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2010 Mobile Trends

by **Thomas Husson**

with Mark Mulligan, Ian Fogg, and Laura Wiramihardja

EXECUTIVE SUMMARY

2010 will be a key transition year at the start of the mobile decade — not only will we start moving toward more mainstream mobile services audiences but a strategic shift will also take place. Companies of all shapes and sizes as well as governments and local authorities will start integrating mobile into their overall approach, rather than simply launching a few mobile initiatives. Expect new application stores and mobile payment solutions, significant innovation in the mobile social and location spaces, and another round of interest in mobile TV for the FIFA World Cup. One big question will remain: Will fragmentation be reduced? Unfortunately, the answer is no: It is here to stay. That's why everyone needs a mobile strategy in 2010.

NEW MOBILE INITIATIVES WILL CONTINUE TO DRIVE CONSUMER ADOPTION OF MOBILE

Despite the economic recession, the mobile landscape performed well in 2009. A growing number of brands launched a mobile presence, leveraging increasing consumer awareness of the potential of mobile services. New entrants blurred the traditional value chain boundaries: There was continuous consumer demand for Apple's proprietary ecosystem; Google acquired mobile ad network AdMob for a significant \$750 million; and Internet service providers (ISPs) entered the mobile market, as with Iliad's acquisition of France's fourth third-generation (3G) license. What trends should consumer product strategists expect to see in 2010?

The 2010 Key Trends

Rather than just speculating on a potential new iPhone, we looked at the myriad new innovative services that will launch in Europe and created a snapshot of the main trends likely to happen in 2010:

- **More brands will invest in mobile, and buzz around applications will continue.** It is amazing to see how open brands are to vendors' suggestions of developing rich media applications — and iPhone apps in particular. They are definitely right, as long as they have a clear vision of their mobile road map and know who they can reach and at what cost. Organizations will thus dedicate more staff and resources to mobile and will develop their mobile strategy. Many brands will also realize that they need budgets to promote their apps, and, more importantly, that they need to plan their next steps — be it upgrading their service, porting the app to a different environment, such as Android or Symbian Series 60, or, more likely, creating a mobile Web site. As a result, mobile advertising spend will increase.

- **The mobile Internet will be bigger than you think.** The support of Flash and the improvement in mobile technologies like HTML5 will start to reduce the advantages that creating an app offers over a mobile Web site, especially when it comes to offline use and integration with handset features — as Google is already demonstrating with its Latitude Web site for the iPhone and Android. However, apps will continue to offer advantages — for example, if you want to integrate more deeply and more widely with the handset’s core functions, such as GPS, the camera, or the address book, or you need to use the free push notification that Apple provides, or you want to differentiate by delivering the best offline content experience. In more mobile-savvy countries, such as the Nordics and the Netherlands, mobile hype will focus more on Web apps that leverage mobile browsing technologies.¹ Forrester forecasts that the mobile Internet will reach 22% of European mobile users by the end of 2010.² This will create an opportunity for brands to reach more consumers at lower costs.
- **The controversial “Net neutrality” debate will move to mobile.** Coupled with mobile broadband penetration for laptops, mobile Internet adoption on mobile phones will generate a data traffic explosion on operators’ networks. As most operators want to play a larger role in the value chain than just becoming “fat pipes,” they will force a debate with the telecom and media regulators, and possibly redefine their data access pricing.³ Forrester expects 40% of the European mobile population to be on 3G networks at the end of 2010.⁴ However, this does not imply that operators will accelerate the path to fourth-generation networks. There will be interest in the launch of LTE mobile broadband networks in the Nordics, but it will still be very early days for the technology. Forrester doesn’t expect it to be rolled out massively for several more years.
- **Innovation in mobile payments will accelerate.** Now that brands have started rolling out a mobile presence, they will want to move from a service to a transaction model. Despite the launch of several Near Field Communications (NFC) handsets in 2010, Forrester does not believe the market will scale any time soon.⁵ Most of the innovation will come from: application billing — expect Android to offer operator billing in several European countries; microtransactions, particularly for virtual goods, which are likely to emerge first in the gaming industry; and mobile remote payments, which are likely to emerge for useful everyday transactions, such as tickets and parking. The evolution of EU regulation is opening up the space for new entrants, be they innovative startups like Square and Zong, operators, or large Internet players. With more than 100 million accounts, Apple has the potential to launch its own payment system and to offer a disruptive solution.
- **Google will shake up the mobile navigation business.** Google managed to bypass both its digital map provider Tele Atlas in the US and the operators by setting up a proprietary location intelligence system. By launching a *free* Google Maps Navigation service on new Android phones, it will be in a position to offer location-based services to larger audiences in line with

