



# Web'n'Walk: Affordable Mobile Data, At Last

*An opinion by The IP Development Network*

The IP Development Network has an in depth understanding of Internet, Telecoms and Media convergence. We provide Strategic Product Analysis & Design services to Service Providers, carriers, equipment manufacturers and investors in the UK market.

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# The beginning of the end of the iPod?

*The combination of Sony Ericsson's Walkman phone with T-Mobile's Web'n'Walk data package makes a standalone music player obsolete. While the phone is cute, data pricing is key.*

Prices suffocate potential services The DTI recently published a report into Japan and Korea which stated that in Japan, 99.8% of music downloads are to mobile phones and 0.2% to PCs and portable MP3 players.

In the UK this is not the case. Is this because a typical album costs upwards of £11.60 to download (plus \$9.99 for the content, if bought legally)?

Application	Cost at 25p / MB
WAP Page	0.03 p
Email no attachments	0.25 p
Web Page	1.25 p
2 Minute Phone Call	14.65 p
Sample Album - 128k AAC Encoding	£ 11.60
Sample Album - 160k MP3 Encoding	£ 14.50
Sample Single - 128k AAC Encoding	£ 0.89
Sample Single - 160k MP3 Encoding	£ 1.12
1 hr BBC Radio Podcast	£ 2.68
50 Mins Mobile TV at 224kbps	£ 20.51

Forget data speeds, pricing is key There is clearly a demand for mobile applications (the iPod is a mobile application, as is the PSP). The reality is that until T Mobile launched Web'n'Walk, it was too expensive for consumers to use mobile networks and get a truly on-demand experience.

Operators have set mobile data prices to prevent voice switching to VoIP but this makes other applications that might use the bandwidth uneconomic.

The Web'n'Walk step change By offering unlimited data for £7.50 (from a phone) or £19.99 (from a PC + Data Card) T-Mobile have introduced a step change in the price of mobile internet access. Benchmark prices from Vodafone, Orange, O2 and 3 are:

	MB	Price inc VAT	Price / MB
3	15	£ 5.00	£ 0.33
O2	5	£ 8.00	£ 1.60
Orange	10	£ 6.81	£ 0.68
Vodafone	5.1	£ 5.11	£ 1.00

Music albums are between 40 and 60 MB. An allowance of between 5 and 15 MB limits people to low bandwidth services like email, web and WAP.

The cannibalisation issue Ofcom data states that Vodafone, O2, Orange & T Mobile generated £9.8bn in voice revenues and £2.2bn in SMS & MMS revenues in 2005.

Data pricing is set defensively, and NOT to stimulate application use. Vodafone's data tariff equates the cost of a text message with an equivalent email, so a MB costs over £1 to stop people switching from SMS to email.

VoIP is the biggest concern because at 20p per MB, it is cheaper than mobile voice. The applications (Skype) exist and many devices are capable, if not configured to use the protocol. This is not a technology problem.





- So Web'n'Walk bans VoIP... By blocking VoIP and Peer to Peer, they are protecting their existing voice business and ensuring their networks aren't overloaded. "Banning" VoIP is probably a commercial necessity given the revenues at stake, so if it enables lower prices for non-voice MB and drives non-voice applications, it will be a good thing.
- ...to open up other markets Ever since the 3G auctions, there has been great excitement about the potential data speeds for the next generation of mobile devices – because these speeds are supposed to make "rich media content" (pictures, audio, video) available to mobile consumers. We have heard how issues with devices and problems with network coverage have hampered adoption, but in reality it is high prices that have suffocated the market.
- T-Mobile hope that by making the network use affordable they will find elasticity in the market that drives user numbers significantly.
- Affordable applications T-Mobile promote the Web'n'Walk as enabling price comparison, email, weather, travel and news from the web on the walk. These familiar applications attract users while higher bandwidth services evolve (eg. pictures taken on a Walkman Camera Phone sent to a blog or to be printed)
- Walkman vs iPod By combining the Walkman and the Phone with internet access, the iPod suddenly looks dated. Walkman users can make phone calls, take pictures, listen to downloaded music or watch video anywhere and everywhere, while iPod users are limited to music.
- The end of synchronisation T-Mobile's move is exactly what the market needed – reasonable data pricing that allows users access to applications on the move, and eliminates the need to synchronise the device with a PC-based download centre.
- By combining this with the Sony Ericsson Walkman Phone, T-Mobile have made a clear pitch for the mobile music player market which is vulnerable to truly on-demand content downloads – now that these are affordable.
- Banning Mobile VoIP was a necessary evil. T-Mobile are simply doing what that the others are doing via stealth. Operators cannot countenance the erosion of voice revenues and will do whatever it takes to make sure this cannot happen. Mobile VoIP may evolve over hotspot clouds (WiFi, WiMAX, etc), but they have big, costly networks to build before they can compete for coverage and bandwidth with the mobile operators. Cheap, ubiquitous mobile data that allows VoIP to replace mobile voice is not going to happen any time soon, and its time the market accepts this and moves on.
- There are significant markets that will emerge to use mobile bandwidth. Camera Phones that are able to post pictures immediately to blogs, web sites and printers, and Satellite Navigation systems that can be updated in great detail of temporary trouble spots are just examples – there are many innovative mobile data applications that become viable once bandwidth costs are eliminated.

