Recent Mobile Telecommunications Alliance Formation

Peter CURWEN & Jason WHALLEY
University of Strathclyde, Scotland

During the year to end-January 2005, the resurgence of takeover activity in the mobile telecommunications industry [1] has attracted media attention. However, by focusing on takeovers, the willingness of companies in the sector to collaborate through alliance and joint venture formation is in danger of being overlooked. These alliances, none of which are more than two years old, can be variously interpreted. They could signify a return to expansionary behaviour by operators motivated by the desire to capture lucrative roaming traffic or retain key customers. Alternatively the alliances may be motivated by the desire to compete more effectively with Vodafone, which is arguably the only mobile operator with a global footprint.

But are these alliances more likely to survive than their largely fixed-wire predecessors? Concert, Global One and AT&T-Unisource all floundered for a variety of reasons (CHAN-OLMSTED & JAMISON, 2003; CURWEN, 1999 and 2001). In the case of Concert, neither AT&T nor BT viewed Concert as a business in its own right, but rather as a means to generate additional revenue (CURWEN & WHALLEY, 2004, p. 81), while Global One imploded in the aftermath of Deutsche Telekom's unilateral and ultimately futile bid for Telecom Italia in 1999. This alliance, as well as Concert, vividly

COMMUNICATIONS & STRATEGIES, no. 57, 1st quarter 2005, p. 169.

demonstrates that alliance formation is fraught with difficulties, with those companies participating in alliances often having as many reasons to compete against one another as they do to collaborate. This suggests that the omens for the recently formed alliances are not encouraging.

This paper is structured as follows. In the initial section, the six alliances that have been formed are described. Particular attention is paid to the membership and resulting scale of these alliances, as well as to the motives for their formation. The first sub-section focuses on those alliances that are largely scale orientated in motivation, while the second concentrates on those that are more technologically orientated. These alliances are then discussed in detail and conclusions are drawn.

Mobile alliances

Scale driven alliances

In April 2003, Telecom Italia Mobile (TIM), Telefónica Móviles and T-Mobile formed a partnership within Europe – one more akin to an alliance than a joint venture - to improve cross-border customer services with the particular intention of providing better competition for Vodafone. It was significant that no cross-shareholdings were either taken or anticipated. Orange subsequently joined, and the footprint of the alliance, which markets itself as FreeMove, can be seen in table 1. In April 2004, FreeMove announced that it would be launching a new data-roaming tariff in the summer, as well as a branded laptop data card and facilities to recharge pre-paid cards, change handsets and change subscriber identity module (SIM) cards while abroad.

With all of the major European operators now tied up, the smaller operators clearly needed to respond. As a result, in October 2003, the Mobile Alliance was formed between mmO_2 in the UK, ONE in Austria, Wind in Italy, Amena in Spain, Telenor Mobile in Norway, Pannon GSM in Hungary (owned by Telenor) and TDC Schweiz in Switzerland. This planned to introduce cross-border roaming with common short codes and pre-pay top-ups abroad. Business users would be offered flat-rate plans for usage across all of the networks. The alliance announced that it would use the brand name 'Starmap Mobile Alliance' in February 2004, at which point GPRS and MMS roaming was available, with co-operation extending to the definition and development of 3G handsets.

Meanwhile, an alliance of sorts – it has specifically chosen not to use the term so far – was being created by DoCoMo in order to roll out its i-mode version of 2.5G. This initially involved taking minority stakes in its i-mode partners, but this proved to be uneconomic so DoCoMo reverted to persuasion. DoCoMo's big problem was that all of the major operators already had their own versions of portals based upon 2.5G and hence could see little point in going along with i-mode. A particular disappointment was Hutchison 3G UK's refusal to play along, leading to rumours that DoCoMo would switch to mmO_2, the only other available possibility in the UK.