the growing market share of Android-powered phones. We expect Google to quickly replicate this approach in Europe, potentially working with an independent digital map provider, such as AND, during a transition period. European operators providing their own branded services, such as Orange Maps, will continue to struggle to monetize their paid, off-board navigation solutions, while software navigation providers will need to add significant value-added and premium services to their offerings if they want to charge niche consumer audiences.

- **Location will start enabling richer mobile experiences.** We expect location to move away from being just a service to become a key component of mobile social experiences and of mobile marketing campaigns.⁶ Such an experience will happen behind the scenes: The mobile phone will know where you are and will provide personalized services based on that location as part of your context. Services that mix location and social experiences, such as Rummble, will flourish. Retailers and brands will launch location-based coupons to drive foot traffic to their physical outlets, but the market will primarily remain at the trial stage. Mobile augmented-reality apps will continue to attract lots of interest from consumer product strategy professionals in search of innovation and new business models. Despite the hype and because of the early-adopter audience and unstable technologies, these services will not generate any meaningful revenues in 2010.
- **Social Computing and mobile phones will expand their love affair.** More handset makers will copy HTC, Motorola, and Palm and integrate social network support into phone address books. It will become a standard phone feature. Promoting Facebook and other social networks is a way for operators to drive mobile Internet adoption and acquire new customers. The Vodafone 360 initiative is one of the boldest operator moves to remain competitive in the social media era.⁷ We expect many operators to follow suit and roll out innovative offerings in 2010. Brands and retailers will also increasingly add a social component to their mobile commerce offerings, giving consumers the ability to review product ratings from their social graph and other consumers while shopping and making product purchase decisions.⁸
- **Live mobile TV will be hyped . . . again.** Following the 2006 FIFA World Cup and the 2008 Beijing Olympics, the 2010 FIFA World Cup in South Africa is likely to be another opportunity for vendors to promote their broadcasting technologies. Forrester continues to believe that such events can act as a marketing catalyst to stimulate consumer demand but that they won't drive meaningful adoption. Essentially, sports events are an opportunity for social gatherings. You may watch a match live on your mobile if you're stuck in the office or in a traffic jam, but you're more likely to be interested in value-added information services or on-demand videos. Working with new networks, such as DVB-H, requires an investment that most operators are not ready to make, especially given that they are still leveraging their 3.5G and Wi-Fi networks to promote both live TV and video on demand.

Other mobile content categories will generate either more revenues (such as mobile games) or more mainstream consumer adoption (such as mobile music) than live mobile TV. Forrester will update its mobile media forecast for 2010 to 2015 in Q1 2010 to provide more details.

