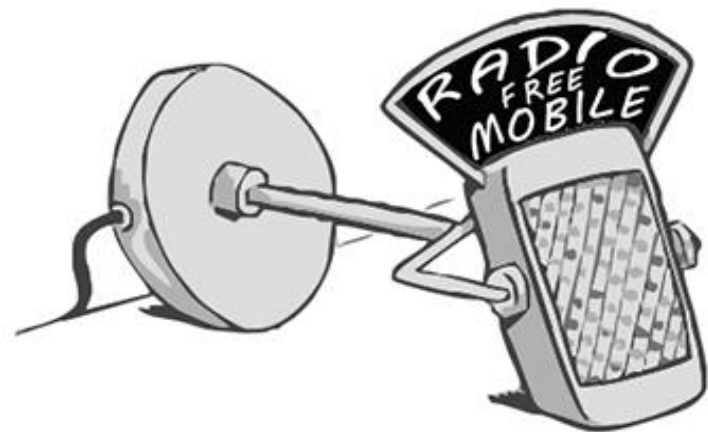


Mobile Ecosystems

Gated communities



- Walled gardens are no more....
-users can pick and choose the services that they want
- The goal for the ecosystem is to entice the user to take all its services...
- ...then the revenue opportunity is orders of magnitude greater.
- Apple extends its short term lead while Google and Microsoft retreat.
- Facebook is nascent but making all the right moves
- Xiaomi has flat-lined. It still challenges in China, but must fix the "mods"

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The days of walled gardens have passed and users can now come and go as they please. This results in users being able to pick and choose the services they want from different ecosystems. RFM's analysis clearly indicates the number of services that a user takes from any one ecosystem will have a non-linear impact on the amount of value that the ecosystem owner can extract in the long-term. The iPhone 6 has allowed the iOS ecosystem to extend its lead over principal competitors Google and Microsoft. Facebook and Xiaomi are the two emerging players that warrant close observation.

- **Gated communities.** The key for an ecosystem owner will be to ensure that users take as many of its own services as possible. This is because there is a non-linear relationship between the number of services used and the potential for monetisation of that user by any of the three established methods: hardware, advertising or subscription.
- **Google's** recent moves do nothing to solve its biggest problems which remain software fragmentation and its inability to distribute updates to its users. This combined with Google Play losing ground to the Apple App. Store puts Google in greater danger of losing its grip on Android users in developed markets.
- **Facebook** is far from becoming an ecosystem in its own right but its path to this goal has become much clearer. Utilising gaming through IM, media consumption through the increasing use of video in its apps and a personal assistant service (Facebook M), would take Facebook to 79% coverage of the Digital Life pie.
- **iOS** has distanced itself further from its peers. Share of high-end users has grown and developers appear to be more focused on the App. Store than ever. This gives it more time to execute its long term.
- **Xiaomi** had a fantastic 2014 but has completely run out of momentum as there are limits to the volumes that can be achieved via internet distribution. This means traditional distribution needs to be explored resulting in higher costs and even lower margins. Xiaomi cannot allow non-Xiaomi devices to run its ecosystem if it ever wants to make a decent profit
- **Microsoft's** strategy for consumer is increasingly unclear. The rationalisation of its mobile business means that its consumer ecosystem will decline. Other options to address consumer via Xbox or cross device will be harder to execute and only the Digital Work ecosystem is likely to excel on the platforms of others.

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