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How to win the WLAN game

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Wireless LAN has increasingly become the hot topic of discussions thanks above all to the uncertain future of UMTS. The ways established telecom companies have tried to understand and to take advantage of this opportunity, however, could not be more different.

One links WLAN to its mobile telecommunications activities, another links them to its fixed-line business. One feels WLAN will endanger its chances to recoup its investment in third-generation technologies, while others have gone on the offensive and have begun pushing WLAN packages for home use, as a way to familiarize customers with the technology's benefits.

Is WLAN a complementary product and technology to 3G, or is it a direct competitor? The correct answer – as unhelpful as it may seem – is a resounding "it depends". On what exactly? It depends on understanding the market, the customers and thus the business model. And this in turn involves finding the right answers on following questions:

- How can **ease of use** be created for the mobile user?
- Why, then, is **roaming** so important?
- How will **billing** work?
- How will **revenue sharing** work between hotspot operators and the billing partner?
- How important is **security** and the brand in partnering?
- Is **exclusivity** in hotspots even a realistic or reasonable objective?

Do everything for ease of use: convenient billing and trouble free roaming!

Before it hits the B2C market, WLAN will focus primarily on businesspeople who are underway with their laptops or PDAs. Because these people are on-the-go, ease of use will be prerequisite for success. Why? WLAN cells are easy to install, which means any business – from the worldwide hotel chains to local pub owners – can and probably will set one up. Penetration will be very rapid, quickly creating a very diverse group of operators. The key factor, though, is not how widely distributed the technology is, but rather how quickly a customers can get online. No business travellers want to run out and buy an access cards at an unfamiliar location in an airport. They should be able to

get started the moment they arrive at the hotspot. This means that the billing process and the existence of WLAN access rights to the WLAN cells of other operators are critical success factors. The winners will be those companies that can provide an uncomplicated billing process and can use their size as well as attractive partnering arrangements to offer their customers access to the greatest number of cells. The goal must be roaming on a local, national, and international basis, much like the roaming standards across GSM networks.

Take into account that roaming can only be provided through cooperation!

There are two types of roaming: either you roam from cell to cell of the same operator as you move around, or you enter the cell of another operator. The first variation doesn't matter for WLAN, because the chances are slim that someone will need broadband communication access while in motion (by car, train, etc.) with their laptop. The kind of blanket coverage that would allow WLAN cells to be used in a moving train is not economically feasible, at least in the medium term.

Especially crucial, however, is the ability to roam between various operators or gain access in all relevant hotspots. Ideally, the customer pays only his usual telecommunications provider, who makes sure the customer has access to the other operators' networks with the customer's needing to take any extra steps. This allows the operator to build up a sensible, targeted level of coverage. The operator does not need to provide access to every single cell, just to those which fit its clientele best. And this does not necessary mean a hotspot in every Starbucks.

As a result, traditional telecom companies need to find a way to partner not only with airports, train stations and hotel chains, but also with individual companies. Each group requires a different model for cooperation. Next to billing, managing this partner structure will be the greatest challenge the operators face.

Utilise the existing GSM-billing relationship!

Both pre-paid cards and pricing based on a pay-per-use model will be used in the B2C market to attract low-spender segments. But such billing methods are not very common in business telecommunications, especially in mobile. The same will apply to WLAN. Such

customers are driven by their need for information and the ability to stay in touch or be accessible. Anything that complicates the billing process will be deadly. WLAN-billing for business users should therefore ideally be handled through an already existing billing relationship. Mobile phone bills offer clear advantages because of the strong personal connection with the customer and the existing, established security features (PIN). The mobile operator would then have two kinds of billing to take care of: collecting directly from the user, and serving as a clearinghouse for the individual WLAN providers. This raises legitimate questions about revenue sharing.

Set up appropriate pricing and revenue sharing models!

Operators would have the highest value from the WLAN cells they run themselves. But as we noted previously, the costs, feasibility and the need for speed make cooperation with a wide range of partners necessary. Furthermore, the price models will be different for providers and users. While one would expect time- or event-based pricing schemes for the cooperation partners, the operators have many more options available to charge their customers. Nonetheless, the decisions cannot be made entirely in isolation, because the two relationships are somewhat interdependent. Furthermore, the operator will need to take into account the interconnection agreements that cover the revenue sharing when the customer logs in through another network.

Exploit brand positioning for safety perception!

Network specialists have considerable security concerns about WLAN, despite the technology's promoters claim about security. This issue is especially relevant because of the need for cooperation and roaming agreements. Corporate clients will normally want to sign a usage contract only with well-known, reputable suppliers such as an established telecom firm. These companies, in turn, will have to communicate credibly that both they and the

providers of the WLAN cells in their network have the appropriate security measures and firewalls in place. The brand, in this case, represents not only security but also a credible certification of the companies that provide the WLAN cells in hotspots.

Forget about exclusivity in hotspots!

Exclusivity cannot be the goal. Although it would offer an operator the opportunity to exploit customer relationships and create an advantage for their users in important hotspots, it seems neither sensible nor achievable. The MMS cooperation between Germany's two mobile telecom market leaders, T-Mobile and Vodafone, takes the right approach. Given the highly fragmented provider structure which will soon emerge, it would not be economically feasible for an operator to set up a parallel exclusive network. And the providers would have little interest to support and installing more than one infrastructure in their buildings. In other words, each hotspot will have one infrastructure under control of one provider, who will cooperate with different operators as described above.

Summary: For people who are on the move, WLAN offers broadband access within a restricted radius. This concept matches up very well with the needs of business travellers, who have the resources to pay for the service and will become a significant target segment. But they will demand coverage and ease-of-use. The operators in the traditional fixed- and mobile telecom sector are destined to become the first ones to provide blanket coverage through a network of hotspots run by them or their partners. Critical success factors are the existing billing relationships, the variety of locations for GSM antennae, and an established brand that already stands for security. Many mobile operators fulfil those requirements nicely. This business will not cannibalise UMTS, but rather be a sensible complement to it. UMTS will provide phone-based mobile applications, while WLAN will cover notebook/laptopbased broadband use.

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