

Creating Extra Value with a New Medium-term Plan toward 2020—Refining Intuition through Experience, Feeling, and Belief



Hiroyasu Asami, Senior Executive Vice President, NTT DOCOMO

Overview

Feature phones and smartphones have become an indispensable part of our lives. How can NTT DOCOMO, a company that has a strong connection with its customers, seize the opportunities to leap forward into the society of the future? We sat down with Hiroyasu Asami, Senior Executive Vice President, to learn about the present role of NTT DOCOMO and its strategies for business expansion, and to hear about a work philosophy that is essential for making predictions about the future.

Keywords: co-creation, 5G, artificial intelligence

Formulating a new medium-term plan toward 2020 after assessing the limits of business growth

—Mr. Asami, in light of the initiatives you have personally been involved with to date, please tell us about the current business conditions surrounding NTT DOCOMO.

After moving to NTT DOCOMO from the NTT holding company in 2003, I oversaw the planning and development of services and content for over ten years. This is a very rare background for vice presidents of technical operations at NTT DOCOMO.

I was always attracted to the unique characteristics of NTT DOCOMO from my vantage point in the NTT holding company. While the target of fixed-line (landline) telephone services is households and businesses, the target of mobile phone services is even

finer, that is, the individual. Since coming to NTT DOCOMO, I have placed importance on this feature of having a direct channel to each and every customer, and I have strived to make it a strength in our business operations.

Actually, I came to NTT DOCOMO during the rapid growth period of the i-mode mobile Internet service. It was a time when the company was expanding its business model of delivering the content provided by content providers (other companies) to our customers and generating revenue through commissions. However, with the coming of smartphones, it was inevitable that this business model would undergo a major change. This is because in the smartphone world, smartphone OS (operating system) makers such as Google were beginning to construct platforms that would provide customers with applications and content in much the same way as the i-mode business

model.

Sensing the limits to our i-mode business model, we at NTT DOCOMO thought we needed to take up a new business challenge. The decision was made that NTT DOCOMO itself would provide services and content, and we launched “dmarket” in 2011. The NTT DOCOMO dmarket provides a variety of services such as dvideo (now called dTV), dhits, and dmagazine, all of which are presently being enjoyed by about 15 million customers, reflecting genuine growth.

To digress a bit, in 1980 when I was a new employee, I was involved in the development of a video service in which we attempted to use what was then the latest technology for a mechanism for video on demand. This was a truly analog mechanism consisting of 12 video players and featuring remote operation of a mechanical arm for inserting videotapes with movies and other content into these players. Up to 12 people could simultaneously view whatever they wanted to watch. This mechanism has since evolved into a digital and software-based platform, thanks to technological advances, and it has grown into a DOCOMO service with about 5 million subscribers. To see this cherished idea of video services come to fruition after 30 years of being in the company is truly gratifying for me.

About five years have passed since NTT DOCOMO set out to provide dmarket services. However, as General Manager of the Corporate Strategy and Planning Department, a few years ago I was beginning to think that the things we could accomplish on our own were approaching a limit. With this in mind, last year we took up a variety of important themes such as how to leverage research and development (R&D) results, how to approach corporate sales business, and how to create services for the mass market. As a result, we hammered out a new vision under the keywords *co-creation* and *+d* (plus d) in which NTT DOCOMO would partner with other enterprises and leverage our own business assets with the aim of creating new services. Since then, we have begun *+d* initiatives with over 150 partners including Lawson (convenient store), McDonald’s Japan, and Takashimaya (department store), and we have begun to see results (**Fig. 1**).

—Please tell us about the company’s medium-term initiatives and the centerpiece of business expansion toward 2020.

We endeavored to change our business model to



keep up with the times, but we suffered a significant drop in revenue with the introduction of a new billing plan in 2014. Consequently, we announced three-year medium-term targets for the period from fiscal year (FY) 2015 to 2017 (April 1, 2015 to March 31, 2018) toward profit recovery at the time of the release of the FY2014 first-half results. We succeeded in reducing the costs by improving efficiency and making our dmarket strategy work, and as a result, we will meet our targets at the two-year point in FY2016.

We are now in the process of drawing up a new medium-term plan for the period FY2017 to 2020. We consider this plan to be the centerpiece of NTT DOCOMO’s new management team under Kazuhiro Yoshizawa, our new president, who took office in June 2016. This is a plan that everyone can look forward to.

