



Chapter III

**Location Based Services:
Locating the Money**

Kirk Mitchell and Mark Whitmore
Webraska Mobile Technologies, Australia

ABSTRACT

Location based services (LBS) are considered by some to be the ‘golden child’ of wireless data services and one of the few areas where users would be willing to pay a premium for usage. Mobile Operators however are yet to be convinced, and despite acknowledging location services as strategic, have not considered it a priority. Recent LBS deployments however focusing on a holistic view of user behaviour are showing positive signs of success. These deployments focus on providing services that integrate different content from multiple sources to provide users with a coherent and logically connected flow of application options. These applications are called “Find it, Route it, Share it & Buy it. Importantly this model maximises return on investment (ROI) by motivating user to undertake multiple transactions. The challenge for those within the LBS industry is to convince mobile operators that LBS is viable and can deliver a strong ROI. Indeed, the future success of LBS is as much dependant on locating the money as it is about locating the subscribers.

INTRODUCTION

The ability to communicate across a cellular network has had a significant impact on the way both individuals and businesses undertake daily tasks to the point where today many people are totally dependent on the mobile phone. The promise

of Location Based Services (LBS) has the potential to further revolutionise consumer and commercial activity, however like many good ideas, the potential may not be realised.

LBS is considered by some to be the 'golden child' of wireless data services and one of the few areas where users would be willing to pay a premium for usage. Schema estimates that location sensitive services could generate US\$30 to \$40 additional yearly revenue per user by 2005 and US\$100 by 2010. Mobile operators however are yet to be convinced, and despite acknowledging location services as strategic, have not considered it a priority.

The challenge for those within the LBS industry is to convince mobile operators that LBS is viable and can deliver a strong Return on Investment (ROI). Indeed, the future success of LBS is as much dependant on locating the money as it is about locating the subscribers.

BACKGROUND

Mobile Phone Operators Are Under Pressure...

An important measure of value within the mobile telecommunications sector is Average Revenue Per User or ARPU. To date, ARPU has almost exclusively been generated from voice-related services. As the mobile telecommunications sector matures, a combination of factors are causing ARPU to steadily decline; these include:

- Increased market penetration of low value market segments,
- Increased market competition
- Fixation by the investor community on customer acquisition not customer spend as a measure of value
- Inability of Mobile operators to unlock new revenue streams

Until recently the decline in ARPU has been masked by double-digit user growth rates within the mobile telecommunications sector. According to the US-based company, Strategic Consulting, global user growth rates will decline from 50 to 15% by 2002 and will continue to decline to single-digit growth rates thereafter.

Seduced by the dot.com euphoria and buoyed by the success of the Japanese operator NTT DoCoMo, many operators believed wireless data was the solution to their ARPU problems. Wireless data services, however, have been slow to take off. Many claim a lack of data-enabled handsets has hindered take up while others believe that operators simply don't have a compelling business model. One thing for certain is that many operators made the mistake of comparing wireless data services with those services available on the web and commenced to migrate readily available fixed content to wireless devices. Experience has since shown that only

14 more pages are available in the full version of this document, which may be purchased using the "Add to Cart" button on the publisher's webpage: www.igi-global.com/chapter/location-based-services/26467

Related Content

Barriers to Electronic Commerce Adoption Among Small Businesses in Iran

Morteza Ghobakhloo and Tang S.H. (2011). *Journal of Electronic Commerce in Organizations* (pp. 48-89).

www.irma-international.org/article/barriers-electronic-commerce-adoption-among/68372

Personal Information Privacy and EC: A Security Conundrum?

Edward J. Szewczak (2004). *IT Solutions Series: E-Commerce Security: Advice from Experts* (pp. 88-97).

www.irma-international.org/chapter/personal-information-privacy/24760

Mobile Agents, Mobile Computing and Mobile Users in Global E-Commerce

Roberto Vinaja (2002). *Strategies for eCommerce Success* (pp. 278-288).

www.irma-international.org/chapter/mobile-agents-mobile-computing-mobile/29856

Personalized Recommendation Based on Contextual Awareness and Tensor Decomposition

Zhenjiao Liu, Xinhua Wang, Tianlai Li and Lei Guo (2018). *Journal of Electronic Commerce in Organizations* (pp. 39-51).

www.irma-international.org/article/personalized-recommendation-based-on-contextual-awareness-and-tensor-decomposition/207298

IT-Supported Business Performance and E-Commerce Application in SMEs

Qing-yi Chen and Ning Zhang (2013). *Journal of Electronic Commerce in Organizations* (pp. 41-52).

www.irma-international.org/article/it-supported-business-performance-and-e-commerce-application-in-smes/81321