Fragmentation Is Here To Stay

Mobile browsing is very different from the basic PC browsing space where, so far, you've had only Microsoft's Internet Explorer or, in the past few years, Mozilla's Firefox. From a technology perspective, mobile looks like a complex and fragmented world. It is and will remain so:

- **The operating system (OS) arms race will heat up.** Handset manufacturers will launch new operating systems. Samsung, the second-largest handset manufacturer worldwide, with more than 200 million devices sold in 2009, announced it would launch its own OS. While it still supports Android and Windows, the South Korean giant wants to play its own game and open its APIs to developers. This could be a game-changer in countries where Samsung is performing strongly, such as France, the Netherlands, and the UK. Nokia also announced that it would launch another next-generation phone on its new Linux-powered Maemo platform, despite revamping Symbian's user interface. The OS race is just getting started, and that's a long-term game in which you need to play different cards.
- **Some operators will want to reduce their increasing dependency on Apple.** Because of continuous consumer demand for the iPhone, operators are starting to question the profitability of the device. They heavily subsidize the device — by up to €300 — for limited incremental monthly data revenues, often around €10, while content sales via the Apple App Store do not appear in their profit-and-loss accounts. Exclusive deals, as with Orange France and O2 UK, were initially a way to capture the most valuable and profitable clients from direct competitors but now offer limited interest. Apple's competitors are also taking legal action, asking the regulators to scrutinize the details of its distribution deals with operators. This could raise lots of controversial issues in 2010. In the meantime, some operators are promoting their own branded handsets as well as other platforms and, in particular, Android so that they are less dependent on Apple's growing power.
- **Google's Android will gain traction but will also be a fragmented platform.** More and more handset manufacturers will launch Android-powered devices with the support of operators, even though they have the same fears as with Apple that they are ceding too much control to a new entrant. It's not only new entrants like Acer, Huawei, and ZTE that are looking for a cheaper and scalable OS but also traditional handset brands like LG, Motorola, and Samsung. Google's aim is to create the largest reach possible to monetize its huge inventory via items like Google Search, Maps, and YouTube. But handset brands will want to differentiate their Android products, adding a layer of fragmentation to the Android OS, following the examples of HTC Sense and Motorola Blur.

- **Application stores will continue to flourish, but none will replicate Apple's success in 2010.** Even though Google is more likely to foster a mobile browsing ecosystem, it has to differentiate itself in the application space, and Android is likely to be the main competitor to Apple in 2010. Not all handset manufacturers have launched their application stores yet; when they have, they rarely have relevant local content. Following Orange's and Vodafone's initial steps, we expect many operators to launch their own multiplatform stores. Nokia also clearly stated that it didn't meet the market's expectations in 2009 and will relaunch its Ovi store in Q1 2010. The challenge for these players will be to integrate hardware and software to promote a compelling user experience and to successfully manage a network of developers. Many of them have the assets to do so, but execution is critical — and Forrester expects several application stores to struggle to emerge in 2010.

RECOMMENDATIONS

A MOBILE DECADE IS OPENING UP: LET'S START YOUR JOURNEY

In the past 10 years, mobile phones have changed the way we communicate and live. In the next 10 years, they will change the way we do business. The mobile media and commerce markets offer long-term opportunities for forward planning. If you're a consumer product strategy professional defining or refining your brand's mobile product and services, what should you do in 2010?

- **Build a realistic mobile business case.** Let's be honest: Despite its disruptive potential, mobile won't change your bottom line in 2010 or even in 2011 or 2012. However, companies are starting to report the millions of euros of revenues generated directly via mobile.⁹ The best-performing players will even report dozens of millions next year. Beyond direct revenues, mobile can play a key role in satisfying your most loyal customers, as the travel industry proves.¹⁰ It is also a way to reduce costs. You just need to quantify your objectives and define your quick wins for 2010 in the context of a broader medium-term strategy. At the very minimum, you should have a clear mobile road map for the next two years and define the ROI of mobile.¹¹
- **Start pushing for more resources and obtain management validation.** You're reading this report, so you're probably already convinced of the benefits of launching mobile consumer products and services. However, you may have skeptical colleagues who still believe they should wait for the market to mature and who are not interested in discussing just "millions" of euros of revenues. There is no point in creating convenient mobile products if your customers don't know about them, so you'll need a budget to promote your app or your mobile Web site; you must also anticipate their impact on other departments, such as IT, training, and your sales force. Your CMO at least needs to be involved in the thinking and to orchestrate the branding experience with other business units.

