

# Wait for 3G?

Mo Marshall & Galen Gruman

**AT ISSUE:** Later this year, the first third-generation (3G) networks will roll out in Asia and perhaps Europe. In the U.S., however, we aren't even due to auction 3G spectrum until 2002 (and we'll have to find some before we can auction it), so it'll be years before 3G networks are deployed here. Should U.S. companies tough it out and wait for 3G before they deploy the "killer apps" that analysts, consultants, and marketers insist will come into being once 3G is in place?

## Galen says:

No. I doubt that 3G will ever happen in the U.S. Not only is there no spectrum, there's no real incentive for carriers to deploy 3G. The larger U.S. carriers are in trouble, thanks to money-losing landline operations. Even if the wireless divisions are shielded from those pressures, they still must bear the costs of 3G. Users won't pay, as 3G is merely an enabling infrastructure to them. It'd be like paying more for phone service because it's carried over fiber-optic — no consumer cares how you deliver your service. Businesses won't pay either, as several recent European surveys of telecom and IT managers show.

The biggest problem is that 3G is marketed as if it were a tangible thing users can benefit from. It's not; it's just the data-delivery infrastructure. People won't pay wireless carriers for the "luxury" of having reasonable access times and always-on connections. They'll simply expect it as a default.

Sure, some people pay for ISDN and DSL. But look at the history of all such infrastructure: The price drops quickly to get mass adoption and becomes part of the basic service. Remember that Internet service providers couldn't long charge more for faster dialup connections when faster modem protocols came up — 56Kbps, for example, became a right, not a privilege, almost at its inception. DSL and cable modems will go the same way soon.

What mobilizing businesses need to do is look at realistic alternatives to 3G: One is 2.5G networks such as GPRS and EDGE, which add data connectivity to today's 2G networks. Another are the micronets based on wireless LAN technology such as 802.11b soon to appear at airports, on campuses, and in Starbucks cafés. These Internet-linked networks will give most people the coverage they need in the places they can actually

sit and use the "killer apps" we're all waiting for. In the meantime, 3G will remain a marketing snafu, a technology promise confused with a benefit.

## Mo says:

I'm going to have to agree with you on this one — for the most part. I wouldn't go so far as to say 3G will *never* arrive in the U.S., but we're certainly in for a long wait. It'll be three years at best before the networks could even be built out; and a lot can happen in three years to make those networks obsolete.

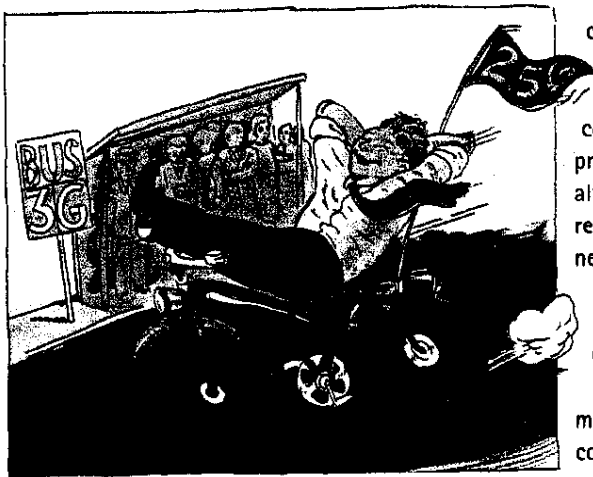
In fact, if 3G networks aren't obsolete by then, we'll have much bigger problems to worry about. After all, that'll mean we won't be hooked on the kind of sophisticated, high-bandwidth, high-demand mobile applications that 2.5G networks promise. And that'll mean the U.S. wireless services market won't have come anywhere near tapping the huge new revenue channels projected for it.

Even assuming 3G never arrives in this country, if wireless proves its worth on 3G overseas, one way or another the U.S. will play off other options to create a comparable environment. Because 2.5G will provide much the same data speeds and always-on capabilities that 3G can realistically deliver, and because 3G networks cost an arm and a leg to build out, there may well be little incentive to deploy the more high-ticket technology even if we could.

In fact, we're already seeing that 3G is more of a concept than a technology in this country: U.S. infrastructure providers are calling their data-network technology "3G,"

regardless of the actual network technology, simply if it supports such 3G-like promises as high data-transfer speeds, always-on connections, and complex data such as video.

The bottom line is, whether we like it or not, the U.S. will be forced to take a different on-ramp into the wireless economy than the rest of the world. So rather than stagnate waiting for a technology that may never arrive, U.S. firms will have to innovate with 2.5G to deliver a similar breed of services as Japan and Europe will be doing next year on 3G.



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