

Mobile & Wireless

INSIDE WIRELESS: CTIA WIRELESS-Wireless Data is Finally Big Business

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The CTIA Wireless I.T. & Entertainment 2008 trade show was held last week in San Francisco from September 10-12. The CTIA show's focus was on wireless data. Here, J. Gerry Purdy, the Knowledge Center's mobile and wireless analyst, shares his major insights from the show.



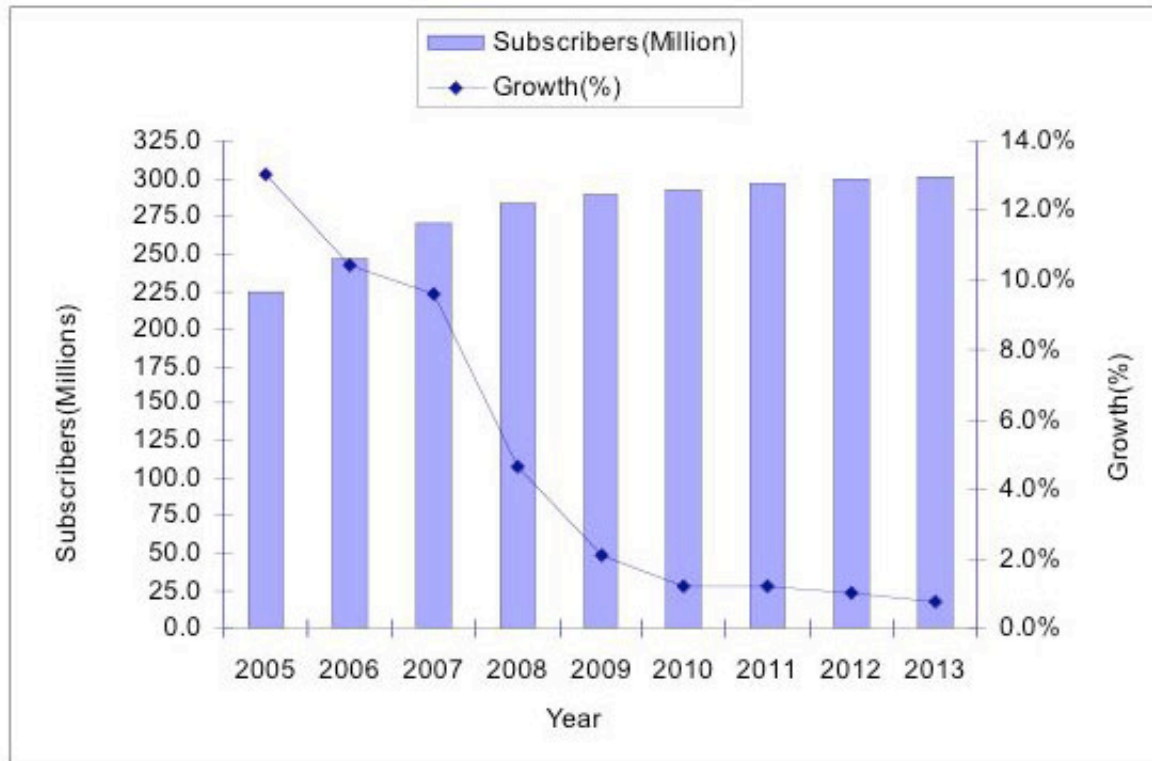
It wasn't many years ago that analysts were saying, "Someday, wireless data is going to become successful and, eventually, exceed voice revenues." Well, having just attended the CTIA Wireless I.T. & Entertainment trade show in San Francisco, I can say that it looks like wireless data is definitely becoming a successful, multi-billion-dollar industry. And, it represents one of the continued growth industries within recessionary times.

Here's my key prediction: Sometime in the future, although it may be 15-20 years, wireless data revenues will exceed wireless voice revenues. Here's why.