- **Recognize that there is no single silver bullet to reach all your customers.** Your customers own many different devices that rely on different development environments. Porting your services to an iPhone, a BlackBerry, a Windows Phone, an Android device, and/or a Symbian device might be costly. However, don't believe those who claim that they can automatically develop for a multiplatform environment at a low cost. Cross-platform development will remain the Holy Grail of developers. If you want to optimize the user experience so that it doesn't damage your brand, you will need to take hidden costs into account. Even with the mobile Web or with SMS, you can't convey the same message to all your customers. You need to adapt the message and select the technologies based on the various Mobile Technographics® Profiles of your customer base.¹²

ENDNOTES

- ¹ Instead of launching an iPhone application, the PMU (the French horse-racing monopoly) launched a very usable and optimized mobile Web site in December 2009. Source: Pari Mutuel Urbaine (<http://pmumobile.fr/#/HOME>).
- ² As mobile phones are now ubiquitous across Western Europe, the industry's attention has turned to the mobile Internet arena. Despite the recession, mobile Internet adoption will continue to grow significantly, with audiences tripling from 13% of Western European mobile users in 2008 to 39% in 2014. The current economic climate will lengthen handset renewal cycles, foster the development of low-cost offerings, and boost the uptake of SIM-only contracts. However, it will only slightly reduce the pace of growth for those elements that stimulate mobile Internet usage: 3.5G and Internet-centric mobile phones as well as all-you-can-eat data plans will be widely available in the next five years. In the next decade, the mobile Internet will replicate the success story of the PC-based Internet. As Europe is one of the most diverse and saturated mobile landscapes in the world, the challenge will be to adapt to local conditions to increase the usage of new services. Forrester recommends that consumer product strategists carefully analyze the differences across Europe and take a detailed look at each national situation when defining their strategies. See the August 28, 2009, "[Western European Mobile Forecast, 2009 To 2014](#)" report.
- ³ Mobile operators are offering more flat-rate Internet access tariffs to grow data revenues. They are attempting to retain their value chain position using smart pipe business models that are similar to those that home ISPs are deploying to generate new revenues. See the September 17, 2008, "[Smart Pipe Business Model](#)" report.
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- ⁵ Many firms in the mobile and financial arena in Europe want to replicate the success of Japan's mobile contactless payments. Many of them are focusing on leveraging a standardized technology — Near Field Communication (NFC). Forrester warns that mobile contactless payments won't hit the mass market for another decade for two main reasons. First, players throughout the value chain need to iron out unclear business models. Second, consumers need to change their existing payment habits, which will take time — and they haven't yet been given any reasons to change their behavior via marketing efforts focused on the benefits of contactless payments. However, NFC is much more than a mobile payment technology. It will enable a range of applications and services from various industries, linking together mobile marketing, mobile CRM, and mobile commerce. Consumer product strategists defining their mobile contactless payment strategy should take part in pre-commercial rollouts, closely monitor the evolution of the ecosystem, and focus on services to create the context for mobile payment uptake. See the July 28, 2009, "[Mobile Contactless Payments In Europe: The Reality Beyond The NFC Hype](#)" report.
- ⁶ Location is at the very heart of the mobile value proposition. Thirty percent of European online consumers with mobile phones are interested in using mobile GPS/navigation services, while 52% of smartphone owners with unlimited mobile Internet packages already do so. Beyond navigation services and mapping, a range of innovative location-based services (LBS) for mobile phones is emerging. Coupled with consumer interest are significant changes in the value chain, with Nokia's acquisition of NAVTEQ and Web developers' interest in the mobile platform being key drivers for LBS. Location identifiers help filter and search for information, facilitating interactions between people. If consumer product strategists manage to build a compelling user experience and reassure consumers about privacy and pricing issues, location as a service will become obsolete — and will instead become a core enabler of mobile activities. See the June 29, 2009, "[The Future of Location-Based Services: Four Service Categories Will Emerge](#)" report.
- ⁷ Mobile social activity is more than just accessing social networking sites while on the go. Mobile phones have the potential to become the hub of Social Computing activities and to be more than just a complement to the PC experience. Mobile phones will increasingly become the glue that holds the social graph together, offering creative tools and immediacy, presence, location, and context when interacting with the real world. The "always on" mobile connected handset frees the Social Web from the chains of the PC and thrusts it into the real world. Handset makers, mobile operators, and online players are jumping on the bandwagon and are willing to tap into consumers' social address book. While they have different assets to leverage in this emerging market, consumer product professionals in these companies should follow a platform play for third parties and developers to foster innovation. They need to balance business opportunities with the need to respect consumers' privacy concerns by providing them with the tools to manage their digital identities. See the October 9, 2009, "[Why Mobile Could Reinvent Social Computing](#)" report.

