Broadband: The four strategic questions

There is **huge potential** in mobile broadband. But its runaway success is also its weakness. Mobile operators must manage their **marketing gas pedal** with subtlety.

MOBILE BROADBAND is currently the great hope for mobile operators. In places where basic broadband growth has slowed because of approaching saturation, mobile broadband is a way to open new markets. Simultaneously, it is a way to increase ARPU – sometimes dramatically. If it is clear why operators are falling in love with mobile broadband, the strategy questions are all about **to whom**, **where**, **when** and **how**?

To answer these questions, it is important to keep in mind that much of mobile broadband isn't mobile at all. Although there are enterprise mobile data applications, and high-end smart phones that have GPS (which needs to be fed detailed maps while in motion), mobile connectivity for laptops and netbooks is an extremely compelling proposition. These uses are often nomadic or even fixed, and they compete with offers from traditional fixed telecom operators as much or more than with offers from other mobile operators.

The winning **To Whom** strategies concentrate on capturing high-growth segments such as netbook buyers at the point of sale. A netbook without connectivity is just a low-powered PC incapable of supporting most entertainment or productivity applications. When it's connected it becomes a powerful tool. Netbook buyers need to be sold connectivity at the time they buy the device, and better true mobile (from a mobile operator) than WiFi (from a fixed operator).

For voice services, **Where** has simply been a question of coverage, tempered by consumers' ability to pay. But for mobile broadband, operators should concentrate on markets that are poorly served by fixed telecom operators. Especially in emerging markets, many poor rural or fringe urban neighborhoods are still without fixed broadband. The cost of wiring up a neighborhood for ADSL or cable broadband is often many times that of installing a 3G base station. The investment may even be cost-justified simply on the basis of providing continuous coverage (such as for highways) making in-zone customers nearly "free." There is often huge untapped demand in these areas, and many consumers are almost completely indifferent to price.

When would seem to be obvious: now and as fast as possible. But mobile broadband's runaway success is also its weakness. Although mobile broadband penetration may only be a few percentage points in terms of the overall percentage of subscribers, it can represent an enormous percentage of network load, putting stress on network capacity from the cell to backhaul, to connection to the broader internet. Mobile operators must manage their marketing with subtlety. Move too slow, and they may lose an opportunity (like the netbook explosion) or lose share to more aggressive operators. Move too fast, and they risk clogging the network and degrading important measures like effective download speed. Consumers understand tradeoffs between speed, convenience/coverage and price. They don't like being told that a service is "7.2Mbps" when the effective download speed is actually far less.

Once the questions To Whom, Where and When have been answered, **How** should follow. Obviously this will be specific to each market situation, but here are some ideas that should be broadly applicable.

Form partnerships with laptop and netbook retailers. As above, laptop and netbook growth will drive mobile broadband adoption. However, consumers will think about the device first and connectivity second. This means they won't necessarily think about going to a mobile operator's sales point but rather about shopping at a trusted retail location. The retailer wants the customer to be connected at the time of sale for the reasons described earlier.

Thus there is a symbiotic relationship between operators – who need to get into the laptop and netbook value chain – and electronics or PC retailers that need the devices to be connected. Partnerships are the best way to do this. Operator, retailer and even country/market-specific factors

will determine how best to do this (store-within-store, kiosk, franchise distribution etc.).

Map fixed operators' "coverage areas" and target neighborhoods where they are deficient. Knowing where the holes are in mobile competitors' coverage maps is the job of any decent chief technical officer. But since mobile broadband competes with fixed broadband, knowing the holes in the networks of fixed telecom and cable operators is equally, if not more, important. Once the holes have been mapped, the next step is to cross reference them with 3G coverage maps to identify locations where there is mobile broadband coverage but little or no fixed alternative. These areas should be targeted through electronics retail partners (as above), mobile sales outlets and even street level "guerilla marketing."

This last strategy steals a page from fixed operators as they go from house-to-house. The goal is obviously to sell, but also to build word of mouth. A few key early adopters can draw lots of attention and referrals.

Walk out working. Don't let the customer leave the store or a salesperson leave a home without establishing a connection and getting the customer to perform some simple task like checking e-mail or reviewing a web page. If the customer doesn't have a personal e-mail account, establish one with a free service like Windows Live Hotmail, Gmail or Yahoo! Mail.

Some of the plug-and-play software that device manufacturers have developed for dongles and modem cards is simply fantastic. It seems incredible that anyone could have problems with self-extracting and self-installing these simple programs. But they do. And not being able to make a service work the first time is a primary source of customer dissatisfaction. Having the customer walk out of the shop with their netbook or laptop connected is the best way of ensuring minimal hassles when they get home, and reducing the chance that they will have to return to the store. In the house-to-house guerrilla marketing situation, it is the sales person who must "walk out" with the connection working.

Develop alternative payment models, especially pay-as-you-go models. While this is crucial in emerging markets, many nomadic users in developing markets may foresee only intermittent use and so prefer more flexible options. More importantly perhaps, if flat-rate models are under pressure in the fixed broadband world because of exponential traffic growth, the problem is even more acute in wireless broadband networks. Start now to make sure you match economic reality to engineering reality.

Mobile operators have a huge opportunity to increase revenue by leveraging their HSPA networks to sell broadband. But while many smartphone subscriptions will be sold through traditional channels, selling mobile broadband for fixed or nomadic use opens up new markets. This demands new sales strategies, and non-traditional channels and pricing models in order to keep both the customers and the mobile-operator's shareholders happy. ●

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