Outside Europe there was relatively little activity until the latter part of 2004, although in mid-2003, HK-CSL, Maxis, MobileOne, Smart Communications and Telstra formed the Asia Mobility Initiative (AMI) – note the absence of 'alliance' in the title - to "provide subscribers with easier access". The AMI is strictly non-exclusive. Meanwhile, Korea Telecom, China Netcom, Maxis, StarHub and Telstra had signed a MoU in March to form the world's first wireless broadband alliance for the development of W-LANs/Wi-Fi. This Wireless Broadband Alliance would utilise the existing network of 8,600 hotspots and expand these to a total of over 20,000 by the end of 2003. Most recently, in November 2004, seven Asia-Pacific-based mobile operators – Bharti (India), Globe Telecom (Philippines), Maxis (Malaysia), Optus (Australia), SingTel, Taiwan Cellular and Telkomsel (Indonesia) - announced the formation of the Bridge Mobile Alliance seeking to achieve economies of scale for its members. In addition, a Singapore-based subsidiary, Bridge Mobile, will be a commercial vehicle in which the members will invest to build and establish a regional mobile infrastructure and common service platform, enabling the creation and seamless delivery of mobile services across national borders.

A final scale driven alliance worthy of note is the Wireless Broadband Alliance, initially set up by five operators in 2003 as part of an effort to drive roaming between Wi-Fi hotspots. By October 2004, membership of the WBA had expanded to 25, all being operators fulfilling the requirement that they have a significant market presence in their respective regions, a large number of subscribers and a core network separate from their Wi-Fi offering. For obvious reasons, this meant that wireless ISPs (WISPs) could not qualify to join.

Technology driven alliances

On the one hand, individual operators have somewhat different hardware and software requirements. On the other hand, anything is preferable to ongoing destructive competition, and this thought appears to be behind the appearance of alliances designed to assist operators in general in the face of common difficulties. Thus, for example, the Fixed-[to-]Mobile Convergence Alliance was formed in June 2004 between NTT Communications, the BT Group, Swisscom, Korea Telecom, Brasil Telecom and Rogers Wireless, shortly thereafter to be joined by others (see table 1). The purpose behind the alliance was to promote combined fixed and mobile services at a time when combining them both in one handset with joint billing had become a technical reality.

Fixed operators wanted to limit the loss of customers to mobile-only telephony, while mobile operators wanted to develop new devices that would avoid the imminent onset of market saturation. There was no intention to try to use their combined bargaining power to drive down handset prices, but rather a desire to influence equipment manufacturers to develop the technology that operators felt that they needed.

A similar type of alliance was formed in June 2004 with a view to formulating a common user interface (UI) to be introduced in all types of device. Membership of the Open Mobile Terminals Platform (OMTP) alliance was originally to be restricted to operators, thereby putting pressure upon equipment manufacturers to fall into line without having a direct say in developments. It was claimed that the objective was not to dictate which operating system was to be used, but rather to define a minimum set of UI features for equipment manufacturers to incorporate. The ultimate point of the exercise was avowedly to make it easier for customers to switch networks and devices without suffering technophobia (MIDDLETON, 2004). However, in October 2004 not only was sponsorship forthcoming from Nokia and Motorola, but the founding OMTP members were joined by manufacturers such as Philips Electronics and STMicroelectronics and software firms including Esmertec and Savaje.

Discussion

The first observation that can be made is that the geographical scale of the alliances outlined above displays considerable variation. The geographical scope of two alliances – Starmap and Bridge – is purely

regional – at least for now. Starmap does not have a presence outside of Europe, whereas Asian mobile operators formed Bridge.

A second observation is that the membership of the alliances is largely composed of operating companies. This is true even for the technology driven alliances such as the Fixed-[to-]Mobile Convergence Alliance. Other companies were initially excluded from The Open Mobile Terminals Platform alliance, but this was later reversed, perhaps once the enormity of the task set was understood. A closer inspection of alliance membership leads onto a third observation, namely, that some of the alliances are centred around a single company whereas others have no dominant company. The i-mode 'alliance' aptly illustrates the former, and FreeMove and Starmap the latter. The Starmap alliance contains a handful of European mobile companies that are all of modest size. The absence of geographical overlap provides Starmap with a key competitive advantage: its members are more likely to agree on common strategies, products and services as they are not competing against one another in the same market.

Not only is there more overlap between the members of the FreeMove alliance, but the alliance also contains at least two mobile operators – T-Mobile and Orange – that have aspirations at the pan-European, if not global, level. The operation of this alliance, therefore, is likely to be fraught with difficulties. In the first place, both companies are likely to see themselves as the natural leader of the alliance and may act accordingly. Furthermore, because they both have pan-European aspirations, each will only remain a willing participant in the alliance as long as there is no conflict between its own strategy and that of the alliance. As a consequence, FreeMove will probably develop in one of two ways: either it will remain as nothing more than a loose collaborative arrangement without developing into something more formal or it will collapse in acrimony as its larger members seek to impose their views.

