

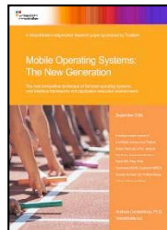
Five upsell strategies for mobile ISVs

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2006 analyst reports



partial client list



5 upsell strategies for mobile ISVs

1. move up the stack and into the air (from kernel to UI and to downloadable content)
2. move from a platform strategy to a point solution
3. move downstream (sell to OEMs, operators, content providers) or upstream (sell to ODMs, system integrators, hardware vendors)
4. move from pre-load (pre-unit royalty) to post-load (per-active-user or per-use revenues)
5. expand to new verticals (e.g. automotive, medical or logistics)

Strategy one

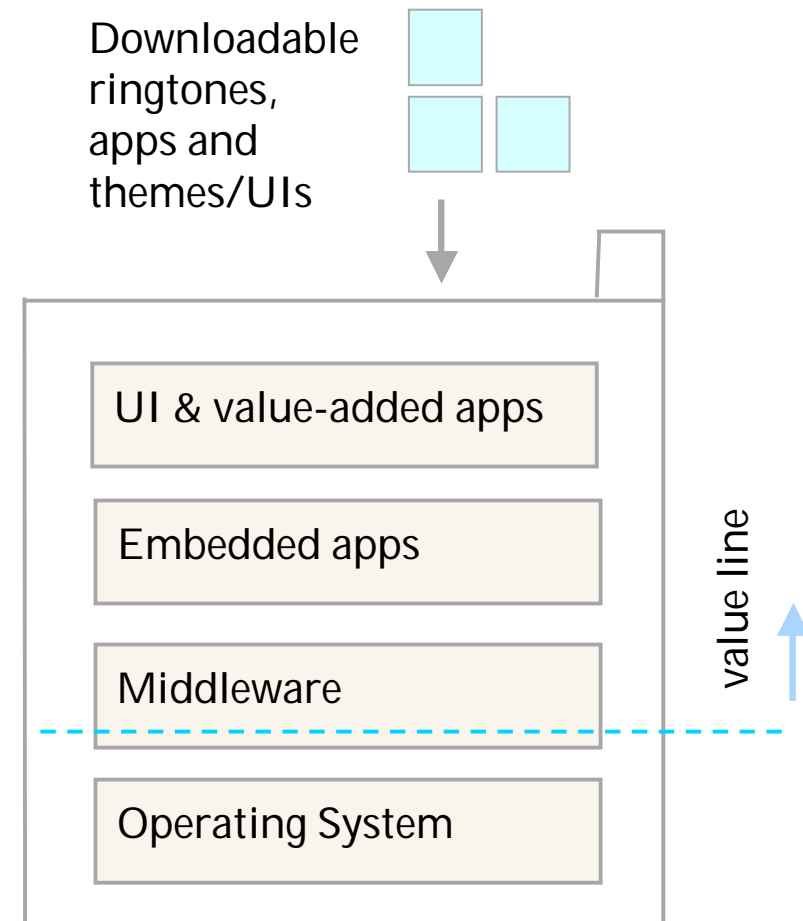
Move up the stack and into the air

Theory: The per-unit revenues increase as we move upwards from the value line (line of commoditisation), particularly in proportion to the cost of building the business. For example:

- SymbianOS = \$2.5
- Flash Lite = \$0.2
- Ringtone = \$2

Practice: TAT (from Kastor to Cascades),
SKY Mobile Media (acquired e-SIM),
Acrodea (UI + content platform)

per-unit revenue	cost to build
\$2	\$1m
\$0.2	\$10m
\$0.1	\$5m
\$0.1	\$10m
\$2	\$100m

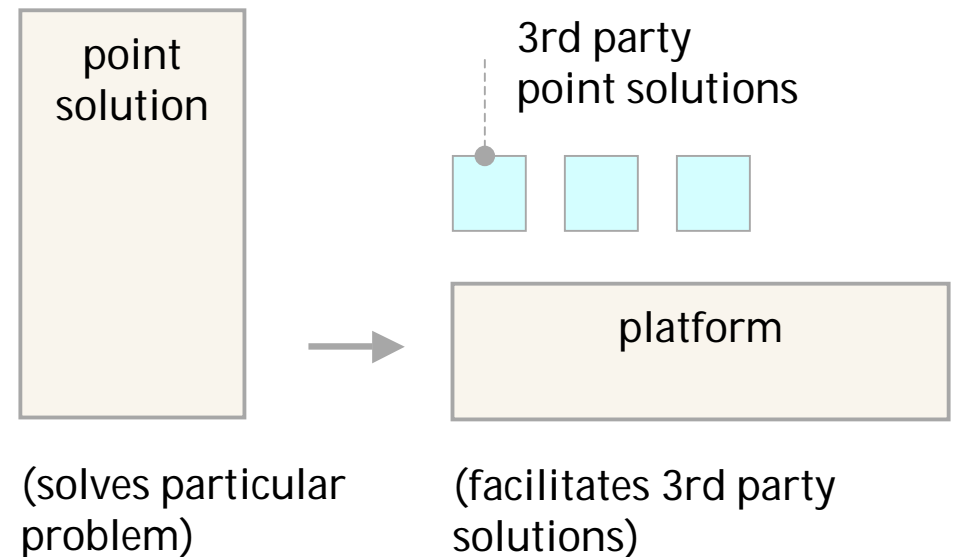


Strategy two

Move from platform to point solution

Theory: a unique technology can be platformised so that it can be leveraged by 3rd parties who build on, and thereby create demand for the platform.

