

COLUMNS

## Data dips deeper into the pockets of wireless carriers

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By **Paul Sinclair**

Less than a decade ago, when you needed a new phone, the first decision you made was with which carrier to go with for service.

AT&T, Verizon, T-Mobile, Sprint and the rest had differentiated themselves in the mind of the consumer by devices they carried, plan options and coverage quality. All your mobile choices depended on which carrier you chose to host your phone calls and text messages.

How times have changed.

Billions deserved

In today's market, comparable data speeds, a bevy of over-the-top data-based solutions such as Facebook Messenger, Google Voice, Skype, Pinger's Textfree and the ubiquity of Wi-Fi coverage have changed the communications game altering the perception of the carrier to simply the conduit for communication, not the provider it once was.

Today, on carrier networks where voice once ruled the airwaves, 85 percent of all traffic is now data, and that figure is only going to grow as new generations of phones and tablets gobble up more bandwidth.

Parity between device offerings across carriers has further relegated the importance of the carrier, making its selection nothing more than a necessary evil for most consumers.

This is not to say carriers are in trouble. We have gone mobile. We depend on our connected devices for everything we do.

Carrier revenue from data climbed to near \$80 billion in 2012, up from \$67 billion in 2011.

But, despite data accounting for 85 percent of network usage, that \$80 billion figure only makes up 39 percent of carriers' total revenue.

Carriers are certainly making money, but they are operating inefficiently for the most part in an industry that is anything but.

T-Mobile has made Wi-Fi calling standard on many of its devices, which is a start, but mobile analyst Chetan Sharma found that, overall, carriers are generating less revenue per customer, as every 52 cents in new data revenue accompanies a 96-cent loss in voice revenue.

According to Ovum, a mobile communications research firm, data-based messaging services will have eaten \$54 billion in carrier revenue by 2016.

## Model turn

The carrier business has changed, but the business model remains the same. The changing streams of carrier revenue have many wondering what the future of their business will look like as carriers pursue new monetization efforts.

First, carriers have already begun looking at enterprise solutions and how to best leverage the massive network infrastructure to provide software-as-a-service offerings to businesses of all sizes.

The speed, scale and volume of data that today's carrier networks are capable of carrying rivals most Internet service providers, and can be a valuable resource for business solutions to companies with a mobile or partially-mobile workforce.

Verizon has already spoken publicly about enterprise applications for its network, including doctors treating patients remotely and firefighters using infrared cameras to access burning buildings' layouts.

Second, for many, the answer lies in all that data.

Carriers control the data we are obsessed with the data that allows us to play our games, read what our ex-girlfriends Tweeted about over breakfast, and be the first to like the Instagram picture our friend posted 7.4 seconds ago.

But they have been doing a poor job of capitalizing on our obsession and the resources available from the networks' technological advances.

Networks have become so efficient that analyst Mr. Sharma stated that carriers would be profitable even if 100 percent of their networks' usage came from data, but rates and plan options must evolve so that revenue share correctly reflects network usage and carriers maximize profits.

Finally, and perhaps most importantly, carriers know a lot about each user and have the data to back it up.

This leads to the ultimate big data problem: how to best capitalize on the combined behavioral data from millions of apps and mobile sites and the hundreds of millions of users and devices on a network. This hoard of user insight is a marketer's dream.

Rather than simply being a source for bills or new devices to consumers, carriers can leverage the relationship they have with their customers, and the data they have about them, to market back meaningful new offers from partner advertisers from coupons for their favorite products to deals on travel.

Carriers can help marketers and advertisers fully understand their users.

ULTIMATELY, CARRIERS should position themselves in the larger industry landscape as a link in the consumer chain, not a mere gateway that chain passes through.

The way we interact and communicate has changed, and changed dramatically, from where it was even just six or seven years ago.

Carriers power the mobile devices we can no longer live without, but they have allowed themselves to fade to the background of the mobile industry.

If carriers can operate efficiently within the new dynamic of data and network scale, they have the opportunity to regain the relevancy they have let slip away.

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