

Can NTT DoCoMo's digital success be replicated outside Japan?

Here at STL we spend a lot of time thinking about how telcos can make up for the dramatic drop in voice revenues, in fact, we have been writing about this phenomenon and the need for business model change since 2006.

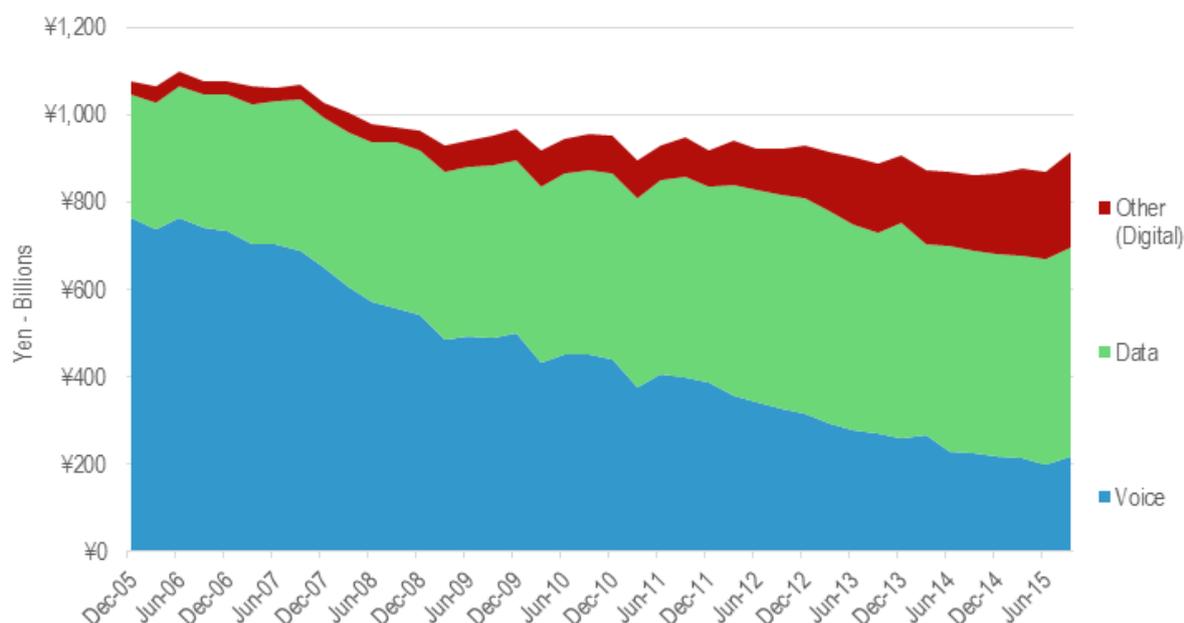
At the end of 2016 we published a report – [Which operator growth strategies will remain viable in 2017 and beyond?](#) – analysing seven different growth strategies used by telcos between 2009 and mid-2016, and came to the conclusion that only one – developing or acquiring new businesses and services – is viable for 2017 and beyond if the industry is to reignite sustainable growth.

This conclusion raises a bigger question: What kind of new businesses and services should telcos be developing, and how?

Our first report of 2017 – [NTT DoCoMo: The digital pathfinder](#) – presents NTT DoCoMo as an example for other operators to learn from, as we at STL believe it has made more effort to develop its digital services than any other operator. In fact, NTT DoCoMo realised that it needed to look for alternative revenue sources to voice very early on, in 1999, and has been incrementally developing its digital services since then.

As we can see from the chart below, these services (included in “Other(Digital)”) have not completely made up for the loss in voice revenues, however, the new revenues helped buffer the company's total revenues between 2008 and 2011 – a critical period in the Japanese mobile market, when SoftBank was the only operator to offer the iPhone in Japan.

NTT DoCoMo quarterly revenue – by business segment



Source: STL Partners, data from company annual reports

Although NTT DoCoMo's investment in digital services has helped it replace lost revenues from voice, some people claim that this cannot be replicated in other markets, citing three main arguments:

1. NTT DoCoMo enjoys a large market share in Japan, allowing it to exert more influence on the market than is possible elsewhere.
2. NTT DoCoMo started its digital journey over 10 years ago and has grown incrementally. Telcos now no longer have the time to take this long-term approach and need to adopt an immediate strategy that provides faster return on investment.

3. Japanese society, culture and consumers are fundamentally different to those of other markets, and therefore initiatives that work in Japan are not guaranteed success in other markets – for example, i-mode, which was a huge success in Japan, failed in all the 17 foreign markets it was launched in.

In our report [NTT DoCoMo: The digital pathfinder](#) we analyse and offer solutions to these arguments, as well as providing a detailed examination of NTT DoCoMo's digital journey and strategy.

For further questions about this report please contact the author Roz Euan-Smith: roz.euan-smith@stlpartners.com