Two important keywords in the new medium-term plan are “2020” and “5G,” which refer to what we want to do for the major international event to be held in 2020 and how we will provide services as a carrier via 5th generation mobile communications (5G), scheduled to be launched around that time. Here, our aim is not to create services for 2020 but rather to have them already in use by 2020.

I would also like to change the image that customers have of NTT DOCOMO. The business of NTT DOCOMO has traditionally been centered on the provision of mobile phone network services, but we are now providing “docomo Hikari” as our own fixed-line broadband service made possible through wholesale purchasing of FTTH (fiber to the home) services from NTT EAST and NTT WEST. We are also providing dmarket services such as dTV to customers who are not using NTT DOCOMO mobile phones. Similarly, customers can use NTT



Fig. 1. Business model evolution.

DOCOMO's "d point" loyalty program regardless of whether they have an NTT DOCOMO service contract. The traditional customer management method based on mobile phone subscriptions is reaching its limits.

Capturing the opportunities brought by this change, we would like to treat all customers of the variety of services provided by NTT DOCOMO as members who are tied to a unified system of d point, regardless of whether they have a mobile phone contract with us. In other words, when we carry out our medium-term plan, I want to change the awareness internally to redefine customers as "members" using DOCOMO

services, who in the past were just "subscribers." As a member, a person can continue to be an NTT DOCOMO customer even if he or she no longer has a mobile phone contract. Even those residing abroad can use NTT DOCOMO services as long as they are members. This is one example of global expansion. In short, I would like to stress the benefits of DOCOMO so people will say, "Wow, becoming a DOCOMO member is really convenient and brings good value."

Meanwhile, an important element of implementing our medium-term plan is R&D. We are focusing our efforts on artificial intelligence (AI) and 5G. For example, DOCOMO services are used by a very large number of people, so we envision the use of DOCOMO AI technology to analyze the big data generated and thereby deliver more value to customers to enrich their lives. In addition, as 2020 is expected to coincide with a large number of foreign visitors to Japan, we can envision the use of our AI technology to achieve various types of language processing such as automatic translation, speech recognition, and speech synthesis to help overcome language barriers. The term "5G" indicates evolution of the network, which is the core technology of DOCOMO, and initiatives are needed that leverage its features such as large capacity, high speed, and low latency.

People have smartphones with them 24/7, and we can expect them to become more important in the years to come. Compared with feature phones of the



