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'Open' Breakthrough

By: Monica Allevan

Verizon Wireless certainly wasn't the first U.S. carrier to make the move to open access. It just happened to be the operator with the most notoriously closed network.

You could almost hear the roar of applause across the developer community after Verizon Wireless on Nov. 27 announced its plan to open its network to new devices, software and applications. In wireless terms, the new openness was the equivalent of the Berlin Wall coming down.

After all, this was the carrier that historically had the most closed system of all the U.S. operators, with its BREW platform requirements and tightly controlled ecosystem. For years, developers lamented their apps worked with "most major carriers," but Verizon often was the exception. Whether propelled to make the move by Google-led pressures, the 700 MHz auction or Verizon's own internal revelations, it made no matter – developers were less concerned about political motivations and more curious to hear the "devil in the details" that will follow early this year when Verizon publishes its technical standards and hosts a conference with developers.

The Google-led Open Handset Alliance's Android platform and Sprint Nextel's WiMAX project follow the same open access type of philosophy. Soon after Verizon made its announcement, headlines followed touting AT&T Mobility's openness, which wasn't news so much as a declaration by AT&T that it has the most open network in the country. Now, rivals are fighting over who's the most open.

Verizon clearly is responding to changes in the landscape, from Google's plans to bid in the 700 MHz auction to Sprint opening up its WiMAX network to any device or application, says NPD Group Analyst Ross Rubin. However, it's unique in that the operator will try to balance both open and closed systems on a single network.

KEEPING PACE

Verizon executives say their move is designed, in part, to keep pace with the development community. The company places bets on what applications and devices will be a hit with consumers, but customer needs are increasing and diversifying so much that it can't possibly meet every individual customer's needs. The open access strategy, which is an add-on to Verizon's traditional full-service offering, will enable customers to use the available devices and apps of their choice as long as they pass the connectivity test.



Rubin: Carriers clearly responding to market forces.

Indeed, a lot of details will require careful consideration. Customers who require service after an approved open device is purchased will call Verizon to verify network connectivity, but otherwise, the device or application provider will be responsible for troubleshooting. What that means for the device and apps providers, especially smaller ones ill-equipped to provide customer service, remains to be seen. Plus, it's unclear whether services that directly compete with Verizon's will pass the technical test. Most carriers reserve the right to reject short-code campaigns, for example, that advertise services that directly compete with their own.

But smaller device developers may find more success than previously. "If somebody has the technical capability of building a device in their basement on a breadboard and they want to bring it to us to be tested, the philosophy and structure of this program says, 'Have at it,'" Verizon Communications Chief Technology Officer Dick Lynch told the media in a conference call announcing the move. "We'll test it and if it passes, we'll activate it on the network. Does it make it more difficult to be the small guy on the block? I'm not sure that it does necessarily today," with all the various device component pieces that are available in the marketplace. "I think there is real viability for the small guy to have as much success here as for the very big guy."

Verizon Wireless CEO Lowell McAdam emphasized that it's not just phones the carrier is talking about – it can be a small module in a gaming station, a wireless-enabled home appliance or a device in a car. It doesn't need to have the traditional distribution or volumes, either. The program "encourages anyone who wants to get into the game to get into the game," he says.



McAdam: Openness doesn't just apply to wireless phones.

Immediately after the announcement, developers were hard-pressed to find a single negative. Presumably, application developers that don't know how to navigate carriers' waters – or simply didn't want to take the time to figure them out – will get a chance to shine. Verizon still will have its on-deck offerings, which get better placement, but the "new world order" levels the playing field, says Mike Manzo, chief marketing officer at Openet, which provides transaction intelligence solutions to carriers like Verizon. Until now, application developers who won were the ones who could navigate through the carriers. Now, the best application or product has the chance to rise to the top, he says.

TIME FOR CHANGE

To Manzo, Verizon's move illustrates a recognition that the wireless industry, in some aspects, needs to more closely resemble the Internet industry. For example, ISPs don't build programs that allow consumers to do their taxes on their PCs, nor do they test or approve such applications that allow consumers to file electronically, Manzo says. Other parties provide the software that runs over the ISPs' networks.

