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# Designing a successful 3G Service

**3G technology will have a fundamental impact on the way everybody lives their lives. The predictions vary as to how far reaching the changes may be.**

**H**omes may no longer need to have wires at all. Wires may become as obsolete as the quill pen. It may be that the concept of shopping changes. Maybe even the concepts of cash and bank accounts will be con-

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ROBIN BURTON

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signed to history. It is said that our personal terminals will not just act as phones but will in essence become our computer, wallet, entertainment system and TV all rolled into one. It will be the method for delivery of a vast range of services. This vision of the future is all very well. But how do we roll out a practical and a successful 3G service today?

## **New Opportunities, new Competition**

There is so much that a 3G operator could get involved in. He could deliver various forms of entertainment, offer banking services, provide on-line gambling and gaming, offer m-commerce and stockbroking. He could even offer location sensitive services such as localised advertising. It would seem that the possibilities are endless. However, moving into these new areas may also mean the need to deal with new types of customers and partners. It will also mean having to deal with new types of competitors. Banks, retailers, TV companies and many other types of organisation may have to be considered.

## **Planning**

It is therefore vital to think long and hard before leaping in and launching a new service. Basic fundamentals have to be in place for long-term success. It is not good enough to just follow the market trend. Many dot.com disasters are testament to the mistake that that can be. Marketing theory proposes a six-point planning structure that may well be use-

ful for 3G operators entering new territory:

- People
- Position
- Product
- Price
- Place or Channel
- Promotion

The order of these points is important. The plan is sequenced so that the things that are most difficult to change come first in the sequence.

## **People**

The first, and most important, step is to decide who is to be targeted with the service. The reason for this comes from research that has shown that long-term profitability comes from market leadership. You must be the market leader. At a pinch number two might be OK, although not quite as profitable. Therefore, to give the best chance at profitability, an operator has to define his market carefully. If he does that, he has a better chance of becoming the leader. The starting point for this is to decide on market segmentation variables that make sense to the business. These might come in many forms:

- Residential or business
- Volume of service usage
- Geographic location
- Interests
- Affinity groups

It is most important to choose variables that are both relevant to the operator's proposed service and are also variables that are practical to work with. For example, it might be possible to define a market for left-handed people and to offer them real advantages. However, it might at the same time be almost impossible to find them amongst the rest of the population.

## **Position**

Position, in this context, means the reason that an operator will give the prospective customer for using the ser-

vice. In order to do this properly it is important to define the benefits that the customer is actually seeking.

None is likely to buy a "3G Service". This is true in the same way that no one actually "buys" an electric drill. They pay money for the ability to make holes in the wall. People seek solutions for basic needs.

The operator therefore needs to thoroughly define the basic benefit that he intends to offer. Once that is done he needs to find out what other methods there are of delivering that benefit. The competition will not only come from other 3G operators, but from all other methods of delivering the same benefit. The importance of this is made plain in a study carried out by Theodore Levitt for the Harvard Business Review in 1960 entitled "Marketing Myopia". Levitt looked at how the role of the railways had declined and largely attributed it to the fact that they thought of themselves as being in the "railway business". In reality they were in a number of businesses: transportation of people, freight etc. Whilst railway companies were busy competing with other railway companies, the automobile and air travel stole much of the business that they were actually in. In the same way it is important for 3G operators to realise that they are not competing in the "3G communication" business. They may choose to compete in a variety of areas such as entertainment, financial services etc. These are the fundamental benefits that they may seek to supply.

The market segment that is eventually selected should be one for which the operator either has, or can build, a strong position. Ideally he should choose a position that others will find difficult to replicate. It should also be a segment that is large enough and attractive enough to meet business objectives.

Indeed it is likely that an operator will want to compete in a number of different areas in order to recoup the investment in network licences and infrastructure. This may mean that he will effectively be operating a range of different

organisations, although they may share certain infrastructure.

For the first services that an operator launches, it is vital to have a compelling advantage over existing methods of delivering the particular benefit in question. It is notoriously difficult to persuade customers to switch to a new supplier, especially if it uses "untried technology". It is also relatively easy for the incumbent supplier to defend and retain his customers.

**Designing the Service or Product**

The next step is to decide what the ideal product offering might look like. This is the gold standard, the ideal if everything works OK.

It is important that this planning stage focuses on the benefits that need to be delivered if chosen market segments are to be impressed. This means defining the benefits that each variant will have. This may be to enhance the mobile office for business users, or provide accessible information for other groups. It should be clear what the new product will provide and how it is an enhancement on alternative ways of delivering similar benefits. The introduction of these services should match the technology needs of the market.

This step should include future segment planning. This means that the benefits for the first segment to be targeted must be considered together with those that will be targeted later in the product's life cycle. To start with, the product or service will target the innovators in the market. These are the people who will be the first to try any new service. Later the product, or developed variants of it, will have to be able to appeal to the "majority" who may be seeking different benefits. Typically, it may make sense to start with a simple service. This can build understanding in the marketplace. More complex offerings can then be rolled out as the market becomes educated and more ready to accept them.

