Chapter VII

European Mobile Services Industry

Introduction

“We don’t believe that a business model, where mobile operator takes a large proportion of our subscription revenue, is going to a viable long-term option.” Andy Bird, former CEO of Turner International (2003)

Europe is an extremely difficult market for any type of service-related business, and an even bigger challenge for mobile service providers due to various regulatory issues, as we will discuss later on. The reason for this is that Europe is not a single market (despite the hard effort by the European Union with its directives and guidelines), but a man-made and culturally fragmented economic
region. As Whalley and Curwen (2003) point out in their analysis of licence acquisition strategies in the European mobile communications industry, Europe must be defined before it can be analyzed. They define Europe as “encompassing the member states of the European Economic Free Trade Area (EFTA), the European Union (EU), those countries that have applied to join the European Union and all other sovereign countries within the post-Communist era understanding of Europe” (p. 2). Based on this definition, Whalley and Curwen found 41 countries to be included in the European mobile market. Albeit it is possible to cluster these countries to some extent according to common language (e.g., Germany, Austria, and the German-speaking part of Switzerland), culture, or some other factors (e.g., the close cooperation between the Nordic countries that include Denmark, Finland, Norway, and Sweden), the fact is that the European mobile services market easily consists of over 20 different markets. No wonder that academic research and business analyses are typically done on a country-by-country basis.

People are very excited about mobile telecommunications in Europe — or at least they have been in the past. As soon as you mention the magical word “mobile phone” (note that Europeans do not use the term “cellular phone” very often), you will immediately hear the wonderful story of how the GSM standard was invented in Europe and became the standard for mobile telephony around the world, or you will be presented with the latest penetration figures of mobile phone usage (everybody in Europe remembers these percentages with two decimals by heart at least for a dozen countries, including the leaders of the global trade such as Liechtenstein and Iceland).

Most people in Europe believe that mobile telephony plays an important role in the future economic success of Europe. For instance, Maitland, Bauer, and Westerveld (2002) note that “mobile telephony has become a strategic asset for Europe and the success of UMTS is considered an important precondition for maintaining the region’s competitive advantage in mobile communications” (p. 486). One could claim, however, that Europe has a strange way of showing the industry how important its contribution is. This comment refers naturally to the UMTS license auctions that pushed the whole industry into turmoil by killing investments and by eating up profits for several years, not to mention the low spirits and the lack of enthusiasm in the telecom industry in Europe today.

Also the standardization of mobile communications has been regarded as a success. According to Carloz Lopéz Blanco (2003), the state secretary of Communications and Information Society in Spain, an active policy of promot-
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