

Guest Opinion

Entering The Local Loop

By Tim Walters

The recently reported disappointing sales of some of the initial personal communications services providers indicates that the traditional wireless markets may be reaching saturation.

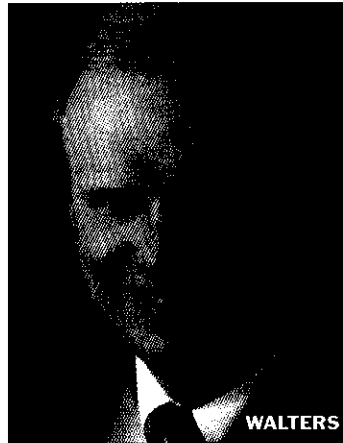
If this is the case, wireless operators must start looking at new markets to supplement the traditional base, with the largest new market being the wireless local loop serving residential customers. Successful penetration of this segment with wireless as a landline replacement may be closer than most think.

Why? Given equal quality and utility, people prefer wireless solutions to wireline.

The key question for wireless operators is: How do we structure our business to make money serving this market? Consider:

Quality. The newer digital phones appear to deliver high-quality voice comparable to existing landline service. While in-home service quality varies, wireless companies should begin target marketing ZIP code areas with high quality in-home coverage.

Handsets. Handsets for residential customers must be positioned against cordless phones. This allows for greater capture of the handset's true cost. The handsets also must be



simplified or sold with a feature-to-feature comparison against cordless service provided by the incumbent local exchange carrier.

Costs. Network construction costs will decline as the experience effect takes hold. As for operating expenses, wireless companies need to look at industries outside telecommunications for low cost models of staffing, compensation and cost management.

Prices. As costs decrease, prices will fall. Additionally, the cost of having a single wireless phone compares favorably with the cost of using both a wireless and landline phone.

Market Segments. Some current pricing schemes appeal to certain segments of the landline market. For instance, free or very inexpensive evenings and weekends may be perfect for double-income families and single-person households who do not use the landline network very much except during those times. Separate wireless phones allow young singles sharing a dwelling unit in a measured

service area to split their phone bill.

Channels. It is important to explore new channels that interact with households as they are forming or moving before the household invests in landline infrastructure and connection. These channels might include van lines, truck rental companies, realtors, apartment managers, electrical and gas utilities, relocation companies, etc. These channels offer two benefits: They do not compete with existing channels, and because wireless would be incremental revenue for them, they may demand less compensation. Direct marketing, a less expensive form of advertising, is an effective way to reach these market segments.

Customer Service. One area of potential advantage for wireless companies over wireline is customer service. The fact that you can now buy and use a phone off the shelf instead of coordinating landline connections is a big plus. With wireless phones, customers can also move across town without changing numbers. The fact that the customer does not have to deal with the existing LEC, which in most cases has a reputation for poor service, can be a plus for the wireless company.

This is not to say that barriers do not remain. But substantial replacement of landline service with wireless will be closer than most think if wireless companies begin attacking the market. ■

Tim Walters is president of InfoTech Marketing, a Littleton, Colo.-based consulting company.

Editor's Note: The opinions expressed in guest editorials are not necessarily those of the *Wireless Week* staff. However, the newspaper's policy is to stimulate discussion on perspectives of interest to the entire wireless industry. Send comments, rebuttals and letters to: Editor, *Wireless Week*, fax (303) 399-2034 or e-mail jlockwoo@chilton.net. Letters may be edited for length.