The ability of the larger scale driven alliances – FreeMove, Starmap and i-mode – to compete against Vodafone is questionable. These alliances stand in stark contrast with the strategy that Vodafone has adopted, which in essence has been one of avoiding collaboration wherever possible. In those markets where Vodafone live! has been launched, in all but four countries it is delivered over a network that is also owned by Vodafone and in three of these four countries Vodafone has a minority stake in the network. This should not be taken as suggesting that Vodafone has never established a joint venture – many of its initial international investments took the form of joint ventures where Vodafone, in most cases, subsequently took majority if

not outright control (CURWEN, 2002; CURWEN & WHALLEY, 2004). Equally, its main tactic in smaller, peripheral markets is to sign a Network Partner Agreement with the incumbent whereby the latter markets its services using its own brand name hyphenated to that of Vodafone.

Conclusions

In this paper we have identified a number of alliances that have recently been formed in the mobile telecommunications industry. Broadly speaking, these alliances were motivated by either the desire to achieve scale without the need to invest in a series of networks, or by a desire to overcome technical problems such as interoperability and roaming.

Previous attempts at alliance formation on this scale have rarely been successful, and have often collapsed amid acrimony. Those alliances with more members such as FreeMove, i-mode, Bridge and the Wireless Broadband Alliance are likely to suffer from tensions arising from the different strategic priorities of the member companies. The failure of DoCoMo to persuade its partners to adopt i-mode amply illustrates this divergence in practice. To date, counting both Orange and T-Mobile among its member companies has not proved too much of a distraction for FreeMove. This is, to a lesser or greater degree, due to the financial woes of their respective parent companies effectively limiting their ambitions and encouraging collaboration, but as these have more or less disappeared it is undoubtedly only a matter of time before tensions rise.

In contrast to FreeMove are Starmap and Vodafone live! The lack of overlap among Starmap members, and their relatively limited individual footprints, reduces the opportunity for tensions to arise. Moreover, the ambitions of Starmap are relatively modest and would appear to benefit equally all alliance members. Vodafone live! combines a largely Vodafone controlled footprint with some collaborative partnerships. Such collaboration enables Vodafone live! to be offered in comparatively small markets without Vodafone having first to acquire a network, as well as address its strategic difficulties. Notwithstanding these difficulties, which have prevented Vodafone live! from being launched in the United States, Vodafone has been able to co-ordinate the launch of services, as well as centralise the purchase of handsets. The additional (roaming) traffic that this generates for the collaborative partners, as well as cheaper handsets, ensure that they are prepared to follow Vodafone's lead.

References

CHAN-OLMSTED S. & M. JAMISON (2001): 'Rivalry through alliances: competitive strategy in the global telecommunications market', in *European Management Journal*, vol. 19, no. 3, 317-331.

CURWEN P.:

- (1999): 'Survival of the fittest. Formation and development of international alliances in telecommunications', in *Info,* vol. 1, no. 2, 141-158.
- (2001): 'Backs to the wall? A tale of three telcos', in *Info*, vol.3, no. 1, 27-44.
- (2002): *The Future of Mobile Communications. Awaiting the Third Generation,* Palgrave: Basingstoke, England.

CURWEN P. & J. WHALLEY (2004): *Telecommunications Strategy: Cases, theory and applications.* London: Routledge.

MIDDLETON J. (2004): 'Operators to direct handset development', available at: www.totaltele.com, 11 October.

MULLIGAN M. & J. WHEATLEY (2004): 'European mobile groups accelerate LatAm push', in *Financial Times*, 26 October, 26.

NOAM E. & A. SINGHAL (1996): 'Supra-national regulation for supra-national telecommunications carriers?', in *Telecommunications Policy, v*ol. 20, no. 10, 769-787

