i-mode Strategy

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Japan

Translated by Ruth South McCreery
The Word Works, Ltd.
Yokohama, Japan
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About the Author

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Takeshi Natsuno is directly responsible for all of strategy i-mode, the world’s largest wireless Internet service, with more than 34 million subscribers. After he graduated from Waseda University, he first joined a leading company in the Japanese energy industry. After gaining extensive experience in real estate development projects there, he entered the Wharton School at the University of Pennsylvania and earned an MBA. Before he joined NTT DoCoMo in 1997 to launch the widely i-mode service, he was an executive vice president at an Internet start-up company from 1996 to 1997. He is well known as the founder of i-mode and was selected as one of the 25 most influential e-business leaders worldwide by Business Week in 2001. He has also written *i-mode à la mode*, a sequel to this volume.
At two in the afternoon, Wednesday, August 1, 1997, in the President’s office on the tenth floor of the NTT DoCoMo headquarters in Toranomon, Tokyo, the then President, Koji Ohboshi, who is now DoCoMo’s chairman, said to me ‘We’re going to start up a mobile multimedia business based on cell phones!’ and handed me a fat report from McKinsey & Company.

My gut reaction was ‘This sounds like a cool business.... we have a good chance of success,’ but then I realized that the project team had only one member – me. ‘What about some staff?’ I asked, and Ohboshi replied, ‘Bring together whomever you like.’ The rest is i-mode history.

As is not unusual for salaried employees in Japanese corporations, my network of connections outside my own company was limited. How on earth was I to put together a team? I called my old friend and business mentor Masafumi Hashimoto, President of a printing company in Kumamoto, and asked him to give me some leads for acquiring the team members I would need to help me.

That is how Mari Matsunaga joined the team. Through her, we also acquired Takeshi Natsuno, the author of this volume. Masaki Kawabata joined us to handle the server side of the business.

It was the characteristics and capabilities of the individual team members combined with our shared conviction that we were bound to succeed that made a success of the i-mode project. To those who want to learn more about the project’s early days, I recommend Mari Matsunaga’s book, The i-mode Affair (i-modo jiken, Kadokawa Shoten).
As the number of i-mode subscribers started climbing, the media, even overseas, began to show interest. One day, a television crew from the United States came to do a story on us. The reporter asked, ‘Are you interested in history?’ When I said yes, he asked, ‘Then what historical event do you think i-mode corresponds to?’ That was a new way of looking at it. I remember feeling impressed at how different his approach was from the Japanese reporters.

The reply that instantly came to mind was Columbus’s discovery of America late in the fifteenth century. Many Europeans agreed with Columbus that the world was round, but he was the one who dared to set out to prove it – and discovered more than he had bargained for.

If the European continent is the personal-computer-based, wired Internet market of today, then i-mode is America, the new world. People had talked about the possibility of Internet access from cellular phones, and some had tried it, but no one had seriously set out to do it – until, that is, our i-mode development team embarked on its voyage of discovery.

Today, five hundred years after that new world was discovered, the Americas have surpassed Europe as a market. i-mode has a similar potential. It will be a market to rank with the wired Internet market. That is why the eyes of the world are on i-mode.

Cellular phones, browsers, a packet-switching network, servers, and content – they make up i-mode. But the technologies (and the content) were already out there. It took no huge invention to make i-mode possible. Many, learning about the process, will think they could have done it too: it is easy when you know how. Why am I reminded of Columbus’s egg?

Before launching i-mode, we spent a long, long time hashing it out thoroughly. Where is our market? What is the product concept? What technologies will make it a reality? What about the fee structure? Content? Marketing? How will we drive continuous growth? Those discussions led to the success we see today.

Mari Matsunaga’s book is, as it was, a log of the voyage of discovery. Takeshi Natsuno’s book describes the seamanship that made it possible.

But this book covers more than the basics of how to navigate. It is a business strategy book that tells the reader how to conquer the incredibly rich new world of mobile multimedia opening out before us.

The world’s cellular phone market will change into a mobile multimedia market. Who will be the winners in that market is yet to be decided. Cellular phones, components, network equipment, servers, software, content, and telecommunications providers – enormous opportunities await
all those involved in mobile multimedia. I hope that you will read this book, learn from it, and go on to toast your own success in this new world. So now, let it begin – the story of the start of the i-mode development saga.

October 2000
Keiichi Enoki
NTT DoCoMo Director, Gateway Business
Two years have already passed since I finished writing *i-mode Strategy* in Japanese, describing the use of the service that has made specially formatted Internet sites and other online content available via NTT DoCoMo’s mobile phones. Since then, the number of i-mode users has increased in line with one of my personal theories, which I call the IT Business Principle – namely, that in the case of information-technology business, numbers tend to increase far beyond original expectations. When the book was published, at the end of 2000, there were about 18 million i-mode users in Japan; as of August 2002 the figure had surged to over 34 million. This amounts to more than 80% of DoCoMo’s subscribers, and it is more than a quarter of Japan’s entire population. (For details of the increase, see Chapter 1.)

For DoCoMo, i-mode has been a major new source of earnings. In the business year ending March 2002, the company’s i-mode data transmission (packet transmission) revenues topped ¥700 billion. This consisted of a tremendous accumulation of tiny amounts – ¥0.3 per packet – and accounted for more than 10% of total revenues for fiscal 2001.

Along with the sharp increases in the number of users and volume of revenues, the past two years have seen a dramatic improvement in the content of i-mode services. In January 2001, just after this book was published in Japan, DoCoMo launched its i-αppli service for downloading software applications, allowing users to install additional programs of their own choice on their mobile phones just as they can do on their personal
computers. As of August 2002 there were some 15 million i-appli users; in other words, close to half of all i-mode subscribers were using this additional software. The programs are compiled using the Java programming language developed by Sun Microsystems; the 15 million i-appli users can be seen as constituting the largest Java community in the world.

Since the second half of 2001, DoCoMo has been working to extend the range of ‘scenes’ where mobile phones can be used. The range of additional uses that are now turning into reality include buying drinks from vending machines, making purchases at convenience stores, and withdrawing cash from bank ATMs. We are approaching the time when mobile phones will become ‘electronic wallets’, as I advocated from the beginning.

The new high-speed data transmission service FOMA (Freedom Of Mobile multimedia Access), launched in May 2001, is making i-mode even more attractive by allowing users to send and receive large volumes of data more quickly and easily than before. This makes it possible, for example, to download more complicated software applications. And with ‘i-motion’ users can download and watch video clips. I see this as a field with great potential for further development of i-mode services.

Another change over the past two years has been the internationalization of i-mode. DoCoMo has entered into alliances with overseas telecommunication carriers that recognize the merit of the i-mode business model, including KPN Mobile (Netherlands) and AT&T Wireless (United States), and i-mode gradually is becoming available in other countries. In my own work, I am constantly traveling to other Asian countries, Europe, and America to promote the further spread of i-mode services around the world, as well as striving for the further improvement of the services available in Japan.

In this book I offer an extensive introduction both to the basic i-mode concept, which is grounded in the theory of complex systems, and to the actual operation of i-mode services. I hope that it will both contribute to an understanding of i-mode and offer hints for readers in developing their own IT businesses.

Takeshi Natsuno
August 2002
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