

Apple, Google, Yahoo! - New Kids on the Wireless Block - 5/22/2007

On May 9, CommNexus San Diego held the first of its series of "Analyze This!" panel discussions in the Building N Lecture Hall, to assess the entry of new players like Apple, Google and Yahoo to the wireless game. Moderated by Clint McClellan, QUALCOMM director of Market Intelligence, the panel included Julie Ask of Jupiter Research, Tim Long of Bank of America and Seamus McAteer of M:Metrics.

Wireless is our neighborhood. The families in our neighborhood -- network operators, device manufacturers, equipment vendors, app developers, content providers, consumers--have different needs and motivations, but over time, we've built relationships so that everyone in the neighborhood prospers.

So, what happens when the New Kids from the Internet neighborhood move in? We certainly know the names of their families, but we're not sure how well the New Kids will fit in.



- Google Mobile puts Search, Maps, Gmail, News and SMS onto mobile phones in three easy steps, to the dismay of operators, who like to control what goes on the phone.
- Yahoo! Go is a collection of similar applications, with a portal and a huge community, which also unnerves operators.
- Apple has announced the iPhone--part EDGE phone (AT&T/Cingular), part iPod--bringing its brand and distribution and its rabidly loyal customer base.

Missed the event? Watch a video recording here. Note: panel discussion begins about 10 minutes into the video.

What will become of our neighborhood? Here's what the panel had to say:

Network Operators

Operators see big opportunities in the New Kids: more eyeballs, more services, more airtime, more ARPU (average revenue per user). But the operators wonder, "How will I get money from Google's search, or from Yahoo's community?" The monetization is indirect, which could scare operators. They hope that having the New Kids in the wireless neighborhood will entice customers to sign up for data plans.

At the same time, they're hesitant to engage, because they realize that the mobile neighborhood is different from the Internet neighborhood. "If you're an operator, you're crazy not to want association with these brands and capabilities. At the same time, you've got to be hesitant, looking at what they've done to others in ecosystems in which they operate," says McAteer.

Device Manufacturers

"Apple went to the operator with the iPhone and said 'This is our device with our branding, and people are going to put our content onto this device.' It isn't that Nokia and Motorola haven't wanted to do that; it's that they haven't been able to," Ask says.

Remember how ubiquitous the Palm Pilot was in the late 1990s? Before too long, consumers will think, "Why do I need a music player? The music is on my phone now." The big R&D money is going after better converged devices; music players will be the

first Palm Pilot of the 21st century, says McAteer.

Consumers

When people have open access and freedom on their phone, they'll gravitate to brands they want. "The operators' idea that 'we're going to home people into this clunky WAP interface and make them use menus and thereby own the customer and their eyeballs,' hasn't worked," McAteer says. "The operators can forget about it because they've lost before it's started."

Consumers want to bring a lot of their Web experience to the phone, whether it's MySpace or YouTube or Gmail. Making consumers happy--and continuing to make them happy--is going to be a challenge for the operators.

The New Kids--Apple, Google, Yahoo

"All three bring brands and familiar consumer experiences, which is important for surfing on a phone. They bring a lot of advertisers and sales forces that know how to sell advertising and search, and the operators don't know how to sell ads very well," Ask says.

They also bring innovation, and the ability to grow new markets that operators can't reach without them. But will they play well and sign reasonable deals with operators, or remain aloof, knowing that their communities will put them on their phones in spite of the operators? Google Maps is the most commonly downloaded mobile app right now, but even that's only in the hundreds of thousands. To get to millions, they need to be close to the operators.

Advertisers

The wireless neighborhood isn't set up properly for advertising, the way the Internet is, and there's no clear model for splitting revenue on ad sales.

Operators know more than Google and Yahoo about consumer behavior and location, but they have to sell it to potential advertisers, to build up click volume and ad inventory. The New Kids will help magnetize young people, and those are the eyeballs that the advertisers want. "Here in the U.S. we've been a laggard in reaching the younger demographic, and these new players will attract young consumers who will in turn attract advertisers," says Long.

Record Labels

The store is really important to music shoppers, but the operators don't have much of that yet, certainly not compared to iTunes.

"The labels like working with the operators, and vice versa. Operators can control the relationship better than they can when working with Apple. They're looking for an alternative to dealing with Apple, and the operators provide a compelling venue for that," says McAteer.

The Bottom Line

In short, the pie will get bigger for everybody. So, when does the block party start?