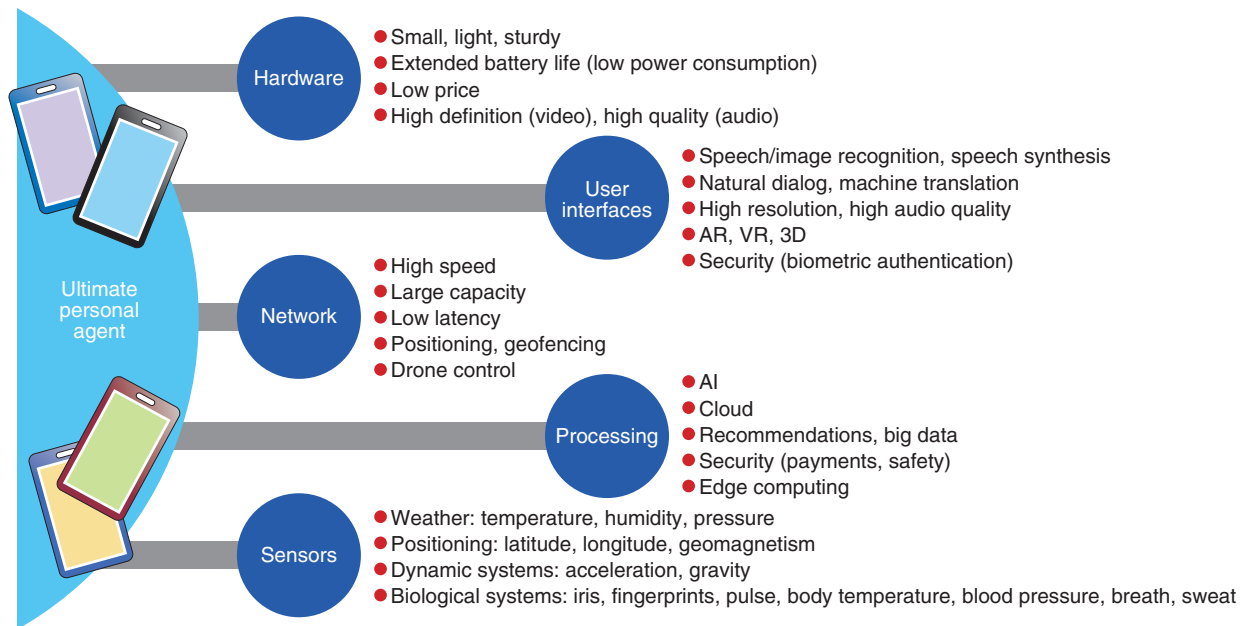


Fig. 2. Making the smartphone into the ultimate personal agent.

past, today's smartphones are much like a supercomputer in the palm of your hand, but if they evolve even further, we can expect the service domain to broaden even more. This, however, will require the development of various types of technology. First, from a hardware perspective, handsets must be lighter, battery capacity must be greater, and displays must be high definition. There will also be a need for virtual reality (VR), augmented reality (AR), and speech recognition in user interfaces as well as support for a high-speed network, built-in AI capabilities, and advanced sensors. I believe that this sort of evolution will turn the smartphone into a "personal agent." Of course, this means the ultimate personal agent that can be used not only in the home, but outside wherever the user goes as well (Fig. 2).

For future initiatives, we cannot forget the importance of making social contributions using information and communication technology (ICT) in response to all sorts of issues. For example, ICT could be used to improve Japan's competitiveness at the national level, revitalize local communities and deal with the issues of the low-birth rate and the aging society at the regional level, make operations more efficient at the corporate level, and add value to everyday life at the personal level. As we work to fulfill the +d concept, we won't be smug; we intend

to maximize the use of DOCOMO's business assets and co-create new services with a diverse range of partners. Initiatives making use of R&D results and collaborative activities with local governments are already underway (Fig. 3).

"Intuition" is the sum total of experience. The "right answer" is found from experience.

—Using new technologies and mechanisms to create the future sounds exciting. What kind of approach is important in uncovering these technologies and mechanisms?

Experience, feeling, and belief are important. For example, when a new service is launched, it is not enough to just study a comparison chart. It is also important to have a "hands-on" experience. And while it would be time-consuming and unrealistic to try out all aspects of the new service, trying out at least its key points would enable one to exchange opinions and make a sound decision. I myself recently tried out Pokémon Go on my own. By actually playing the game myself, I was able to get a feel for the idea behind it and sense the merits of the service and points where it could be improved. I was able to get the information necessary for making a decision

