Chapter XIII

United States of America: Renewed Race for Mobile Services

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Abstract

Somewhat behind in the mobile telephony adoption than leading European and Asian markets, the U.S. market caught up in the 2000s. While simple types of mobile data services — such as messaging and downloads — had made some headway, the preexisting popularity of PC-based Internet made the U.S. users somewhat resistant to m-commerce offerings that did not match the richness of PC e-commerce. By the mid-2000s, however, network and technological capabilities were in place to usher in rich, new m-commerce offerings in U.S. markets. By taking advantage of new technologies, the U.S. mobile industry had the opportunity to become an innovator in m-commerce offerings.
Introduction: Mobile Commerce and Data Services in the United States

After a late start, by mid 2000s the United States’ mobile phone market quickly caught up with the rest of the world and started undergoing the same consolidation experienced in all other major markets of the world. From a field of six major service operators — Verizon, Cingular, Sprint, AT&T Wireless, T-Mobile and Nextel — at the beginning of 2005, there were four major carriers left at the end of 2005: Cingular acquired AT&T Wireless, and Nextel acquired Sprint. At the same time, the U.S. market reached the 70-80 percent mobile phone penetration level common in all industrial countries around the globe.

The year 2004 represented a breakthrough in terms of wide introduction and deployment of data services based on GPRS and CDMA by U.S. operators. Initial plans for data volume-based pricing (dollars per MB) were quickly abandoned in favor of flat data rates and unit service charges for messaging. In late 2005, these charges settled around $5/month for mobile phone Web browsing and $20-$30/month for unlimited mobile data access for handheld PDAs and laptop computers.

Initial hope for mobile data services was high, and AT&T Wireless introduced a U.S. version of the Japanese i-Mode called m-Mode. Except for e-mail and

Box 1. Mobile phones as m-wallets in Boston

The Super 88 Market, Infusion Tea Spa, Paris Café and Marty’s Liquors — these stores in Boston’s Allston neighborhood accept the MobileLime payment system developed by Vayusa, a startup company from the Boston area. Super 88 customers save up to five percent when they buy with MobileLime.

To purchase items, MobileLime users dial a toll-free number. The customer’s account is linked to either a credit card or to a prepaid account. A PIN number is required to authorize purchases. The cash register at the store also connects with MobileLime and receives the sale approval information. An e-mail sent to the customer verifies the transaction.

Bob Wesley, who joined Vayusa as its CEO after many years with financial services firms such as American Express, realizes that not everyone is likely to jump on the m-wallet bandwagon. There would, however, be a segment that would find it convenient not to carry credit cards and just use the phone as a payment device.

Source: Based on Jette (2005), Pickering (2003) and authors’ research
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