Chapter 4.29
Canada:
Mobile Commerce Under Construction

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ABSTRACT

This chapter sketches the Canadian mobile commerce space. Relative to other parts of the world, Canadians have been slower in their embrace of the brave new wireless world. The Canadian mobile commerce market is characterized by relatively high costs for consumers combined with inflexible pricing strategies and the rather limited content available for wireless communication and commerce. In addition, limited network speed and robustness to handle more advanced services remain obstacles for wider application rollout and adoption. As a result, the Canadian market for mobile communication and commerce will remain dominated for some time to come by consumers' demand for reliable and low-cost voice services.

INTRODUCTION: MOBILE COMMUNICATIONS IN CANADA[1]

Canada's telecommunications market is characterized by a relatively strong growth in wireless services, high levels of penetration of broadband Internet services and moderate competition for local and long-distance services (Budde, 2005). A recent slowdown in revenue growth for the industry as a whole is due to increasing competition that puts pressure on prices and fuels investment in product and service innovation. Together with wireline services, such as cable and direct-to-home, and multi-point distribution systems (DTH/MDS), the wireless segment has driven growth in the communications service industries. Together, these three market segments account for more than a fifth (up from 14 percent in 1998) of the entire communications service market in Canada (*Statistics Canada*, 2003). Revenue in the resellers,

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satellite and other telecommunications segments has remained relatively stable since 2001.

Canada's mobile industry has been expanding significantly from its inception and, according to Informa Telecoms and Media Group (2005), demand is expected to remain strong for the foreseeable future. This assessment is likely to hold true as currently only just above 50 percent of Canadians (about 15 million) have access to a wireless device and subscribe to wireless products and services.[2] Hence, with regard to wireless adoption, Canada ranks quite low internationally, leaving room for growth.

One reason for such slow and low adoption of wireless services is the inflexible and comparatively high cost structure in the Canadian cell phone market, protected by what could be called an oligarchic market structure. Within such a market, lowering price points or pushing different payment models, such as the prepaid phone card, to attract higher volume of what are typically lower margin customers, is not essential. In addition, wireless operators have invested a rather modest C$12 billion in infrastructure and services since 1990 (Informa Telecoms Media Group, 2005). Yet, in 2003 alone the Wireless Service Providers segment, which in Canada includes Bell and its partners (Bell Mobility, Aliant Mobility, MTS Mobility and SaskTel Mobility), TELUS Mobility, Rogers AT&T Wireless, Microcell Telecommunications Wireless services as well as paging companies and other radio communication carriers, generated C$8.2 billion in revenues (*Statistics Canada*, 2003). Relative to the total economy, the telecommunications service industry's *total* share of the economy's capital investment was 2.9 percent in 2003, its lowest level over the past seven years (*Statistics Canada*, 2004).

The Canadian market is currently split between the CDMA and the GSM/GPRS network standards. Among the dominant carriers, Bell Mobility and Telus use CDMA (or updated versions such as CDMA 2000 1xRTT or CDMA 1xEV/DO) while Rogers AT&T and Microcell (acquired by Rogers in 2004) runs on GSM/GPRS (while phasing out its TDMA network). Rogers Wireless has initiated efforts with its United States partner, AT&T, to enhance the Canadian and United States networks by introducing EDGE (enhanced data rates for GSM evolution) capability across the network. Rogers AT&T claims this to be a 3G network enhancement, but according to the ITU (International Telecommunications Union) the data rates for 3G have to be 384 Kbps and above, which EDGE does not provide. So, although EDGE is a 3G technology, the Rogers network is a true 2.5G enhancement. The other carriers follow the United States model and are moving towards CDMA 1X standards with comparable transmission speeds.

In the following sections we first provide a brief historical context for the emergence of Canada's mobile commerce industry. Then we discuss current success stories in the Canadian mobile service business and subsequently place our observations in the CLIP framework. Finally, we offer our views on the future direction of the industry and respective managerial opportunities.

MOBILE COMMERCE IN THE CANADIAN CONTEXT

Mobile commerce is comprised of many kinds of wireless services, driven by different technologies that operate within various frequency bands. Four major wireless service providers — Rogers Wireless, TELUS Mobility, Microcell and Bell Mobility (see Figure 1) — offer such services in Canada.

In 2004, however, Rogers Communications Inc. acquired Microcell, taking over its subscriber base and the Fido brand. Since their inception in 1988, all of the incumbent telecommunication service providers have increased their wireless subscriber bases. Since 1999, the increase in the number of subscribers has been particularly robust with annual growth rates for the national

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