Mobile alliances, January 2005

	Vodafone live!	*FreeMove*[1]	*Starmap*[2]	*i-mode*	*Asia Mobility Initiative*	*Fixed Moblile Convergence*	*Wireless Broadband Alliance*
Europe							
Albania	-	-	-	AMC	-	-	-
Austria	Mobilkom	Orange / T-Mobile	ONE	-	-	-	T-Mobile
Belgium	Proximus[3]	Orange	-	Base	-	-	-
Bulgaria	-	-	-	GloBul[3]	-	-	-
Croatia	VIPnet	T-Mobile	-	-	-	-	-
Czech Rep.	-	T-Mobile/TIM	EuroTel	-	-	EuroTel	T-Mobile
Denmark	-	-	Telenor	-	-	-	-
France	SFR	Orange	-	Bouygues	-	Cégétel	-
Germany	Vodafone	T-Mobile	mmO_2	E-Plus	-	-	T-Mobile
Greece	Vodafone	TIM	-	CosmOTE	-	-	-
Hungary	Vodafone	T-Mobile	Telenor	-	-	-	-
Ireland	Vodafone	-	mmO_2	-	-	-	-
Italy	Vodafone	TIM	Wind	Wind	-	-	Telecom Italia
Lithuania	BitéGSM	-	-	-	-	-	-
Luxembourg	-	-	-	-	-	-	-
Macedonia	-	T-Mobile	-	Cosmofon[3]	-	-	-
Malta	Vodafone	-	-	-	-	-	-
Netherlands	Vodafone	Orange / T-Mobile	-	KPN	-	-	T-Mobile
Norway	-	-	Telenor	-	-	-	-
Poland	-	Orange / T-Mobile	-	-	-	-	-
Portugal	Vodafone	Orange	-	-	-	-	-
Romania	-	Orange	-	-	-	-	-
Russia	-	T-Mobile	-	-	-	-	-
Slovakia	-	Orange / T-Mobile	-	-	-	-	-
Slovenia	Si-Mobil	-	-	-	-	-	-
Spain	Vodafone	Telefónica	Amena	Telefónica[5]	-	-	-
Sweden	Vodafone	-	-	-	-	-	-
Switzerland	Swisscom	Orange	TDC Schweiz	-	-	Swisscom	-
UK	Vodafone	Orange / T-Mobile	mmO_2	-[6]	-	BT Group	BT / T-Mobile
Elsewhere							
Australia	Vodafone	-	-	Telstra	Telstra	Telstra	Telstra
Brazil	-	Telefónica / TIM[4]	-	-	-	Brasil Telecom	-
Canada	-	-	-	-	-	Rogers W'less	-
Caribbean	-	-	-	-[7]	-	-	-
China	-	-	-	-	-	-	Netcom
Egypt	Vodafone	Orange	-	-	-	-	-
Hong Kong	SmarTone	-	-	-[8]	Telstra	-	Telstra
Japan	Vodafone	-	-	DoCoMo	-	NTTC/DoCoMo	NTT Comms
Macau	-	-	-	-	CTM	-	-
Malaysia	-	-	-	-	Maxis	-	Maxis
Morocco	-	Telefónica	-	-	-	-	-
New Zealand	Vodafone	-	-	-	-	-	-

	Vodafone live!	*FreeMove*[1]	*Starmap*[2]	*i-mode*	*Asia Mobility Initiative*	*Fixed Moblile Convergence*	*Wireless Broadband Alliance*
Philippines	-	-	-	-	Smart	-	PLDT / Smart
Singapore	-	-	-	StarHub	MobileOne	-	StarHub
South Korea	-	-	-	-	-	Korea Telecom	KT Telecom
Taiwan	-	-	-	Far EasTone	-	-	-
Thailand	-	Orange	-	-	DTAC	-	True
Turkey	-	TIM	-	-	-	-	-
USA	-	T-Mobile	-	-	-	-	T-Mobile

Notes: [1] Orange is also active in Jordan, Moldova and a number of African countries such as Cameroon and Côte d'Ivoire. [2] Although these are the countries officially listed, Telenor is also present in Albania, Bangladesh, Denmark, Malaysia, Montenegro, Russia, Thailand and the Ukraine. [3] Agreed but not launched. [4] Both Telefónica and TIM have extensive interests in Latin America. In Brazil, Telefónica operates a 50/50 joint venture with Portugal Telecom called Vivo. [5] Telefónica does not use the i-mode brand but rather incorporates the additional features offered by the technology into its existing e-moción WAP-based data service. [6] DoCoMo has agreed to sell its stake in H3G in order to seek an alternative partner willing to launch i-mode in the UK. [7] AT&T Wireless provided a somewhat half-hearted service known as mMode which reflected the 16 per cent stake held by DoCoMo. However, DoCoMo sold its stake in October 2004 to Cingular Wireless so the future of mMode is in doubt. [8] Hutchison allegedly intends to introduce it.