

# Apple's iPhone: calling Europe or Europe calling



**ASSIGN  
BUSTER**

On November 9, 2007, Matthew Key, O2's chief executive, was elated that Britons were flocking to purchase the iPhone. But zealots wondered, "Will the iPhone be worth it for O2, considering the concessions given to Apple?" Released on June 29, 2007 in the United States, Apple's iPhone was viewed as a breakthrough for its touch panel user interface, web-browsing and multimedia capabilities. Besides the initial \$599 price, consumers had to deal with AT&T Mobility in monthly service packages ranging from \$59.99 to \$99.99. Despite the cost, the iPhone sold one million units in just over two months. For its European launch, Apple selected UK's O2, Germany's T-Mobile and France's Orange. Rumours swirled regarding the negotiated revenue-sharing percentage. In the United States, AT&T had agreed to pay an estimated 10% to 20% of monthly iPhone revenues to Apple, an industry first. Had O2 chosen wisely? Mobile Telecommunications in Europe Wireless and mobile services made up nearly half of the \$1.5 trillion (€1.1 trillion) global telecommunications market. The mobile telecommunications industry encompassed handsets, services, content delivery and infrastructure manufacture/installation.

In Europe, the mobile telecommunications industry was worth approximately €200 billion. The continent had over 500 million subscribers and 2005 penetration was estimated at 95 in 100 users. Over half of European countries had penetration rates over 100%; many individuals owned multiple phones. Approximately 18% of Europeans relied solely on a mobile phone. Mobile Handsets Annual mobile handset sales in Western Europe totaled 175 million in 2006, a 7% increase from 2005, according to Gartner. On a worldwide basis, sales grew by 21.3% to 990.8 million in 2006.

<https://assignbuster.com/apples-iphone-calling-europe-or-europe-calling/>

Globally, the top five mobile handset manufacturers were Nokia (39.2% market share), Samsung (14.9%), Motorola (13.1%), Sony Ericsson (9.1%) and LG (7.7%).<sup>1</sup> In summer 2009, the average value of a mobile phone was between €100 and €110. An ultra-low-cost handset generally cost less than €50. Nokia and Motorola dominated this market. ABI Research estimated that by 2011, one in every four mobile handsets would be low-cost. On the other hand, higher-priced “smart” mobiles grew by over 30% in 2006 and represented about 8% of global mobile phone sales, according to Canalys.

Smart mobile devices included smart phones and personal digital assistants (PDAs) with wireless phone capabilities. Nokia held the top spot in smart mobile devices with 50.2% global market share, followed by Research In Motion (RIM), Motorola, Palm and Sony Ericsson, according to Canalys.

**Mobile Operators** The top European mobile competitors were Vodafone, France Telecom's Orange, Deutsche Telekom's T-Mobile and Telefonica's O2 and Movistar. Each country's mobile operator market structure differed. Most countries had three to five mobile operators, with some notable exceptions (France had 25).

In the United Kingdom, the top five operators had these shares at the end of 2006: Telefonica's O2 (27.3%), T-Mobile (24.1%), Orange (22%), Vodafone (21.1%) and 3UK (5.5%).<sup>2</sup> The United Kingdom and many European countries also faced new mobile virtual operators (MVOs), which leased the network from mobile operators and resold the time to customers. A study by the Organisation for Cooperation and Development estimated the average revenue per mobile subscriber worldwide (based on 30 leading countries) to

<https://assignbuster.com/apples-iphone-calling-europe-or-europe-calling/>

be \$439 annually. Competitive operators used different schemes to win consumers.

The cost of gaining a new customer was estimated at €150 in 2005, as high as €400 per high-value subscriber. One of the most common tactics was giving away quality handsets to customers signing up for a monthly plan. For prepaid customers (approximately 50% of European customers) operators often provided handsets at under €50, which included up to half the amount in calling credit. Mobile operators typically subsidized between 50% and 100% of the handset value. As a result, mobile operators had been increasingly involved in handset design, and handsets sold through operators were locked to prevent inter-operator usage.

Third generation (3G) networks transformed mobile telecommunications. Since 1999, European mobile phone operators had spent over €100 billion on 3G licenses and high-speed equipment. By late 2006, there were about 40 million 3G wireless customers in Europe, up from 16 million a year earlier. Among existing 3G technologies, W-CDMA was ostensibly the emerging European standard. The expansion of 3G networks, coupled with changing competitive, social, political, technological and regulatory trends, contributed to the continued convergence between fixed and mobile telecommunications and yielded many entertainment products.

During the past few years, European telecoms commonly offered bundled services such as fixed, mobile, Internet and TV for one monthly fee. Content opportunities lay in delivering content such as music, ringtones, images, video and games via the mobile network to mobile phones.

However, a Mergent Industry Report put European video and music revenues between only 4% and 6%. In the United Kingdom, the fight for “ mobile music downloads” intensified in 2007. T-Mobile re-launched its Music Jukebox by partnering with Sony Ericsson to launch a phone with a button linking to the site, where 500, 000 downloadable songs cost 99p.

Orange UK announced sales of 250, 000 music-related downloads and a similar amount of games per month. On November 1, prior to the iPhone's UK launch, Vodafone and Nokia announced new download services.

Vodafone's MusicStation was compatible with 13 handsets and offered unlimited downloads for ? 1. 99 per month of Omnifone's 1. 2 million selections. The Nokia Music Store was compatible with the recently released Nokia N81 and N95 handsets. Millions of songs were available for 80p each.