Chapter I

Anatomy of the Mobile Services Industry

Introduction

"After 20 years of talking, this so-called convergence of computing and communications is happening." Craig R. Barrett, CEO of Intel (BusinessWeek Online, March 8, 2004)

The reasons for writing this book are twofold: first, the importance of the mobile industry for the future success of the whole ICT industry cannot be overemphasized. Second, the mobile industry itself is an ideal target for analyzing the impact of technological innovations, deregulation, and global competition on industry structure and different ways of collaboration between companies in the industry. Within the context of this “high clockspeed” industry, mobile services represent even more interesting research topic due to the additional complexity, which results from the shift from traditional voice services to mobile multimedia services. The increase in the amount of complexity in the mobile industry is one of the key themes of this book: it is argued here that business gets more complex as the industry moves from voice-centric
services to mobile multimedia services, which contain voice, text, graphics, and video.

When thinking about the concept of complexity of an industry, it is important to keep in mind that there are various aspects of complexity that affect the way in which business is done in a given industry or market. Within the context of mobile services, the two important dimensions of complexity are technical complexity and commercial complexity, as described in Figure 1. What we can see in the diagram is that as mobile telephony moved from analog technology to digital technology, the technical complexity of the networks and handsets increased dramatically.

According to Palmberg and Martikainen (2003a), the growth of line of software code during the transition from the analog NMT mobile telephony networks to digital GSM networks was so huge that “the acronym of GSM might rightfully be spelled out as ‘Global Software Monster’, at least from the viewpoint of the community of software engineers at the time” (p. 19). However, despite the increased technical complexity, the basic business paradigm remained the same: mobile business was still about offering voice

Figure 1. The evolution of technical and commercial complexity