Practice: Doesn't work in mobile. Neither OEMs, nor operators will easily buy platforms, but they will buy point solutions to solve a pressing problem. Plus supporting 3rd parties is very expensive.



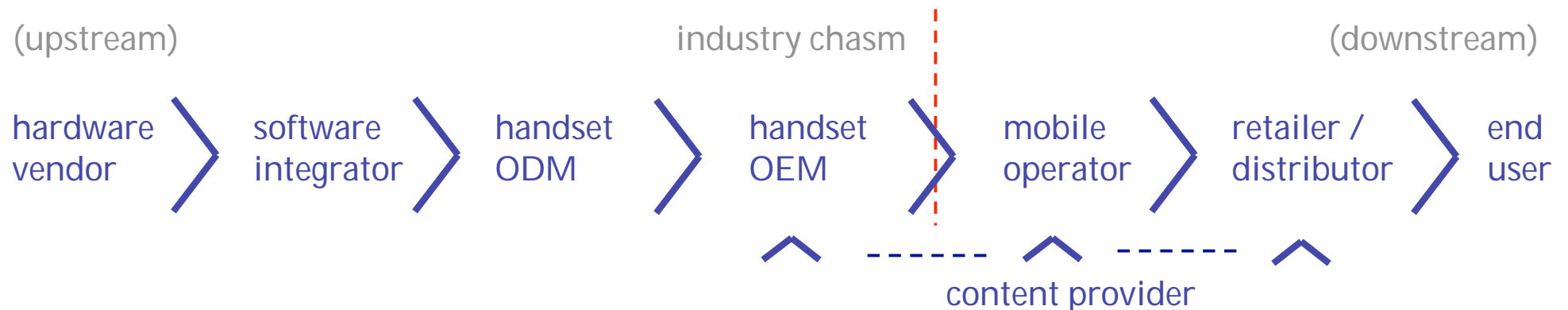
For example Shozu has been much more successful as a photo upload solution than before, when it was a sync platform known as Cognima. Open-Plug's FlexibleWare (OS platform) is finally seeing success as ELIPS (OS point solution). Exception: extending Web 2.0 platforms to mobile. e.g. Nokia WidSets

Strategy three

Move downstream or upstream

Theory: selling software downstream, i.e. to the players in the value chain towards the end-user, reduces the middlemen and increases revenues.

Practice: The value chain is fraught with challenges; if you sell to OEMs you can't sell to operators and visa-versa (they see each other as competitors); operators sales cycles are 18-24 months ; downstream business is mostly restricted to 'open OS' handsets and limited volumes; upstream is a safe strategy for disruptive technologies and has potential for volume build-up, but with long-term RoI; operators and integrators take high revenue proportion; content providers are neutral ground but usually regional



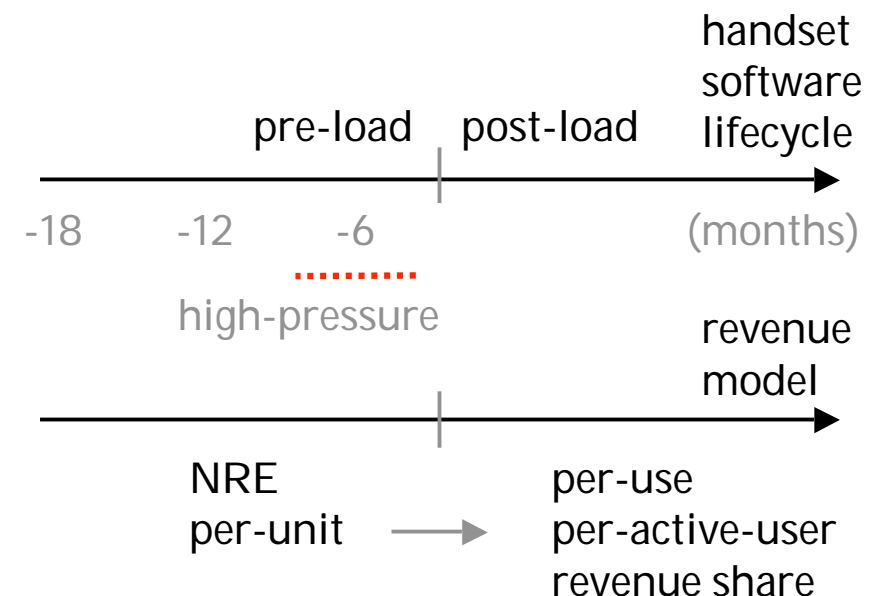
Strategy four

Move from pre-load to post-load

Theory: by selling software at the pre-load phase of the software lifecycle, i.e. before the software is embedded in ROM means NREs and per-unit royalties for the ISVs.

The post-load phase of the software lifecycle means per-use, per-active-user royalties or revenue share.

Practice: selling software at the pre-load phase means the software has to be embedded in ROM. Usually this happens at the last 6 months before handset shipment which is a time-critical phase. Moving to the post-load phase relieves this pressure. More importantly, it means higher fees (per-use or per-active-user), but at reduced volumes as the software is not bundled, but downloaded/provisioned.



Strategy five

Expand to new verticals

Theory: as the handset software industry is getting crowded, ISVs can apply their technology IP into new verticals (e.g. automotive, medical or logistics).

Practice: already a number of ISVs are targeting new segments; for example Fotonics is avoiding the high barriers to entry of the FOTA market for mobile handsets by creating firmware update solutions for terminals used in automotive, health and pharmaceuticals; mobile UI technology vendors are attracting interest from car manufacturers for use in dashboard displays.

