



Lessons From I-Mode

M-Business Magazine, February 2001

By: Peter Rysavy

It's incredible to me how we're witnessing the greatest success ever in the beleaguered wireless-data industry and yet making excuses for it. The success in question is i-mode, NTT DoCoMo's functional equivalent to Wireless Application Protocol (WAP) in Japan, which now has some 16 million subscribers. In comparison, subscriptions in the U.S. to the various wireless data networks can be measured in the hundreds of thousands. We're talking a 50-to-1 difference! And yet pundits are trying to explain why the factors that made i-mode such a resounding success in Japan won't translate into success in the U.S. Rubbish. Japan is not so different.

While you can certainly argue that the Japanese market is different from the U.S., it's also different for computers, VCRs, cell phones, Coke, blue jeans, and handheld organizers, but all these items enjoy success in both markets. I-mode is successful because it has a perfect recipe:

- It has visionary leadership.
- It has excellent phones.
- It works on a good network.
- It's based on one clear specification.
- It's easy to use.
- It's priced to encourage impulsive use.
- The carrier, NTT DoCoMo, has clever and constructive relationships with content providers, resulting in broad and appealing content.

The person who deserves the greatest credit for i-mode is Mari Matsunaga, who developed the concept and key features of the service, demanded uncompromised phones, determined pricing, and - most important - identified the correct target market: consumers. Interestingly, Matsunaga's background was in magazine publishing, which gave her a keen sense of what consumers would pay for what kind of information and entertainment.

From the beginning, Matsunaga insisted that i-mode phones had to be no larger or heavier (100 grams max) than other popular phones and had to have relatively large displays. Initially, handset engineers insisted the specifications were impossible, but they finally found a way. She also stressed ease of use, so phones have an "i" button as well as a "back" button. Contrast this with Handheld Device Markup Language (HDML) and WAP phones, which are maddeningly nonintuitive to use, usually have fewer lines of text, have monochrome screens, and in their early models were quite clunky.

NTT DoCoMo operates its service over a nationwide packet network, providing an always-on experience. U.S. networks will not be based on packet technology or offer comparable coverage until the end of this year.

The pricing advantage

Debates have raged about the virtues of the i-mode technology itself, a subset of HTML called compact HTML. Despite being slightly less optimized than WAP for the wireless medium, cHTML does not have the learning curve of WAP, nor is it plagued by some of WAP's current interoperability issues. But ultimately, these are just engineering details.

What really matters is pricing and content, and here NTT DoCoMo shines. First, Matsunaga priced the base service at x300 (about \$2.70) per month, which - based on her magazine experience - put it into an impulse-buy category. Much of the content costs users extra, but only in small increments. Next, she was clever to not pay content providers, motivating them to keep their content fresh if users were to keep coming back. But NTT DoCoMo does assist content providers by providing billing services for a 9 percent commission.

NTT DoCoMo also eschews the "walled garden" approach that carriers elsewhere use to keep customers in the limited confines of their content options. With i-mode, users easily reach any content provider they wish.

Through these measures, perhaps assisted by Japan's more gadget-receptive and Internet-deprived market, i-mode quickly reached critical mass, with millions of users motivating thousands of content developers. The rest is history. But there's no real reason the i-mode technology and business formula can't be applied elsewhere, perhaps explaining AT&T's recent decision to partner with NTT DoCoMo. Let's just hope that key decision makers truly learn from i-mode and don't spoil the recipe.

Copyright 2001 CMP Media Inc.