CONTENT – W

Are European operators making life difficult for themselves by

Telecom New Zealand has found new and significant revenue



HAT CONTENT?

chasing the consumer market for mobile data services? streams are already within its grasp

Turners' Auctions is New Zealand's largest car auctioneers and the company is more than happy to speak out about the advantages of secure mobile data services.



Turners' has created a system that enables secure remote access to its intranet through Telecom New Zealand's mobile office service. Its nationwide teams of inspectors have been using the technology since May 2002 and the investment is already paying off. Turners' workload for a large lease client has more than doubled since the system was deployed and is set to double yet again.

To handle assessments and reports, the auctioneers have developed a customised application with local integrators Net Result. 'Our inspectors can now capture all the data right there in the field, including photos, before the vehicle is driven away or sold,' explains inspection manager David Kirk. 'The end result is a compiled online report that enables our clients to make better business decisions – for example, whether to sell or repair their leased vehicles.'

Field equipment comprises a handheld device with a wireless data card that enables remote access to Turners' LAN via Telecom New Zealand's secure IP remote network. Photos are taken with a digital camera, complete with a flash card that can then be popped into the back of the handheld and transmitted, along with the written data, back on to the Turners Vehicle Inspection intranet via the carrier's Mobile JetStream fast data service.

Telecom New Zealand's 027 cellular network covers about 97 per cent of the populated areas. In July 2001, the carrier upgraded its old D-AMPS (IS-136) network to cdmaOne (IS-95) at a cost of around US$100 million and year later upgraded again to CDMA2000 1XRTT. The arrival of the CDMA network attracted 100,000 subscribers in the first six months of operation and by November 2002 it was serving over 220,000 of Telecom's highest value customers – and representing more than a third of its total traffic.

About 1.1 million Telecom NZ subscribers remain on the D-AMPS service and the country as a whole has around 2.3 million mobile users.

Additional statistics indicate an intriguing development on the service front. It seems that more than 10 per cent of 027 customers have bought into Telecom NZ's content and data offerings. Furthermore, since the launch of the 1XRTT network and its high-speed Mobile Jetstream data service, the carrier has reported the sale of around 25,000 fast data capable phones and PCMCIA cards. Garry Mitchell is service development manager for Telecom New Zealand's Mobile Data Group. Having recently visited the UK, he reflects on differences between the European market and his own. 'I was genuinely surprised by the pessimism of European operators,' he says. 'As far as I'm concerned, mobile data is clearly an extremely positive development for the business. European operators I spoke with still seemed to be trying to convince themselves.'

Not so long ago Mitchell himself was promoting the high-speed data service proposition into his own company. Telecom New Zealand has three divisions: fixed line, mobile and the ISP Xtra. Exploiting the synergy between these groups was always recognised as central to the success of the mobile data service offering. 'We needed everyone to buy into the fact that mobile data must be treated as a core product right across the company,' he says.

Before promoting mobile data to subscribers, there had to be internal conviction that the product held the promise of genuine revenue gains. 'This was partly about evangelising the technology inside the company,' says Mitchell. 'But it was also about letting the sales teams realise that mobile data is going to open doors for them.'

One of the most important breakthroughs in the internal pitch was the recognition by corporate sales teams that selling handsets and voice plans to enterprises was assisted by the ability to also offer mobile data services that provided business benefits. With voice increasingly perceived as a commodity on both sides of the counter, customers simply shopped around for the cheapest offering and then negotiated around the quality and feature-sets of the handsets they wanted thrown in with the deal.

Potentially, mobile data services can open new revenue streams by offering access to corporate IT budgets. The big problem facing operators is their lack of experience selling services to this part of the enterprise. 'Selling mobile data services to enterprises means developing entirely new channels to market,' says Mitchell. 'Frankly, you can't train high street stores to become systems integrators.' There are opportunities for these stores with mobile data, but not as systems integrators.

> "Selling mobile data services to enterprises means developing entirely new channels to market… you can't train high street stores to become systems integrators."

Attempting to develop the sales, provisioning and integration resources internally was quickly recognised as too expensive and time-consuming. In addition, it was clear enterprises were unlikely to trust a high street store to load new software on to their servers or handle other aspects of the integration process. New Zealand's systems integrators on the other hand, already had the right kind of relationship with the target market. So the operator went out and sold the high-speed mobile data proposition to the integrators.

Mitchell maintains it wasn't an especially difficult pitch. At a flat time for the corporate IT market, mobile data offers a tangible growth opportunity. The connection fee the integrators collect from Telecom NZ is relatively small change compared with the additional hardware sales, support and integration fees. For example, the integrators no longer just sell customers a laptop – they sell a laptop with wireless connectivity.

The big gain for the operator is that partnering the integrator gets around enterprise integration. As far as IT managers are concerned, high-speed mobile data doesn't introduce new players into the equation. They simply deal with the same integrator they've used in the past. As part of the deal, the integrators are given opportunities to promote other Telecom NZ products and services. 'It's critical that you enable enterprises to access complete solutions as easily as possible,' explains Mitchell. 'Potential customers shouldn't need to deal with half a dozen companies or sales reps to achieve the solution they want.'

