Facing the future, changing customer needs

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Within this chapter we discuss future changes in customer needs. We start this exploration of the future with a brief reflection of the past, and discuss how meeting existing customer needs has fuelled the past success of the mobile phone industry, and how meeting implicit customer needs will further guide the mobile industry in the future. As penetration rates continue to rise to saturation point, these needs will become increasingly heterogeneous. Only if operators manage to understand and meet the diverse and changing needs across all customer segments will they harvest the full future growth potential in the mobile industry.

Thirty years ago there was little reason to believe that mobile phones would become as successful as they are today. Life worked quite well with fixed line communication: fixed line telephony enabled people to communicate instantaneously over long distances, which was a huge improvement on previous times where communication involved either physical travel or lengthy delays while messages were transported. Thus, with the arrival of fixed line telephony people easily became accustomed to the fact that they had to arrange their lives around the technical means of communication. It was better to have a life built around the infrastructure for instant communication than to miss the benefits of this new form of communication. The mobile phone's success is based on the revolutionary concept of lifting this restriction. The mobile phone met the universal human need for unrestricted mobility.

This need cannot be underestimated. In some countries, like the former Democratic Republic of Germany, the people have come to overthrow their government, mainly for being restricted in their freedom to move. Thus, adding mobility to instant communication made a radical and very tangible change to consumers' lives. With the arrival of mobile phones, our customers' freedom to move extended tremendously. Where they previously could only move within the very limited space around the end of a fixed line, which was usually one or two rooms, or if one had cordless phone fitted, a house, they practically expanded their freedom to move, almost over night, to the reach of an en-

tire mobile network. Admittedly, in the early days coverage was an issue. Networks "only" covered urban areas and there was no real ability to roam, but the ability to freely move within a town or a country (compared to the confinement of a house or an office) made a huge difference.

With hindsight the success of mobile phones is not surprising, it caters to a most basic human desire: the desire to be free. Step by step within the last 25 years this freedom to move has been geographically increased. Roaming is not an issue anymore, networks have been integrated and for consumers today's freedom to move covers the entire developed world.

There were some rather unsuccessful attempts to expand this freedom even to the under-populated parts of the world. Huge sums have been invested in the build-up of satellite based global networks. But the visionaries behind these networks failed to realise that they did not meet customer needs, since the vast majority of customers just does not want to spend long periods of time in Antarctica or on the tops of the Himalayas. And if they go there, they quite often enjoy that these far places are disconnected from their usual world, which makes them special places and worthwhile to go to.

This brings us to another basic consumer need, next to the true freedom to move, it is the true freedom of not having to communicate all the time. While the mobile phone originally increased the freedom to move it considerably seemed to infringe on our privacy. Consumers phrase this often as a loss in the freedom of not being reachable, the freedom of not having to talk, the freedom of going off and being on your own. It was this consumer need, the desire to reduce the immediacy of the mobile phone, which brought unrivalled success to the text message, the SMS. The text message allows consumers to send equivalents to a short telegram, messages that reach their addressee quickly and yet could be handled with whenever it was convenient for the receiver of the message. Combined with an initially highly competitive pricing, text messages became the most successful data application for mobile operators. Once one has understood that basic consumer needs were the foundation for the mobile phone's success, a much clearer picture of the future emerges.

While the traditional mobile phone catered to traditional consumer needs, a new phenomenon arrived that fundamentally changed our concept of space and time: the Internet. The Internet created a new dimension of mobility for consumers. It both enabled them to access geographically distanced places as well as created a new, virtual, world in itself. The geographical reach becomes apparent when students in Tokyo enter the catalogue of the Library of Congress in Washington. What today can be done from any computer with Internet access, required only thirty years ago some serious visa work, long travel and a

lot of time. The internet has vastly changed our ability to move virtually. Rather than having to go somewhere in person we now can access places and information over the Internet.

