

URL: <https://stvp.stanford.edu/blog/videos/how-the-wireless-markets-evolved-in-us-europe-and-asia>

Danger was able to break into the US market by convincing wireless carriers to adopt a fixed rate pricing scheme for the device, which is almost essential in the minds of Americans for using services like AIM and web surfing. The Asian and European markets are further ahead and calls are cheaper, making it more difficult for the Hiptop to be profitable.



## Transcript

So, earlier Andy was talking about how we're able to show these metrics to the carrier, how the device can benefit them.. We were also able to show the metrics of how because we have a service on the backend that's acting as a proxy for the internet.. We can compress things a great deal.. So, we can make a much more efficient use of the wireless bandwidth that was available than, say, a pocket PC device with a GPRS radio modem in it that's connecting to an ISP.. And based on that, and those analyses, we were able to convince them to launch the product with flat-rate data pricing.. We're the first consumer flat-rate data plan in the United States.. And, that was a huge triumph because you don't want your users who are used to having broadband dial-up and surfing web pages without regard for how much it's going to cost them.. They know they're going to pay a fixed amount per month, or how many instant messages they send someone.. You want to replicate that experience.. You don't want them to be worrying about, "OK, if I send this IM is that going to be another 5 cents on my bill?" or "If I surf this webpage, is that going to be another 25 to 50 cents?" So, we recognized that as a key part of this product, from consumer's point-of-view, it had to replicate that experience..

One of the analogies that we use is, this isn't totally the same thing, but, do you have a cell phone? You understand what it's good for.. You can access content that you used to be able to access only with your desk phone.. The benefit of it is that you have it with you no matter where you are.. We felt like it was about time for that same thing to happen for wireless data devices.. You know what the weather is good for.. You know what email is good for.. You know what instant messaging is good for.. You can imagine how much more useful that would be if you had it with you all the time.. But there's already a mindset about how you use that.. It has to be flat-rate..

So, we were able to convince them, like I said, through showing them that the data compression would make it OK for them from a profit point-of-view.. And they launched it.. As a result, other carriers are starting to follow suit, even the systems that don't necessarily make as much sense as the Hiptop.. This is also something that's very different from that the way that it works in Asia and Europe.. In both of those countries, everything is still metered.. So, in the US, we're the first ones to have flat-rate data pricing, which is very important for this kind of product.. And so, to a certain extent, when you question specifically why are Asians and Europeans are much further ahead in all these things.. Part of this is they can build by the packet.. So, SMS is a huge business in Europe because it's less expensive than phone calls and people pay for every phone call.. So, I think that business models and customer behavior allows them to go about services that they can't necessarily monetize as effectively here..

Another thing is that in the US, of course this is changing even as we speak, but there's a lot of wireless carriers.. And so, the pricing is very competitive.. And there also are multiple wireless standards, so those are issues that, I'm not an economist, but they say, "The market will take care of some of those things long term," I guess you're starting to see consolidation.. That hopefully will help drive some of those things.. Also, that part that Danger bought this compelling application that consumes some of these data capacity that they were building.. So, one can also make the argument, "What are the great wireless data

products?" Maybe there aren't that many.. So, it's also finding the right devices to push innovation as well.. And we hopefully help in that regard.. And I'm sure you've heard this before, right? But, in the United States there's just a huge penetration of desktop machines and internet in the people's homes.. And in Europe and Asia it wasn't, a couple of years ago it wasn't as significant as it was in the United States..

So, people turned to their mobile devices for some of those data services that they don't even have at home.. Their device became the only way they can receive email, for example, for some developing countries.. So, because somebody already had that solution in their living room, it helped us.. But it also put them ahead on that being prevalent in all devices...