Summary

Executive summary

A few years ago, most observers believed usage of mobile location services in Europe would increase rapidly, but this has not happened yet. In 2005, about 5 years since launch, revenues from mobile location-based services (LBS) amounted to roughly € 144 million. However, a few location enabled services already show much promise in some European countries: handset based navigation and location-based billing of voice calls and mobile data.

Several important drivers can finally bring about a breakthrough for LBS in general. Mobile network operators increasingly seek new ways of maintaining ARPU as the price for voice calls decline due to increased competition and regulation and LBS can definitely contribute to new revenues. EU E112 regulations require location of emergency callers and has prompted operators to install positioning technology in their networks. Although there is no minimum positioning accuracy requirement yet, all operators have to provide basic location information, typically Cell-ID based. The evolution of maturing business models also make more LBS possible for various customer needs. Finally, maturing technologies, especially handset performance, enables dramatically improved customer experience of the services.

Berg Insight estimates that in 2010, revenues from location-based services will reach € 622 million and account for 1.8 percent of the non-voice services. Location based billing of data and voice calls is not included in this figure and adds an additional potential. Although location-based billing of voice calls may not be introduced in all European countries due to specific market characteristics, location-based billing of data transfer can be launched on a wider scale in order to effectively compete with fixed-line services as 3G networks are upgraded with increased bandwidth.

Until now, some of the foremost reasons for the slow service uptake of location-based services have been lack of performance and low customer awareness. Services have simply been too slow and complicated to use, or have provided little cost benefit compared to

alternatives. Operators have generally performed little marketing of location-based services and many services are hard to find even if the customer has a general awareness of their existence. Nevertheless, operators are now increasingly integrating services with their portals, which increase visibility.

Since mobile operators have been busy deploying other services, the prioritization of location-based services has largely been put on hold so far. Location is today regarded as a service enabler rather than a set of services in its own right. While some location-based services are dependent on high accuracy positions(e.g. navigation services) others such as information services are perfectly feasible using only low accuracy Cell-ID positioning. Many low accuracy technologies are still appealing because they are handset independent, allowing positioning of all handsets which of course increases the addressable market size.

In some markets, operators provide location feeds to aggregators or directly to third party application developers. This practice is very likely to become more widespread since new market opportunities are created once application developers can reach larger end-user markets more cost effectively. Both mass-market applications and niche applications can be developed when access to location data for all subscribers in all networks become available. Over 40 percent of LBS revenues come today from third party services for business customers, such as tracking and fleet management solutions. Although revenues from tracking services for the consumer market are likely to increase substantially in the coming years, the business segment will account for the majority of revenues from tracking services.

Network operators can today choose from hosted solutions ranging from basic positioning platforms to complete solutions with applications and content. Thus, even small operators in countries with few subscribers, can launch services to increase the return from necessary investments to comply with E112 regulation.

Nevertheless, there are still issues to be resolved before the full potential of location-based services can be unleashed. Location roaming needs to be possible before users can get access to services when travelling abroad. There are several possibilities to make location roaming work, notably middleware roaming and SUPL based solutions. Standardisation in this area is ongoing and in a few years time most issues are likely to be resolved.