongoing exercise to monitor any technological innovation that can potentially improve the user experience of its customers and/or fuel the development of new services.

Stefano Marzorati, (Service Innovation and User Experience Labs), has been testing PMG technology for more than one year and recalls: "When we first approached the PMG concept we realised it could be an opportunity to distribute advanced functionalities among several devices as an alternative to the one-size-fits-all device model. We were interested to see if the distributed peripherals concept proposed by IXI could deliver much higher functionality of the typical embedded peripherals in a way that



could offer a better user experience."

According to Marzorati, a better user experience is key for the PMG concept to take off. Practical examples would be PMG camera devices with a potential quality similar to standard digital cameras, or messaging devices that would ease user interaction with communications services. Another key advantage of the PMG

The PMG concept could be also an opportunity for new companies to enter the mobile device market, says Marzorati. "Consumer electronics companies that so far have not entered the mobile arena could do so, offering products that can leverage their brands and expertise in a particular technology. As long as the consumer recognises a strong brand, they could be tempted to add a specific new device to their PMG-enabled phone."

Vodafone Omnitel in Italy has not yet set a timescale for a technical or commercial trial of the PMG technology. Points out Marzorati: "We need a technology that can be firmly standardised. We also expect devices that could deliver higher value for our customers—like for example PMG phones with an appealing look, a higher-end digital camera and colour messengers supporting MMS." A greater degree of personalisation of the user interface could also be an important factor in the future success of such devices.

In fact, since Vodafone Omnitel sees PMG technology primarily as a user experience booster, personalization through software updates and download is a key requirement. ■

---

**We realised it [PMG] could  
be an opportunity to distribute  
advanced functionalities  
among several devices as an  
alternative to the one-size-  
fits-all device model**

---

concept is that it allows customers to graduate their investments in mobile peripherals. Some advanced peripherals, like a high-end camera, could have a higher price but also a longer life span than other peripherals. Through PMG, customers can mix and match these devices according to their willingness to invest, needing only to replace that part of the PMG device set that is obsolete.

---

*Stefano Cazzani is a freelance technical writer and journalist (stefano@cazzani.com)*