

Are Enterprise Apps a Smart Target for Carriers?

At issue: The U.S. wireless industry seems to have come to terms with the fact that, for the immediate future, corporations rather than consumers are where the wireless spending is coming from. And in an effort to get in on the action, most of the major U.S. wireless carriers are beginning to roll out plans to offer enterprise applications. While the carriers are desperate for ways to secure their position in the wireless market as more than just "dumb pipes," we have to ask: Is this really a "smart" move?

GALEN SAYS: No. Sure, a business-focused carrier like Nextel can offer a range of applications for businesses and be successful. But for the Sprints, Cingulars, Verizons, and AT&Ts to play copycat misses the point. Nextel is a business carrier, and it offers simple applications to its entrenched set of business customers. Most of those apps are small, perfect for small businesses, independent contractors, and specialty divisions. They're the equivalent of the desktop world's basic shrink-wrapped utility software: calendars, accounting packages, word processors, graphics conversion tools, and the like.

If the larger carriers emphasize this space, they'll simply bring the same commoditized fate to applications as they have to voice services. They'll compete on price over essentially similar services, and the applications will lose much of their value-add. That won't hurt Nextel, which even today can charge more for its business customers because it is so tightly focused on them with real service differentiators, but it will quickly lower the ROI for other wireless carriers.

The other application path is offering custom or critical services to large enterprises. In the desktop world, the real money is in servicing these accounts, not offering shrink-wrapped tools (with a very few exceptions). But that would make wireless carriers essentially system integrators and application service providers. Any large company would be foolish to tie itself into a carrier as its conduit for mission-critical applications. Enterprises will want control over those applications, and they won't want to run generic apps or let the carriers determine upgrade cycles. That's why mobile consultants like Accenture and Aether Systems will get that business, servicing the enterprise directly and uniquely, working with the carrier as the pipe.

Carriers who think they are application providers will quickly commoditize the value they think they're offering and remain ely dumb pipes.

MO SAYS: I agree. Carriers need to realize that their business is one of distribution and transmission. And that's where the smarts need to be. Imagine UPS trying to go into the products business to give its delivery business more value. That makes no sense. Instead, UPS and its competitors focused on making delivery smart through services such as instant tracking, third-party warehousing, and inventory management that fit well with their core competency.

Translate that kind of core-competency-based value-add into the carrier environment, and you're talking about such services as quality of service guarantees, location awareness, and new options for charging and billing (such as reverse billing and value-rather than session-based charging). These are the types of services that give businesses a foundation on which to build profitable mobile content and application services; and the carriers profit by taking a cut of the revenues their value-add services helped to generate.

For example, Aether has deals with all the major carriers, letting it bundle service plans with its applications; it further offers its clients service-level agreements. It would be a mistake for, say, AT&T to compete by offering a service-plus-application bundle that limits users to its own networks and billing options. But if AT&T gives Aether more options for its own clients, AT&T puts itself into a viable, "smart" position.

Bottom line: The carriers will make money when their networks let other companies add and distribute real value. The carriers will share in that value, but only if they realize they can't be application providers, consultants, and integrators – any more than a trucking company could design and manufacture the goods it delivers. ■

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