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Wrong Numbers

DoCoMo's i-mode wireless Internet service is without question a hit, but it's important not to get carried away

One of the few areas of technology not tarnished by the dotcom bust and the global tech slowdown has been Japan's wireless Internet scene. While the rest of the industry retrenches, NTT DoCoMo's i-mode service has been going from strength to strength. Since its introduction in February 1999, i-mode's growth has been nothing short of spectacular — more than 21 million Japanese consumers today can use their cellphones to send messages, play games, buy digital merchandise and access information. The data traffic provides DoCoMo with a significant new revenue stream, offering a model for the rest of the mobile phone business as it seeks to spur wireless Internet initiatives.



Steven Moore.

I hate to be Mr. Negative. Heaven knows the industry can use all the positive role models it can find. But for some time I've suspected that the published numbers for i-mode uptake paint an unduly rosy picture of the Net cellphone market — that in fact, fewer Japanese are using their handsets for anything other than voice calls than the i-mode buzz suggests.

First, the anecdotal evidence. When you go into a cellular handset/service retailer in Tokyo these days and order cellular service from DoCoMo, unless you strenuously object, you will automatically be subscribed to i-mode. This happens because retailers have a powerful incentive: they earn a fee that can exceed \$15 per i-mode subscription sold. Salespeople often simply say something like, "we'll just go ahead and fill out the paperwork for you so you'll have the answering service option and i-mode." A substantial number of customers apparently are not even aware that they are subscribing.

The service costs a piffling 300 yen (about \$2.40) a month, so many consumers simply pay the fee along with their other monthly mobile charges. It's small change to an individual user, but multiply it by 21 million subscribers, and you get revenues exceeding \$52 million per month. DoCoMo gets a nice annuity for doing essentially nothing. Meanwhile, a lot of subscribers end up with a service they don't use. Several studies suggest this is exactly what is happening. A June 2000 survey by the *Yomiuri Shimbun* newspaper found that 40% of Internet-enabled mobile-phone users were not accessing the Net. A Nippon Research Institute study in September came to a similar conclusion. And a January 2001 survey conducted by my company, Ion Global, found that 26% of respondents who subscribe to i-mode don't use their handsets for e-mail or online content. There may indeed be some 34 million people in Japan who are paying for i-mode and other wireless Internet subscriptions. But the entire population of active mobile surfers is far closer to 25 million.

I don't mean to diminish DoCoMo's success. However, when assessing the possibilities of new technologies, it's important to approach them realistically. Partly due to the i-mode excitement, manufacturers have concluded people will use their

cellphones for a lot more than voice. Japanese handsets now offer a dizzying variety of capabilities. But do cellular users really want their phones to be MP3 players, digital cameras, game machines, printers, or all of the above? The market is out of control even by Japanese gadget-lover standards.

Experimentation and risk taking are necessary components of the Internet business, but only by recognizing that the wireless Internet may be less of a sensation than is commonly believed can manufacturers and mobile-network operators keep risks in check. One of the lessons of the dotcom bust is that unrealistic numbers lead to unrealistic forecasts. Rely on them at your peril.s

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