In the following figure, take a look at the number of total subscribers (this includes people owning more than one wireless account). The line, however, shows the decline in growth in the number of new subscribers:

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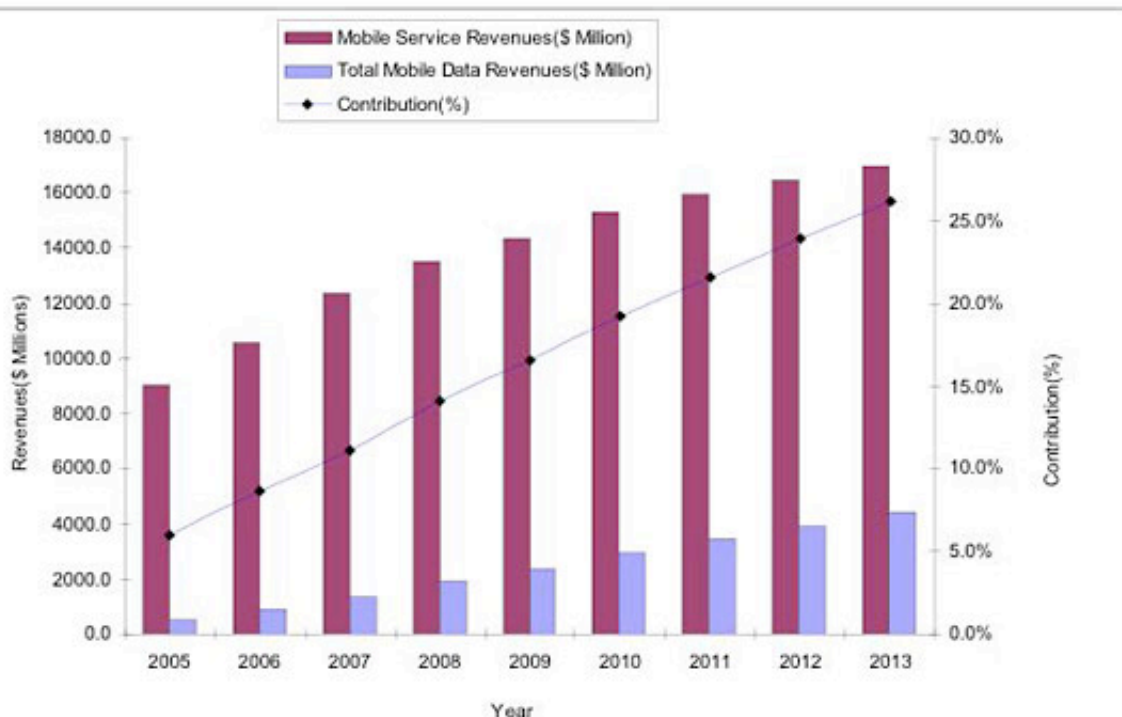


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There are approximately 236 million people that represent a total of 275 million subscriptions. The rate of growth has slowed to a trickle, but will continue to grow to be over 300 million subscribers within five years.

Now, in the figure below, take a look at the mobile service revenues and the portion of the total that is due to wireless data. You can see that the percentage (the thin blue line) is growing. Thus, wireless data revenue is continuing to grow as a percent of total mobile operator revenue. And it will continue to grow from 25 percent in 2013 to eventually be greater than 50 percent in another 10-15 years (if the current growth rates continue).

US Mobile Service Revenues and Subscribers



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The CTIA Wireless I.T. & Entertainment show

The focus on the CTIA Wireless I.T. & Entertainment show was on wireless data. I spent three days meeting with startups, as well as with large successful companies. They were all focused on building and operating in the wireless data ecosystem. I spent most of my time in “briefing” meetings with vendors. Before the show, the number of requests to meet was far beyond my ability and time. So, I just did my best to prioritize the selection process to include Frost & Sullivan clients, startups that have an exciting new product or service, or mid-tier companies that I follow for an update.

To give you an idea of why going to a conference like this is very demanding, here is the list of companies I met with during the three days at the CTIA show: 3jam, Acision, Avot Media, Cascada, CellSpin, CellTrust, Clickatel, ComScore, Droplet, FusionOne, Google/Android, Handmark, iLoop Mobile, Intel, iSkoot, JYGY, LG, LiveWire, Nellymoser, NeuStar, Nokia, Novarra, Nuance, Obopay, Ontela, Opera, Peek, Rosum, SinglePoint, Strata8, SurfKitchen, Tira Wireless, VeriFone, and Visto.

So, if you think it's easy for me to go to trade show, think again. It's demanding, but worth it as I always get new insights that I didn't have before.

Here are my six major insights from attending the CTIA show last week:

1. The operating system is far less visible and relevant in mobile than in the PC. That's because mobile has a small screen, and what's important is the interest the user has at a given time. Results really do matter in mobile. Examples: Google Android, Palm and iPhone.
2. “Open Networks” in mobile means being able to run an application on all mobile networks for that device class

without any modification. Example: thesis by which Android is being created.