Simultaneously, a virtual world has developed within the Internet. There are computer communities, online games and even online economies with their own currencies and exchange rates. This virtual world has become for many an integrated part of their lives. The relationship to their Internet friends has become closer and more intimate than many of the day to day relationships in their off line world. Ironically tough, the fixed line infrastructure of the Internet has again deprived consumers of their just gained freedom to move. The Internet brings the world to consumers' desktops, however, it requires them to stay just there, at their desks. It introduced a great new freedom of access and yet took the true freedom to move away. And it did so in a most radical manner since the Internet required consumers to actually face a computer screen! In the old days of fixed line telephony consumers could at least move within earshot of their phone, which could be an easy thirty yards. And with the introduction of cordless phones consumers could move up to 50 yards away from their fixed line. The Internet started again at the consumers' desks and asked them to stay exactly there. It was not until the arrival of Local Area Networks (LAN) and a considerable price drop in portable computers, that consumers experienced the cyberspace equivalent to a cordless phone.

Mobile operators have understood this contradiction between the newly gained virtual freedom of the Internet and the loss it brought to the true freedom to move. For mobile operators this contradiction provides a huge opportunity if they manage to meet both needs: the desire to access through the Internet distant and/or "virtual" places as well as the desire to move freely.

Although unlimited mobile access to the Internet is certainly the largest of all current opportunities, there are more customer needs that are currently answered by the mobile industry. It is through careful customer segmentation that operators identify and meet their customer needs. Good segmentations draw on a combination of attitudes and socio-demographic variables that are then overlaid with customer life cycle data. They allow operators to identify specific sub-groups and their very specific needs that exceed the generic needs for mobility in space and access described above. These segmentations are generally kept strictly confidential since operators see them as critical for their competitive positioning. Yet, the external observer can deduct their sophistication through operators' product offerings. For example, the success of the i-pod, a portable music player introduced by the computer manufacturer Apple in 2003, indicated a consumer need to have mobile access to vast varieties of music. Mobile operators catered to this need by providing unlimited mobility through the integration of

music players with mobile Internet access to gigantic music stores. Their product offerings were distinct to the original Apple offering and they also differed among each other. Some catered to the youth segment, while others clearly addressed the more mature and sophisticated customer. This can be both an indicator for differences in their customer bases and their identified growth potentials.

Another example how operators anticipate and cater to changing consumer needs are digital cameras in mobile phones. Operators never set out to make a business by competing against digital cameras. The global digital camera market is far too small to be relevant for mobile operators and dedicated camera manufactures will always produce better cameras than the ones integrated in mobile phones. However, intelligent segmentation identified that there is indeed a customer need in younger and urban consumers to share moments rather than memories. This need is rather new and it developed playfully in accordance with the opportunities of technical development. Yet it became quickly a core need for highly relevant customer segments that made it worthwhile for operators to invest in the necessary infrastructure.

A further example of changing consumer needs is the consumer-need to play. Computer games have been around as long as the PC. Specifically designed mobile gaming devices have given a whole new dimension to these games. That these devices can also be used as a phone is of lesser relevance for the active gamer, for them they offer the ultimate integration of virtual and tangible reality. Admittedly, "computer gamers" are a very small consumer group, but operators certainly made this a better word to live in for the gamers when they offered them both the ability to take their games with them when they like to leave their houses as well as to integrated their real physical movement in to the virtual games they play in the Internet.

Mobile music, mobile sharing of moments and mobile gaming are just a few examples of how operators have identified higher order consumer needs that developed out of the basic needs for instant communication and global access to information. Music, games and pictures are only variations of these basic themes and there are others, like full access to our virtual office infrastructure. They all circle around the true freedom to move, and are all based upon changing the behaviour of consumers to embrace service offerings that help them to live their lives liberated of artificial constraints imposed by the infrastructure limitations of the past. Operators will have to continue to think creatively to further understand natural needs that develop with the removal of artificial infrastructure barriers. From an operator's point of view the opportunities are unlimited. This is a notion that gives great hope to consumers since more and more specific customer segments will find that new products and services offer them genuine further improvements to their lives.