

Vodafone stays in Japan with Softbank

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Having washed its hands of one of the world's most competitive telecommunications markets, Britain's Vodafone is prepared to take the plunge into Japan once again, but this time with a partner.

The mobile giant said Thursday it will work with Softbank to develop mobile handsets and content for mobile Internet devices. The Japanese software group had bought out Vodafone earlier this year for about \$15 billion to get its foothold in the domestic wireless telecommunications market.

While the two companies declined to provide financial details of the

joint venture other than to state that the operation will be capitalized at a maximum of \$100 million (11 billion yen), they pointed out whatever technology that is developed will be made available to both Vodafone and Softbank, and they also plan to provide the technology to other companies under license.



The Vodafone 905SH

"As we stated at the time of our sale of Vodafone KK to Softbank in March, we intend to continue our relationship with Softbank, one of the leading telecommunications and media companies in Japan, to benefit from insights into the Japanese market. By working together, we will be able to develop new mobile technologies and content for the benefit of our customers, as well as offering our developments under license," Arun Sarin, chief executive of Vodafone, said in announcing the latest deal.

Development efforts will concentrate in Japan, which is a "very innovation-centric market ... and we don't want to lose the window of

innovation," Sarin added.

Certainly, Vodafone had learned a hard lesson in Japan, having discovered that since it started operating in Japan five years ago its successful business model in other countries was simply not going to work in the cut-throat Japanese market. Yet many industry analysts have been skeptical about how Softbank would fare against its more established rivals such as NTT DoCoMo and KDDI, given that it has no experience in the telecom industry, even though it is the country's largest broadband provider. So a close business relationship should be in Softbank's favor, too.

"For Softbank, working with Vodafone is a great opportunity to accelerate innovation both in terms of new technologies and customer-centric services. Vodafone's size and experience in mobile together with Softbank's converged media and Internet know-how will certainly be a strong combination for driving industry-wide change in the fundamental structure of how mobile services are delivered worldwide," said Masayoshi Son, chief executive of Softbank.

"Together, we see this effort as a means of significantly driving down the cost of supplying best-in-class services to a very broad base of customers, not only in terms of initial costs, but as we plan to develop more flexible service platforms, this will allow for a richer customer experience at a lower ongoing cost," Son added.

The joint venture is expected to start operating by this summer.

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