Chapter I

3G Wireless Market Attractiveness: Dynamic Challenges for Competitive Advantages

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Abstract

Nearly every incumbent operator in the wireless market has experienced business problems in recent years. The reason for this is the opening of the market for competitive operators and the following drop in prices as well as attractive services in the mobile telephony market. This chapter describes changes in competitive advantages deriving from the development of Third Generation services. The remainder of this chapter is organized into the following three sections. The first section provides the theoretical framework.
of competitive analysis. Next the chapter focuses on value chain strategy framework giving an analysis of wireless market attractiveness and changes in competitive advantages. Finally the chapter analyzes competitive dynamics and describes five competitive strategies that differ in their aggressiveness in launching new services and deploying new technology.

Introduction

The rate of evolution (clock speed\(^1\)) of an industry depends on its products, processes, and customer requirements (Fine, 1999). The wireless industry is one of the most dynamic and demanding industries in the world economy today. Competition is intense. Rapid growth, increasing complexity of technology, globalization, and other changes pose enormous challenges for core business processes such as the supply chain and product/service development.

In many European countries mobile penetration rates are now reaching saturation point (Figure 1) but there are still plenty of opportunities for subscriber growth in South-east Asia and South America. In addition, month-on-month minutes of use continue to grow dramatically worldwide.

As mature markets reach saturation, over 95 percent of subscriber usage remains stuck on voice-only communication. In increasingly aggressive, competitive markets, high-volume usage can only mean falling prices. The conse-

Figure 1. Mobile users and service penetration in Europe (Source: Own elaboration on data ITU 2003)

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