Telecom NZ has also put together deals with device vendors to bundle hardware and services into simple, good value packages. For example, customers can save US$400 on a US$2500 laptop/PCMCIA card deal that enables them to walk out of a store with their device configured and connected to the network. Unlike the majority of operators, Telecom NZ decided it wasn't going to get into the business of directly sourcing PCMCIA cards and modems. The carrier simply works with IT distributors that are already distributing the appropriate products.

Mitchell insists that the mobile data offering is a relatively easy proposition to sell. The CDMA20001X network can achieve data speeds of up to 153kbps. In the field it delivers averages of 40-80kbps – faster than most landlines. These speeds coupled with the always-on capabilities of packet make the service extremely attractive to business users.

'Over a D-AMPS or 2G GSM network, if you connect for five minutes and knock off 10 emails at 2K a piece it'll cost you around US$2 and you'll exhaust yourself,' explains Mitchell. 'With the CDMA 1X network, once you're connected you can stay connected. So you can take three hours over your emails and you'll only pay for what you upload. In this case, about 8 cents' worth of data.' It's easy to see the attraction of such a service to road warriors used to hotel phone bills.

Mitchell believes a lot of the negative feeling about mobile data in Europe comes down to products being oversold in the past. He insists the new packet services like CDMA2000 1X and GPRS should acknowledge their performance capabilities and play to their strengths. These are not technologies designed for video streaming or gigabyte downloads. To promote them as such is to mismanage user expectations.

In fact, Telecom NZ has done everything possible to

make the end-user experience of mobile data as positive as possible. For example, when it launched its IS-95 service in 2001, the company decided to invest in CDMA20001X modems because they are backward compatible and provided a faster, smoother migration path for users when the upgraded network was launched. Mitchell advocates a similar approach to GPRS operators with ambitions to migrate customers on to 3G networks.

In the development of mobile data services, Mitchell is puzzled by the European obsession with content. He believes that while such preoccupations make sense in the consumer market, in the enterprise space simplicity is the key to success. European operators need to set their sights on willing customers – 'The UK has something like four million laptop owners,' says Mitchell. 'They've paid a premium over desktops because they value mobility. If you can capture half that market you're looking at around US$2.5 billion a year in service revenues.' So put content on the back burner and focus on plain, straightforward connectivity.

The kind of connectivity Telecom NZ has been focusing on includes everyone from executives to field workers. Another of the carrier's mobile data success stories is Masterpet, the country's leading supplier of pet food and accessories. The distributor needed an automated ordering system for its national sales representatives who travel to various pet stores, veterinarians and supermarkets in their area. Using Telecom NZ's mobile sales solution, reps can generate current price lists and updates on the latest special deals, check current stock availability, as well as standard customer information.

> **"new packet services like CDMA2000 1X and GPRS should acknowledge their performance capabilities and play to their strengths."**

Orders can now be placed via a PDA at the customer's premises rather than phoning or faxing them in later. The order is immediately synchronized with the head office database and sales staff can check product availability, pricing information and a customer's purchasing history in the field. When an order is entered an invoice is automatically generated, meaning the information no longer needs to be re-entered at the office by administration staff. IT manager Monib Moayyed seems delighted with the solution. 'Orders entered by sales reps at the stores on their handheld can be taken off the warehouse shelf and be ready to deliver within 10 minutes,' he explains. 'In addition, sales staff time is better utilized as there are fewer visits back to the office and they have customer information with them on the road to enhance their productivity.'

So what about teething troubles and deployment problems? Mitchell insists there have been challenges but nothing approaching a downside. Sorting out the channels to market and billing structure took time, but caused little in the way of problems once the underlying principles had been decided. Security was a priority from the start, but appears to have been resolved to the satisfaction of customers with the development of a VPN IP networking product from the fixed line division.

Unlike many of his European counterparts, Mitchell appears to be relaxed about pursuing the consumer sector. He believes enterprise usage is likely to have a trickle down effect as business users begin to recognise the value of mobile data services in their private lives.

Indeed, going forward Telecom NZ appears to be developing a strategy that's likely to move its mobile data services closer to small business and possibly even consumers. 'One of the biggest hurdles to extending take up is the cost of PDAs,' Mitchell explains. 'So why not wrap them up in a US$25 a month leasing arrangement – throw in the device, a usage package and an email account. That's one way of expanding the service towards a more mainstream market.'

The overall message from the Telecom New Zealand experience seems to be that it makes more sense addressing a conspicuous, pent-up demand in the enterprise market rather than solely focusing on the fragmented and unpredictable demands of the consumer space. The latter might well be where there is a significant amount of opportunity but there are immediate revenues to be gained from applying available technology to a sector that is clearly in need of a cost-effective solution. ■