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One Size Does Not Fit All

As the wireless market becomes saturated, targeting specific groups of people with content and then billing for it is becoming more important.

By Brad Smith

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About two dozen MVNOs in the United States all have the same dream - building a viable business around a targeted audience. There are multiple MVNOs for teenagers, young adults, sports fans, prepaid buyers, Hispanics, even small businesses. Carriers, including their MVNOs, like to emphasize this kind of targeted marketing as "personalization."

But personalization is driving a lot more than carrier business in the industry. The movement, also called segmentation when it comes to products and services, has caught fire among handset manufacturers, application developers, content delivery companies and billing and operations support systems (OSS) providers.

Many in the industry believe there will be a consolidation in the MVNO business because there are too many targeting the same markets. But segmentation isn't going to go away. The Danish research company Strand Consult says the wireless industry has matured so much that it is serving a disparate user group mandating different products and services.

"Handset manufacturers and mobile operators can no longer survive on the 'one size fits all' motto for mobile services and mobile handsets," the consultancy says. "This is the reason why the players in the mobile value chain are more or less forced to increasingly use micro-segmentation."

Strand points out that Nokia launched 18 different handset models in 1999. Last year the Finnish company had 41 new models, each designed for a slightly different consumer. The consultancy says the carriers and handset OEMs will target handset models for different types of stores or in marketing different kinds of services.

SUB-BRANDING Wireless operators also are segmenting their own businesses by launching their own sub-brands or MVNOs. Strand says the South Korean carriers have been sub-branding for years, mostly to generate higher data traffic with new brands.

Alan Pritchard, vice president of GSM/UMTS marketing for Nortel Networks, says segmentation will increase as networks are developed to enable more specialized content and applications. He says IP multimedia subsystem (IMS) capabilities, which are starting to roll out this year, are the key to delivering this kind of targeted content.

"Ultimately," Pritchard says, "we're headed into very targeted applications. IMS will allow application for very specific uses." He suggests the possibility that an MVNO-like application could be set up around one NFL football team, so there could be a service just for Denver Broncos fans.

Analysts believe brand names are the best insurance for success in the MVNO market, leveraging consumers' existing affinity. Where a brand is recognized, new players are linking up with popular Internet sites, such as the EarthLink-SK Telecom joint venture Helio, set to launch this spring. Helio, which is targeting youths, has linked up with the hottest Web community for young people, MySpace, to offer MySpace Mobile.

Cingular also has a social networking service it calls "CoolTalk" that uses technology from Canada's AirG. The service allows subscribers to connect and chat in micro-communities for sports, games and music, among other topics. Sprint has a similar service. Cingular and Verizon Wireless also have linked up with the California mobile community company Rabble, which aims at connecting young people.

A Florida company, MSCorp, specializes in mobile content for the Hispanic community in Latin America and the United States. It teamed with Nokia on a project called Nokia Trends, linking mobile content to music and multimedia festivals in Brazil, Colombia and Argentina.

BILLING, OSS SUPPORT Deeper into the network, companies that offer billing and OSS solutions for carriers also are noticing the movement to segmentation and are starting to support it.

Jeff Popoff, marketing vice president at Canada's Redknee, says segmented services and the billing to go with them is a fact of life as subscriber growth slows and revenue from voice services stabilizes or declines.

"They've sold phones to anything that breathes," Popoff says, particularly of European operators, where wireless penetration has reached 100 percent or more in more than a dozen countries. "The market is full and only the strongest will survive, which brings about mergers and acquisitions."

Besides M&A, the only growth opportunity for carriers in saturated markets will be by stealing customers from the competition. That's done by segmented or targeted services, Popoff says.

Examples of segmented services that Popoff points to include the teen market and all that implies; an events-based segment focusing on people who attend a sports contest or music festival with a temporary pooling of all the phone numbers in that group; a loyalty segment where frequent users of a specific service like MMS are granted loyalty points leading to special offers; or a mobile PBX system that adds mobile workers to a PBX for call routing. O2 in Ireland offers the latter service, calling it Group Worker.

Redknee and other billing system vendors also offer payment segmentation, allowing different pricing schemes for different audiences. In Europe, carriers have 10 to 15 different billing segments, Popoff says, targeting various things such as age, ethnicity, SMS and e-mail.

Vodafone and O2 in Britain are using the Redknee IP Charging Gateway for segmented services and content billing. They're using the gateway for different pricing of such things as prepaid and postpaid use of WAP, the Internet and MMS traffic, Popoff says. On-portal content has one price and off-portal another.

Popoff says carrier sub-brands, also called house brands, will start to arrive in North America in the next few years, rather than a further proliferation of MVNOs. He says SK Telecom has about nine different brands in Korea, while the KPN Group has a similar number in some of the European countries where it has networks.

If Popoff is right, the U.S. market can expect a different kind of brand bonanza in years to come.

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