That's not to say the walled garden didn't make sense for a time. It enabled operators to control the user experience and the costs associated with new services, he says. Carriers could control what got rolled out and when, thereby minimizing their customer care and network management costs, enabling the costs to come down for consumers. "It's not that anybody has done anything wrong," he says. "It's just time for a change."

Mobile gaming companies are encouraged as well. "I think the carriers recognize that there is a tacit race by the larger publishers and content providers to deliver content directly to

consumers, going around the carriers entirely,” says Josh Hartwell, CEO at GOSUB 60. “Verizon’s open access announcement increases competition among mobile content providers and ensures that the most innovative content will have the most success.”

Mobile advertising companies echo that optimism. “Open networks afford a great opportunity to providers of applications and services intended to lift carriers’ average revenue per user (ARPU), particularly in the areas of content discovery and mobile advertising,” says Stephanie Grossman, CEO of Digital Sidebar. “The ability to provide a positive consumer experience and proactively stimulate consumption of content and data services will be the winning combination.”

But the roar of applause was especially loud among long-time proponents in the open source community. Fabrizio Capobianco, CEO of Funambol, has been hitting his head against the garden wall for at least five years and “all of a sudden, it’s going down by itself,” he says. But he, too, is waiting to see the details. If Verizon sets the bar too high, it might not make much difference, and the carrier isn’t opening up its full-service deck to run just any application. Yet in the end, “I think they will be forced to really open it up for real,” he says. “That is the direction the market is taking.”

Applications that carriers expose to consumers on deck will continue to have an advantage in the market for the foreseeable future, says NPD’s Rubin. Even in Europe, where off-deck represents the majority of content, apps are driven by carriers promoting their content on the handset.

For some application providers, Verizon’s move appears to have no immediate impact on their relationship with the carrier. Verizon customers, for example, can still use TeleNav GPS Navigator on some Verizon smartphones, although they need to buy it through TeleNav, explains Sal Dhanani, co-founder and senior director of marketing at TeleNav. “As far as applications are concerned, our understanding is that this announcement only impacts those phones running on the open network, so the impact is not as great as if Verizon were to open up all of its handsets to new applications,” he says.

As more pieces of Verizon’s Any App, Any Device strategy are rolled out, it will become increasingly clear just how open the network will be.

Startup Proves Case for More Open Nets

The new openness centers on devices, with applications following. A prime example of a device that isn’t a phone but uses the wireless data network is the Junxion box, which supports the data networks from AT&T Mobility, Sprint Nextel and Verizon Wireless. The company is a partner with Sprint and AT&T, but it has no formal agreement with Verizon, even though its customers can and do use the Junxion box router on the Verizon network.

Customers who buy a Verizon data card can slide it into a Junxion box and use it in areas where DSL or a wired broadband connection isn’t convenient. The product is geared for enterprise users – from monitoring water quality in reservoirs and providing data connectivity in oil fields to communications on movie and TV sets. Verizon’s stated commitment to move toward LTE in its fourth-generation network deployment is another huge enabler because



Polson: Checking out Verizon’s open policy for new ideas.

faster networks will allow customers to do more, says Peter Polson, president of Junxion



The Junxion Box cellular router uses a software platform to connect fleets of computing devices such as laptops, retail point of sale terminals and mobile telemetry systems with carriers' latest wireless data services.

Junxion has proved that wireless carriers can reap more revenue when they allow more devices to use their wireless data networks. "What Junxion has been about is opening up the data network, and it's something Sprint and AT&T had formally embraced in their work with us," Polson says. "It's about opening the network so any device can take advantage of that cellular network... In some regards, Junxion has always been about opening all the devices up."

The company will be looking at Verizon's specs when they're released and possibly take the product into new directions. "We would welcome the opportunity to work more closely with Verizon," he says. "We would be interested in providing our current solution or an evolved solution."

The company isn't revealing how many units it has deployed but says it has more than 1,000 enterprises that are signed on. Polson says the company is financially strong and continues to invest in its growth rather than standing still. The first Junxion box was released in 2004.