It is important to structure a product or service around clearly defined uses, but not limit potential. The challenge is to find an appropriate balance, and to avoid flooding the market with choices and creating a complex and confusing product offering.

**Reality Check**

The next step, having defined the ideal service, is to test the reality. It is time to

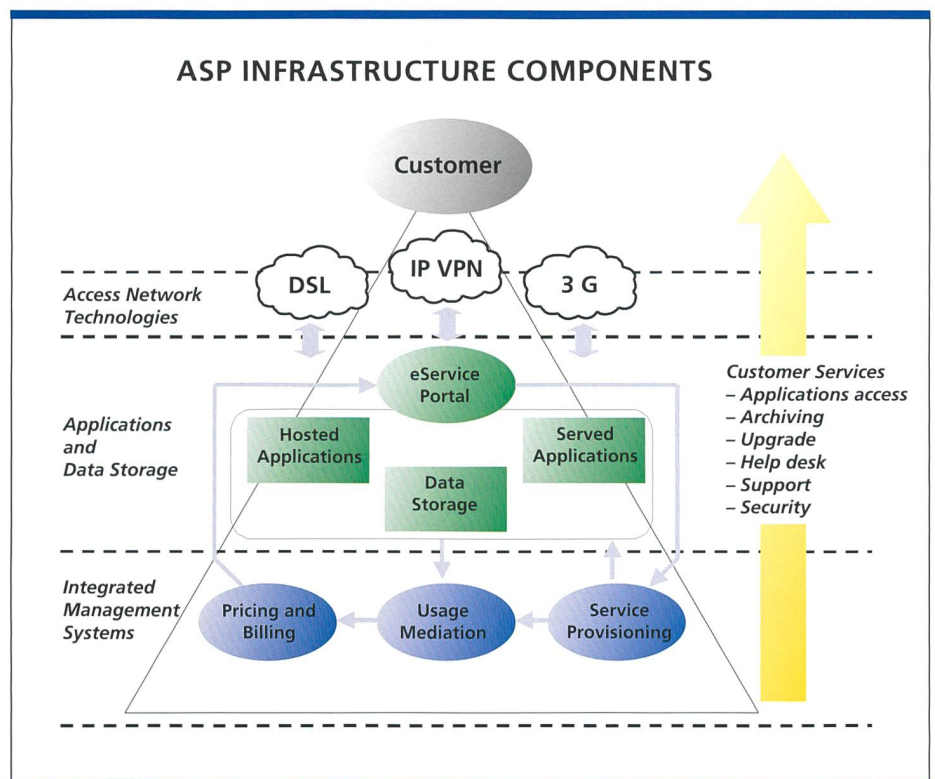
talk seriously with partners and to test out what is actually available. It is time to forget the hype and check out what can actually be done today.

A key part of this will be to check what the user experience will actually be like. This should be done with the various types of terminal devices that are actually available for use. Ideally this should be done with some typical target users. The operator should assess how impressed the target users were. This is important. The early experience of many "mobile internet" users was very negative. This has probably slowed down the overall take off of the market. The results of these tests should allow the operator to make an educated guess at the likely uptake of the service. With an analysis of the actual fixed and variable costs, he should also be able to put together a thumbnail business case. It is also important to try and identify dependencies and vulnerabilities. Which piece of technology is vital to the service's success? Once an operator knows what they want to achieve with their new products

and services, it is time to begin to build partnerships with content providers and suppliers. Unlike ISPs that provide a portal to unlimited web services, a 3G operator has the power to control what they want their customers to access. This will be key to building the revenue stream to offset reductions in pure bandwidth. The ability to select valuable and reliable content will be key to the business reputation and success. In many other industries such as video and audio equipment, it has been demonstrated that success in the longer term goes to those offering the highest quality and largest range of content. Pure technical quality can be very much a secondary factor in success, as long as the quality is "acceptable". The experience of BetaMax and VHS video formats is a case in point. BetaMax was a greatly superior technology in terms of quality, but lost out because of the relative lack of content available.

**Checking Interfaces**

The mutual reliance on content providers may well be a completely new experi-



The figure presents an overview of the components of the ASP infrastructure. It shows how the customer is provided with applications and service through the access network, applications and data storage and integrated management systems layers. The customer services depend on all three layers; the end-user makes use of an application hosted in the data centre through the access network and is correctly billed for that usage because of the usage mediation, pricing and billing management systems.

### **Cerillion Technologies**

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ence for operators. Some of the technology choices will no longer be under their direct control. It is vital that the operator's systems integrate well with those of the content providers.

It is important that the service is reliable and userfriendly. An operator has to integrate these new components into their business plan and manage not only their customers but their suppliers also.