3. "Open Apps" in mobile means being able to publish your application or service without interference from anyone, including the wireless operator. Examples: Google Android (vs. control by Apple over the App Store).
4. Mobile services mean giving users the information they want on their mobile device and not necessarily giving them full Web pages on their device. Managing the "long tail" in service offerings is more important than a few (but highly visible) services. Examples: Google Android, Nokia Ovi and iPhone mobile services.
5. In mobile, service offerings are going to be where all the action and revenue is. The difference between a mobile application and a mobile service is simple: mobile applications run on the phone without any network connectivity (like a simple game). But in a mobile service, there's a client on the phone that interacts with a mobile server that, in turn, access the Web to retrieve the information needed. The client is designed to do a good job of requesting the information and displaying it in a useful manner on the wireless device. Examples: Pocket Express by Handmark, iPhone App Store, Avot Media, Android MarketPlace, Obopay, SurfKitchen and Nokia Ovi.
6. User-generated mobile content (text, photos, videos and audio) is going to far surpass user-generated content on PCs. Mobile intelligence is about how to make that process happen easily. Examples: CellSpin, iSkoot, 3jam, Nuance, Ontela, CellTrust, NeuStar and Acision.

Gaining insights about Android

I also co-hosted a dinner for FBR Capital Markets with Azita Arvani, Principal at Arvani Group, Inc. At the dinner, Rich Miner, General Manager of the Android Group at Google, gave an insightful talk on their approach to the mobile market. Here are six of his most important points:

1. The rationale for creating Android is very simple: Google presently monetized search ads from 200 million PC users. There are more than two billion wireless handset users. In order for Google to organize the world's information and make it useful, they have to address the mobile market since the opportunity is 10 times that of the PC space.
2. Android is based on Linux, and is designed to be rock-solid so no application or service will be able to crash the system. It's based on open source, so someone else could (if they wanted) take Android's open source and go into competition with Google. This might happen by someone like Yahoo but, overall, it is not likely to happen since Google will always be evolving the code set delivered to handset manufacturers.
3. Google will allow each wireless operator to alter and customize the user experience, but to do so without a way to destroy an open environment.
4. Anyone can publish an application in the Android MarketPlace. That's something that Google is requiring: to allow anyone to create an Android application or service and make it available to users of the Android ecosystem. They are not going to have any approval process for publishing an Android application (like Apple does with the App Store). This is built-in to the architecture of the environment. This will open up huge new areas of content access and mobile services.

Android wants to encourage the "long tail" of interesting applications to all have an equal chance to succeed, just like the way the Web operates today. Meaning, anyone can create a Web application and the search engine helps users find that one piece of information or service that sits out on the very long tail of the Internet.

5. Google is not going to focus on monetizing Mobile Search on Android in the early days because it's more important to build devices and an ecosystem that users want, than to focus early on Search ad revenue when there aren't any users.
6. Google plans to have their first device (likely HTC) out on their first wireless operator (likely T-Mobile) by the end of the year.

I had the opportunity to see an Android development system, and I am very impressed. It's the first time I've seen something that looks like it's taking the iPhone user experience to the "next level." More on this when Google announces the delivery of Android to the market with a handset partner and wireless operator.

Final thoughts

When I take all of this in, it's clear to me that mobile applications and services will eventually dominate the wireless operator revenue stream with all participants sharing in the revenue. The best, most exciting and profitable days of the mobile Internet are still in front of us. I hope each of you figure out how you are going to play a significant role in this industry.



J. Gerry Purdy, Ph.D., is the VP and Chief Analyst with the Frost & Sullivan North American Information & Communication Technologies Practice. As a nationally recognized industry authority, he focuses on monitoring and analyzing emerging trends, technologies and market behavior in the mobile computing and wireless data communications industry in North America.

*Since joining Frost & Sullivan in 2006, Dr. Purdy has been specializing in mobile and wireless devices, wireless data communications and connection to the infrastructure that powers the data in the wireless handheld. He is author of *Inside Mobile & Wireless*, which provides industry insights and reaches over 100,000 readers per month.*

For more than 16 years, Dr. Purdy has been consulting, speaking, researching, networking, writing and developing state-of-the-art concepts that challenge people's mind-sets, and developing new ways of thinking and forecasting in the mobile computing and wireless data arenas. Often quoted, his ideas and opinions are followed closely by thought leaders in the mobile & wireless industry. He has a Ph.D. in Computer Science from Stanford University. He can be reached at gerry.purdy@frost.com.

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