FRONT LINES

Phones: The Right Horse for M-Commerce?

Mo Marshall & Galen Gruman

AT ISSUE: For a year, we've all heard how wonderful Web-enabled phones will be, the opportunities they'll create. But recently they've come under a lot of criticism. When you talk to carriers and manufacturers, however, the overwhelming consensus still seems to be that phones are the sure bet for a mass-market m-commerce platform. Content and service providers are following this lead, spending huge sums for main-deck phone portal positioning and developing phone-specific wireless apps. But are they all betting on the right horse?

Mo says:

Cell phones might be great for text-messaging and alerts, but they're not the right platform for m-commerce in the U.S. Americans are simply not going to buy in to browsing and transacting in that incarnation. We've experimented, and that's good. But now it's time to switch to a more viable platform – the platform that, until recently, looked like the underdog: the PDA.

I'll admit we've been betting on phones for good reason: they're wireless by nature (PDAs aren't – yet), they have high market penetration, and they've certainly fueled a huge market in Japan.

But none of these qualities seems to be getting us very far: People who use phones for voice aren't proving to be easy converts to data services – the interface just isn't a fit; and many of the reasons phones have worked as an m-commerce platform in Japan simply don't apply in the U.S. market.

This would all be bad news for m-commerce if it weren't for some significant moves in the industry of late:

- PDAs are getting easier wireless connections, and they're adding phone functionality (and vice versa, phones are morphing into PDAs).
- Manufacturers are beginning to deliver new breeds of PDAs that can penetrate beyond the traditional business user.
- And now it seems that PDAs are also becoming more popular transaction conduits than phones.

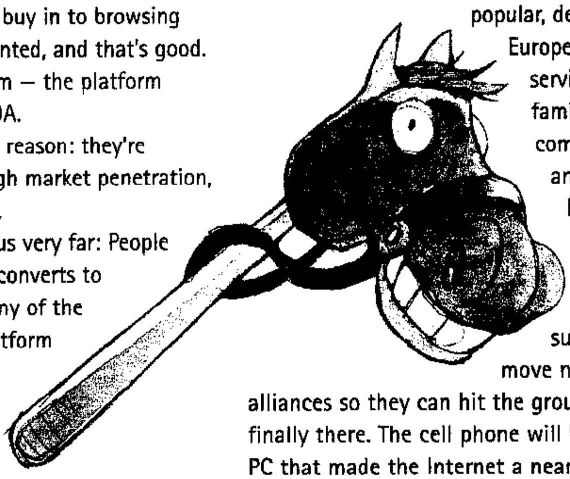
Rather than continue to throw money at marketing a phone-based wireless Web or buying a main-deck spot on a phone portal, companies who take m-commerce seriously should divert those investments into (g the PDA platform. That's where the real uptake potential for U.S. m-commerce is going to be.

Galen says:

I completely disagree. Yes, today's data-enabled cell phones have major flaws: unreadable screens, keypads with buttons designed for elves, and slow, unreliable networks. And the mobile carriers are killing the market before it can develop with shortsighted moves like not letting people message friends who use other providers and limiting access to their "preferred" partners' services.

But these are technical and marketing problems that can get fixed if the industry really tries. That would let phones be the m-commerce platform we all hope for.

You can see the pentup demand for phone-based services already. In Europe and Japan, basic data services such as messaging are extremely popular, despite the phone limitations. Teens in Europe and Japan are taking to mobile data services, presaging wider adoption by their families. In the U.S., cell phones are as common as wallets among businesspeople, and the popularity of devices like Palm PDAs and BlackBerry pagers shows a desire for data.



Any company wanting to reach the mass market, or large segments such as teens and businesspeople, should move now to develop their services and alliances so they can hit the ground running when the platform is finally there. The cell phone will be the equivalent of the under-$1000 PC that made the Internet a near-universal phenomenon in the U.S. Pricier, bulkier convergence devices, PDAs, and so forth will have their place, but they'll serve the role that the brawnier PCs do today: the devices used by the elite, rich users. The cell phone is the necessary basis for the Mobile Economy, and whether you're transacting with customers, business and supply-chain partners, or your own employees, you can't afford to ignore it.

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