- ⁸ An interesting mobile initiative was launched by perfume and cosmetic retailer Sephora in 2009; it lets consumers review product ratings while at the point of sale. Source: Giselle Tsurulnik, “Sephora launches mobile service to assist shoppers in-store,” *Mobile Marketer*, January 21, 2009. (<http://www.mobilemarketer.com/cms/news/commerce/2488.html>)
- ⁹ Pizza Hut generated more than \$1 million via mobile 12 weeks after launching its iPhone application. Source: Dan Butcher, “Pizza Hut iPhone app generates \$1M in sales,” *Mobile Marketer*, October 30, 2009. (<http://www.mobilemarketer.com/cms/news/commerce/4533.html>)
- ¹⁰ Travel is inherently mobile. Now that the promise of location-enhanced services is beginning to be fulfilled on mobile phones, travelers are starting to use their devices as personal travel assistants. More than 10% of European Internet travelers use their mobile phones to look up flight or train schedules. Frequent business travelers are the ideal target group, as they are more likely to be regular users of the mobile Internet and are more likely to spend while traveling. More than 30% of them are interested in booking train tickets or checking in for a flight via their mobile phones. Product managers at hotel groups, airline companies, airports, rail companies, car rental companies, and travel-related brands need to tap into existing mobile opportunities and build mobile products that meet this burgeoning customer demand. See the December 8, 2009, “[Travel Firms’ Initial European Mobile Strategies Should Focus On Convenient Services](#)” report.
- ¹¹ “How do I justify the cost of building out our mobile services?” This is a question that Forrester is fielding with increasing frequency. With offline and online revenues dwarfing the revenues derived from mobile services outside of mobile media today, consumer product and service companies must look to attribute and quantify the broader set of benefits that mobile services generate rather than simply revenues. There are three general categories of benefits: increased revenues, lower costs, and higher performance on key performance indicators driven by consumer delight with convenient services. With an emerging medium like mobile, it is difficult to forecast consumer adoption and usage — two key elements for assessing the return on investment (ROI) of mobile services. Forrester breaks down the process of calculating the ROI of your mobile initiatives into four key steps — identifying benefits, estimating the value of the benefits, calculating costs, and building a model — to help justify the resources you need for mobile without getting lost in the details. See the January 11, 2010, “[The ROI Of Mobile](#)” report.
- ¹² The mobile revolution is only just getting started. Consumers will continue to shift their attitudes toward mobile phones — perceiving them not only as communication tools but also increasingly as entertaining and productive devices that can help them in their daily lives. More than 40% of European consumers are beginning to demonstrate sophisticated usage of mobile services. Do you know the mobile profile of your own customers and target audiences? If not, you should — as this is the first step in developing your mobile strategy. See the November 5, 2009, “[Mobile Technographics® In Europe](#)” report.