### **Pricing**

Most operators will expect that pricing will need to change regularly to respond to competitive moves and other market developments.

However, an operator should set his pricing policy in advance. Next to the actual functions of the service itself, pricing policy is one of the most important factors in determining how consumers view the service.

Key issues to determine are the level of complication and the quality perception of the pricing policy. Depending on the market segment being targeted, the operator may want to choose a simple pricing structure that will be easy to understand and will minimise confusion. On the other hand, he may want to have a very detailed plan to give the impression that the offer is very cost effective. Similarly, the operator may want to position as a cost leader or as a quality leader in the market-place.

It is important to point out that these decisions have a long term and fundamental influence over the market's perception of the quality of the service and the operator providing it. Tactical pricing

therefore needs to be undertaken with care not to confuse customers by running counter to the pricing image that has been built up.

Naturally pricing should be commensurate with the other elements of the marketing mix.

### **Channel Partners**

If channel partners are to be used, they must match the overall image of the mix. If they do not, customer confusion can result. The importance of this can be imagined if one considers the thought of selling for example designer fashion through corner convenience stores.

Mistakes can damage the value of the product brand.

### **Promotion**

The final piece of the mix to decide is the method of promoting the service. The exact method of doing this will depend on all of the decisions that have already been made on the marketing mix.

It is worth pointing out, however, that it will probably take a lot of effort to take business away from the traditional provider of the benefit being delivered. Some believe that an operator may have to spend at least ten times as much on marketing communications and sales effort as the incumbent supplier will have to spend in order to defend.

Depending on time and resource considerations therefore, it may make sense to phase the approach. An operator might decide to target the innovators in the market segment first in order to develop momentum. To construct a plan to do

this most effectively an operator needs to consider diffusion theory.

### **Measurement and Adjustments**

Once the service has been launched, it is important to measure its success. The principle reason for doing this will be to decide on the future allocation of resources between this particular service and others in the portfolio. This therefore has to be an analysis that is made relative to the other services that the operator is offering. Ways of doing this are discussed in another white paper.

### **Planning Order**

When working in the order discussed above, the operator may often find that decisions in the later sections become obvious. If enough time and effort is devoted to the proper definition of the target market segment and the positioning of the service for that segment, the other decisions often follow logically.

### **Speed versus Perfection**

In the real world, there may not be time to carry out all of the analyses suggested above. By "gold plating" the launch plan an operator may end up missing the window of opportunity. A balance therefore needs to be struck between time to market and the perfection of planning.

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*Robin Burton, Marketing Manager,  
Cerillion Technologies Ltd*

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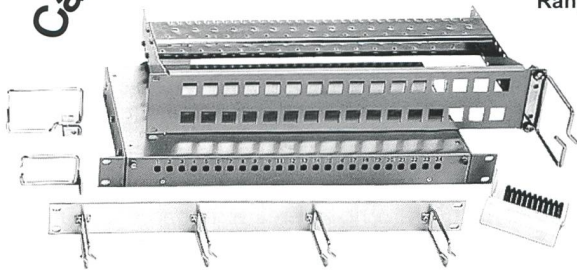
## **Zusammenfassung**

### **Entwicklung eines erfolgreichen 3G Service**

Die Welt wird nie wieder die gleiche sein. Die 3G-Technik wird unser Leben von Grund auf verändern. Doch wie bringen wir heute einen praktischen und erfolgreichen 3G-Dienst auf den Markt? Wer seiner Sache sicher sein will, muss mit Bedacht zu Werke gehen und langfristig denken. Langfristiger Erfolg ist nur um den Preis sicherer Hintergrunddaten zu haben. Es reicht nicht, dem Markttrend zu folgen. Die vielen gescheiterten dot.coms sind der beste Beweis dafür. Die Marketingtheorie liefert ein sechsteiliges Planungsmodell, das 3G-Betreiber, die sich auf unbekanntes Gebiet vorwagen wollen, beherzigen sollten: People, Position, Product, Price, Place or Channel, Promotion. Auch an die Reihenfolge sollten sie sich halten, denn je schwerer sich eine Größe ändern lässt, desto weiter vorn reiht sie sich ein.

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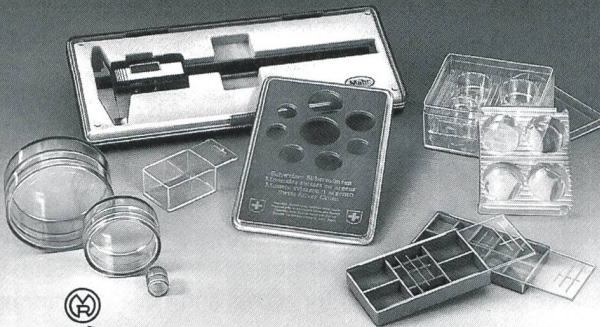
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