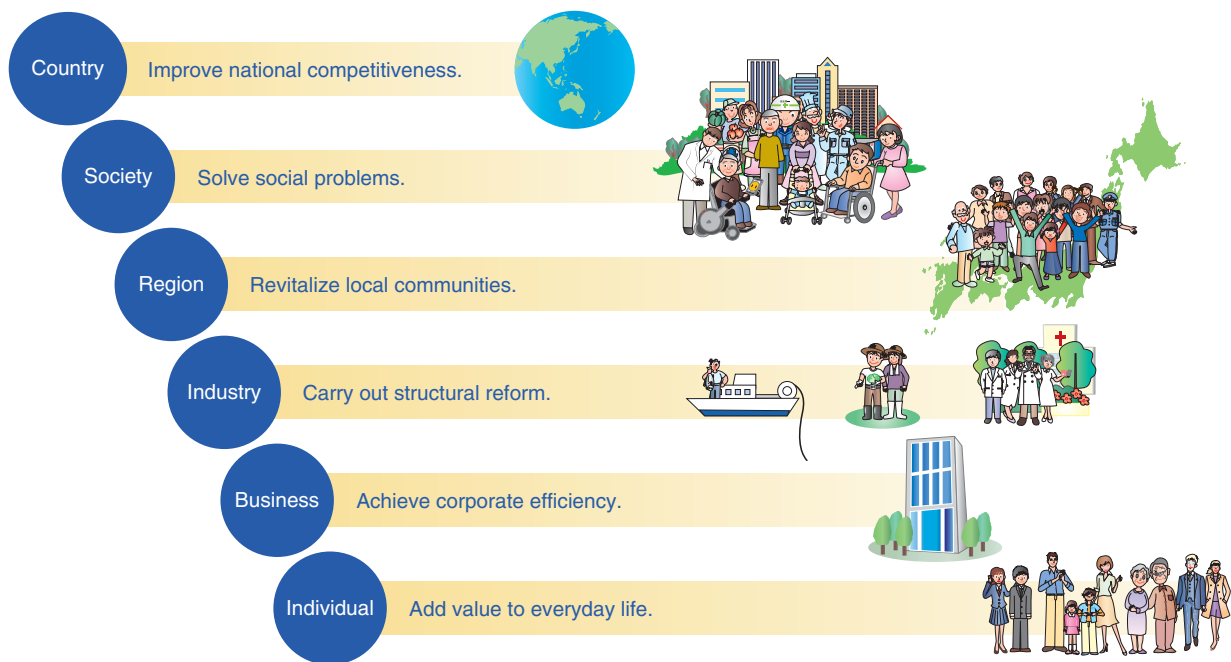


Fig. 3. Expectations of ICT.

by myself.

Looking for the right answer alone will simply lead to a dead end. And no one knows what things will be like in five years' time. Making a judgment solely on what you heard from others is also dangerous. That's why I try to interact with as many people as possible. Through communication, one can get hints for creating new ideas and build up a storehouse of knowledge, which in turn will have the effect of improving decision-making skills. In contrast, a book can only include material on what has occurred up to the time of its writing. For this reason, I only use it to confirm what has already occurred.

When I was involved in service development in the past, I made it a point to communicate with partners who had no direct relationship with a potentially new service. They had an understanding of the way the world works from their own perspective. Of course, their forecasts were sometimes off, but they had information far more accurate than what we had, and they were able to make predictions. From these experiences, I believe that interacting with other people will naturally help me see the right answers, so it is important to have a network in which we can consider what the right answer is.

In this way, we assessed the limits of i-mode-based growth and made a major decision to go in the direc-

tion of a smartphone-based business within a new framework called "dmarket." For NTT DOCOMO, a carrier that had not traditionally provided content services on its own, that decision was a major turning point. Furthermore, by providing these services even to customers without DOCOMO subscriptions, there was a need to redefine the "customer." For this reason, and with future business expansion in mind, we made a major decision to shift from the concept of "subscriber" to "member" as a new definition of customer. To put it briefly, the key is to make a sound judgment on what you are thinking about based on your *experience, feeling, and belief*. And make sure you execute actions appropriately. However, making such a major transformation requires power.

Learning something about "people" through *experience, feeling, and belief*

—What would you like to say to everyone in R&D?

Please learn about "people." I say this because people do not necessarily behave in a logical manner. For example, when in public, people's actions do not always match their thinking. Also, when presented with a service menu having three pricing levels, people tend to choose the level in the middle. In this way,



please pursue R&D themes based on the assumption that people are not always logical in their actions, and strive to create services and supporting technologies for people who can be somewhat ambiguous in their behavior.

—Mr. Asami, please leave us with a message for all NTT DOCOMO employees.

For our younger employees, always think in first-person terms; what is it that makes you happy and content? Apply this to daily work. Furthermore, do not hesitate to voice what you yourself would like to

do. In addition, keep in mind the importance of *experience, feeling, and belief*, and practice it in your daily life. As I touched upon earlier, pursuing a major transformation might mean coming up against a wall. In this regard, I would like to end by introducing to everyone one of my favorite sayings: “Ryu-kan Go-dou,” meaning if you hit a wall, work hard and sweat it out; the way will be revealed.

Interviewee profile

■ Career highlights

Hiroyasu Asami entered Nippon Telegraph and Telephone Public Corporation (now NTT) in 1980 and moved to NTT DOCOMO in 2003. He has served as Senior Vice President, General Manager of the Smart Communication Service Department; Executive Vice President, Executive General Manager of the Smart-life Business Division; and Member of the Board of Directors, Executive Vice President, General Manager of the Corporate Strategy and Planning Department. He took up his current post as Senior Executive Vice President, Chief Information Officer, Chief Information Security Officer, Chief Privacy Officer, and Member of the Board of Directors in June 2016.