

FRONT LINES

Steer Clear of B-to-C?

Mo Marshall & Galen Gruman

AT ISSUE: With the dot-com world taking a hard beating over the past several months, both startups and established businesses looking at the wireless landscape for new opportunities are treading carefully. The safest wireless bets are currently in the enterprise and business-use space, where uptake of mobile wireless technologies has been the strongest. Does this mean that businesses should completely avoid targeting the consumer space until that segment sees stronger adoption trends?


Galen says:

Going into the consumer space today is like diving for gold into shark-infested waters. You might make it out alive — and you'd have big payoffs if you did — but the risks are just too great. We're five years into the so-called new economy, and except as a sales channel (so far unprofitable the vast majority of the time), the business models for the consumer Internet remain mythical. Despite all that experience and effort, it's clear the Internet is a great consumer conduit but one that resists profit taking. There's no reason to think wireless — whether in the form of Web-like services or more practical data services that don't pretend to ape the Net — will be any different. In fact, the limits of wireless make it even less likely you can create a profitable consumer service in this medium.

Sure, some firms have no choice but to go consumer. A bank, for example, is already in the consumer market, so a wireless extension is really its only option. Ditto for sales-oriented businesses, whether it be an online bookstore, eBay, or a Yellow Pages-based location-finder service. But the financial reality is — and will remain so for years — that such wireless consumer extensions are more about branding and customer service than profits.

For new companies and new divisions of existing companies, it's wiser to invest in B-to-B opportunities and simply monitor the consumer side.

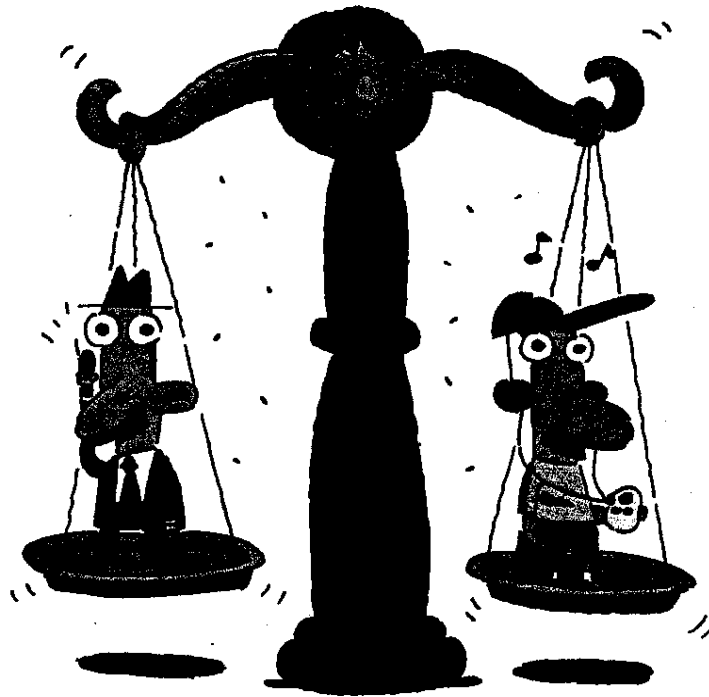

Mo says:

I certainly agree that the consumer market is currently a risky playing field for new wireless ventures. I also agree that for every company that does score in the consumer wireless market, probably a couple of dozen score in the business-to-business space. Still, there's no denying that consumers will eventually take to wireless — in a big way. So moving into the consumer space isn't chancy; it's when and how you move that determines the level of risk you'll be taking.

This isn't the time to launch technologies or services that push the consumer-adoption envelope. Instead, businesses eyeing the consumer space should be prepared to take a series of small steps punctuated by larger, calculated risks. For example, a company wanting to distribute multimedia via wireless might start by offering free or low-cost ringtones to gauge user interests, then begin to market specific songs to users with identifiable preferences, and then conduct a limited-risk trial with other multimedia offerings to test

how far their users are willing to go. If the trial results show a high level of interest, the services could evolve to the next level; if they show a low level of interest, the company would review other options for expansion, again through a series of small steps.

The consumer wireless space will remain hard to read for some time to come. But for businesses that recognize that this market can best be won by trial and error rather than a magic bullet, the chance could well be worth taking.



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