

Example of 3g technology by eriksson case study

[Business](#), [Company](#)



Introduction

3G technology was introduced by Eriksson in year 2001. It is faster than 2G technology and offers a speed of up to 144Kbps. A user can watch online videos, music and video conference on any place in the planet. In order to support such features, it has to make use of broadband channels. It was launched when 2G market was experiencing a decline.

Is 3G a radical innovation or an incremental Innovation?

There is a difference between a radical innovation and an incremental innovation. A radical innovation is one that affects the value chain of an organisation and renders the existing knowledge obsolete (Spithoven & Teirlinck, 2005). The benefits of radical innovations cannot be realised short-term but are felt in the long-term. It is usually for newly introduced products in the market. Incremental innovation on the other hand is one that has minimal disruptions on production line and its effects are felt in short-term (usually within three years) (Spithoven & Teirlinck, 2005). It involves a change in existing products in the market and may not necessarily affect the firm's value chain.

The new technology required a “ change in core design concepts and most components, for instance new radio and core networks elements” (Copper, 2004, p. 81). 3G technology was faced with major risks, unpredictability, high investment costs and so on (Copper, 2004, p. 81). Due to such drawbacks, it required strict management which Ericsson was unable to achieve. It also required development of new phones with greater memory, data processing speed, and battery power saving among other features. These structural

changes make it a radical innovation.

What factors do you think will influence the rate at which 3G technologies are adopted by operators and mobile phone consumers?

Adoption of 3G technologies by consumers will be dependent on a number of factors namely:

a) Applications available on 3G.

The attitude of consumers and degree of usage of emails, web browsing and video conferencing applications will affect its adoption.

b) Availability of handsets.

c) Cost of the service and 3G handsets.

If the applications available on 3G are expensive, adoption rates will be low beyond company's expectations. Handsets that enable a consumer to use 3G technology should be affordable otherwise, adoption rates will be lower.

d) Coverage.

3G must cover a relatively large geographical area in order to facilitate its adoption. It has to be continuous with minimal interruptions on consumer.

e) Lack of awareness.

Consumers must be aware of existence of 3G otherwise, its adoption rate will be low. Therefore firms should invest on advertising in order to enhance product awareness.

f) Technology provider support.

If the operator provides, adequate support to 3G users, adoption rates will be higher.

g) Perceived usefulness and ease of use.

If consumers perceive 3G to be user-friendly, they will be willing to adopt it.

Factors that will influence adoption 3G adoption rates by mobile telephone operators include;

a) Licenses, infrastructural and other costs.

b) Consumer demand.

When 3G was introduced, there was a weak response in demand for the product hence its poor performance. Therefore, a firm should know whether the market will fully accept 3G. When introducing 3G, a strong consumer demand for wireless data services should persist.

c) Market research on current and future consumer behaviour.

d) Profitability and impacts on shareholder returns.

Before adopting 3G, firms should assess how 3G will affect shareholders value in both the long-term and long-term.

e) New tariff structures.

Operators must assess how new tariff charges will affect usage of 3G. The effect of new tariffs on profitability must be estimated.

f) Competitive sustainability.

g) Demography

A firm must consider the social, economic and demographic status of a region before introducing 3G. For instance, urban area is preferred to rural areas.

h) Technology maturity

Is Ericsson trying to offer more technological capability than consumers really need?

No. Ericsson is trying to offer a strong value-added service to its consumers. It is also attempting to increase its product package. When the technology was developed in year 2002, people had already settled on 2G but currently it is being used intensely. Therefore, in terms of timing, 3G is not appropriate at the time.

Is Ericsson's focusing on 3G technologies a good strategy? Why or why not?

Eriksson's 3G technology is both a good and a bad strategy. The technology is innovative as would give the firm a sustainable competitive advantage over its rivals. The then introduction of 3G technology was a welcome move as a way to outdo its rivals through product differentiation.

They also developed a technology that could be used in future and created a platform for development of other technologies, for instance 4G technologies. When 3G technology was developed, 2G technology market was experiencing a decline hence timing of 3G was appropriate. When 2G technology was in operation, there were strong competitive forces in operation at that time. Lastly, Eriksson also enjoyed first-mover profits in 3G technology.

On the negative side, the market was not fully developed to adopt 3G technology. The technology was developed for future market which didn't exist at the time. Secondly, a loss of \$2 billion by Eriksson on research and development expenses was not recorded from its overall profits making it a bad strategy. The consumers and market in addition was not ready for the technology since it required some time for consumers to adjust and start using it. When it was introduced, there were no phones that could support its features hence it failed.

When Eriksson introduced 3G its 2G market was not performing well. Lesser efforts were put on promoting 2G market so when 3G fell; the company's overall profitability was affected negatively. The transformation from 2G to 3G was an expensive investment that could only be funded through profits from 2G market. Therefore, Eriksson's strategy was both a good strategy for future technologies and a bad strategy in terms of its timing.

References

- Copper, R. (2004). *Frontiers of Broadband, Electronic and Mobile Commerce*. G. Madden, (Ed.) Heidelberg: Springer-Verlag Berlin and Heidelberg.
- Spithoven, A. & Teirlinck, P. (2005). *Beyond borders: internalisation of R & D and Policy Implications for Small Open Economies*. Amsterdam: Elsevier B. V.