Event Summary

CTIA Wireless IT 2002 Lays the Groundwork for Growth

Abstract: A number of content providers and service-enabling solutions providers exhibited and discussed products at the CTIA Wireless IT 2002 show. Carriers also offered guidance on how data services would roll out.

By Tole Hart

Strategic Market Statements

Carriers will use content relationships as a way to sell more phone service and reduce churn in 2003

Carriers will continue to make a decision next year on some key underlying infrastructure for wireless data services.
Show Overview

The CTIA Wireless IT 2002 show was a hodgepodge of different companies and, in terms of hype, was very low key when compared with years past. Described by some as "a science fair," with the mood being "people are starting to talk about business again," the show offered a number of potential applications that held promise for helping drive the wireless data market. Some of the themes central to the show included segmentation in the market based on content and applications; providing the infrastructure for compelling data services; push-to-talk services; plans for Short Message Service (SMS) and data applications and missing vendors.

Content Segmentation

There was clearly a push by several small and large players to demonstrate how they were going to allow carriers to segment services and products based on end-user interests and demographics. The goal appeared to be increased personalization of the phone, with additional data revenue gains based on content and increased stickiness of both voice and data wireless products. A number of companies showing their wares at Wireless IT fit into this content aggregation/segmentation category including SingleTouch, Digital Orchards, Wildseed with Kyocera, Disney, Digital Bridges and Screaming Media. In addition, AT&T Wireless announced its Tony Hawk skateboarding game and was demonstrating its music service application with Warner Music.

Companies that were showing product with a content-based theme included SingleTouch, Digital Orchards and Wildseed. SingleTouch will be putting out theme phones, including a Butch Harmon Golf Phone, a World Wrestling Federation (WWF) phone and a horseracing phone, through an agreement with Alltel. These phones will be sold in a box, activated over the phone and will typically be sold in the US$70 per-month range for service. The service package will include 500 anytime minutes, 4,000 night and weekend minutes and all-you-can-use data. The company is using the binary runtime environment for wireless (BREW) as the main application platform. Other applications will be part of the content package, including e-mail, health information and travel information. Kyocera will start selling these phones in November of this year.

Digital Orchards will be selling content packages to phones such as a National Association for Stock Car Auto Racing (NASCAR) package. The package will have eight applications centered on NASCAR, including pit stop reports. The applications will have tie-ins to the NASCAR sponsors. This package will typically cost between US$10 and US$15 per month and be billed to the carrier where that capability is available or via credit card otherwise. The company plans to offer this service on three classes of phones, standard voice/SMS phones, mid-tier Java phones and high-end smart phones.
Wildseed is offering an attachment to a specially designed phone offered by Kyocera. The phone is designed to be a gaming phone, has an FM radio and is targeted to the 16 to 24 age group. The skin, or attachment to the phone, has software burned in, allowing the phone to have a theme — perhaps patriotic or with a favorite sports team theme. The content — namely the screensaver, ringtones, games and information — is centered on this theme.

SingleTouch and Digital Orchard act as agents for these various content providers. The surprising aspect of some of the deals with these companies is the percentage of content fee that these agents get — typically 50 percent of the content fee — and the length of some of these deals is typically over five years. However, the content provider does not have to be involved in dealing with carriers, or keeping the applications running. They strictly get a check, which can be in the US$5 to US$10 range for each phone, which subscribes to its content.

Disney — typically for a company — has strong control over its content, makes its own deals with carriers and carries on its payroll wireless application developers. The company has worldwide recognizable characters and should do very well in the wireless content business.

Other companies on display worth noting were Digital Bridges, Screaming Media and Superscape. Digital Bridges continues to offer a variety of WAP, Java and SMS games including Men in Black II and Scooby Doo. Most Digital Bridges games in the United States are WAP games, but the company prefers Java games as they provide a higher margin. The company is targeting its plans in that direction. Digital Bridges will also offer SMS games soon in the United States. Screaming Media offers data feeds to Verizon, Virgin and Midwest Wireless and is able to consolidate data from different sources, depending on who the target audience is. Lastly, Superscape was demonstrating its third-generation (3G) graphics on a small screen for Java applications. The 3-D images further enhanced the quality of games. Additional uses for this technology are handset menus, push content displays and streaming media.

**Infrastructure for Data Services**

A number of companies were offering services that will allow carriers to offer data services in a more efficient manner. Some of these companies included 724 Solutions, Telespree, Lightbridge and Summus.

724 Solutions is moving away from its typical banking solution to a full-service carrier solution. The product manages carrier content services, developer relationships and the interaction between the end user and the content provider for the carriers. Gartner Dataquest expects to see more of these "one-stop shops" emerge for small to midsize carriers.

Telespree offers an over-the-air activation service that can be installed in the phone or PC Card. The Telespree software is used to activate the device once the phone is turned on or once the PC Card is installed. The service can remove an initial customer service call and lead to a better
initial user experience. The initial setup screen can be modified based on
the end user targeted. Carriers have been testing this system on their
wireless signaling system 7 (SS7) network and have gained approval from
some carriers.

Lightbridge has used its experience in fraud management to develop a
checkpoint for e-commerce and m-commerce solutions. This system has
the flexibility to ask a variety of questions and query different databases
depending on the seller and products sold.

Summus is offering the Blue Fuel platform, which provides a graphical
user interface (GUI) to write applications once for BREW, Java and so
forth. The company is offering picture album applications and games that
were developed on the Blue Fuel platform. The Blue Fuel platform will be
available next year.

**Push to Talk**

Somim Technologies was at the show and is offering a push-to-talk
solution using general packet radio service (GPRS) data channels. It has a
one-to-two-second latency (Nextel has 700 milliseconds). The company
expects this latency to decrease as GPRS networks are beefed up in the
second half of 2003. Somim offers conference and buddy lists with
availability and predetermined messaging responses, if the responding
person cannot answer the phone. The solution is a full communications
interface, but push-to-talk is its centerpiece and the reason it is creating the
most interest. The questions become how much of a difference this is from
Nextel in terms of the user experience, and can carriers ramp up the data
network enough to support this service? Nextel has a lot of experience
with this technology and is fairly far along the learning curve. Still it is an
option for GSM carriers that are losing customers to Nextel. The Somim
product has the potential to allow for international push-to-talk.

Somim believes they have a market in Europe for voice instant messaging
and many of the European carriers believe they have saturated the
addressable SMS market. The success of this product in Europe will
depend on the Europeans’ acceptance of a walkie-talkie-like service.

**Missing Vendors**

Outside of Sony Ericsson, Kyocera and Sharp, there was no booth presence
from the major handset vendors such as Nokia, Motorola, Siemens and
Samsung. On the infrastructure side, Lucent and Ericsson had booths, but
Nokia, Motorola, Siemens and Samsung did not. Gartner Dataquest
believes this is a function of the poor market for handsets and
infrastructure and the fact that these shows are no longer a key part of the
buying cycle of carriers.

Openwave had an analyst dinner, but no booth presence. This is
somewhat surprising since the company is thought of as a leader in the
wireless data market. The main point of the analyst dinner was that end
users need relevant personalized data and that Openwave was going to provide the infrastructure to make that a reality. Gartner Dataquest believes that the company should have more concrete examples of how they will make this a reality and what specific applications will be drivers.

**Other Items of Interest**

Arraycomm plans to introduce commercial service in Australia by mid-2003, and the company believes that its Kyocera relationship has helped it gain more credibility in the market.

Sharp did introduce its Lenix, Java Zaurus personal digital assistant (PDA) with a cellular digital packet data (CDPD) modem, with Aether providing the e-mail solution. A nice form factor and screen, but CDPD is a technology with a limited life.

**Gartner Dataquest Perspective**

Gartner Dataquest took away a number of key points:

- Carriers are being offered product and content-based solutions, which will allow them to segment the market, based on varying interest and themes. This is good for the market in general as it further personalizes the device, which sells more devices and services, reduces churn and gives people a reason to purchase wireless data.

- SMS will be a key driver of data use in the United States. Most U.S. carriers are planning to promote SMS and have SMS products because they believe it will bring them additional revenue. Carriers are planning SMS games, in concert with SMS-based advertising and services. Even some of the M-mode and BREW applications, which were set up for packet data network, will use SMS as a way to transfer data. We believe that Sprint’s lack of a usable SMS will hurt it in the near term.

- There is no clear message about when we will have Multimedia Message Service (MMS) in the United States. We have multimedia applications such as picture messaging, but this will be carried over the Internet. Some carriers may adopt MMS, but it will really take all to adopt to make it a big success, similar to the SMS market. In addition MMS-only vendors expect to have a tough time with Nokia and Ericsson, companies that can bundle MMS into the infrastructure product and that were upset they missed out on the SMS boom. However, delays in handset availability and issues around intercarrier interoperability may once again hurt adoption.
Carriers are in the process of rolling out networks, and that is paramount to them. Some of the infrastructures, which will make the business of wireless data more efficient in terms of activation, distribution, customer service sales and customer service, are being developed. These solutions are being talked about within carriers, but so far not all of the decisions have been made in all of these adjunct areas. Customer service looms as a huge potential issue moving forward, one carriers have so far been remiss in addressing.

There will be further segmentation of the enterprise market with ReFlex two-way paging companies offering lower cost e-mail service and low cost e-mail/PDA-type devices.

Kyocera is looking to move from a company that has traditionally offered, with some exceptions, lower-end phones to the market to a company that offers higher-end to midtier phones and specialty phones, and it is using its relationship with content providers to make this happen. Kyocera is also a company that is willing to take a risk on the upcoming wireless data network infrastructure technology, as evidenced in its relationship with Arraycomm.

**Bottom Line**

Look for more content and carrier services targeted at niche groups starting this Christmas season and carriers to look to make improvements in the underlying data infrastructure once the networks have been fully rolled out next year.

**Key Issues**

- How do carriers transition from 2G to 3G?
- How can carriers make money and reduce costs with 2.5 and 3G services?

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