

people

The Carriers' Data Dilemma

■ Nextel CEO Tim Donahue is high on data, but low on expectations for it

Tim Donahue is bullish on what data applications can deliver in both the blue- and white-collar markets. So the Nextel Communications CEO was pleased when his company announced in April that its handsets could run Java applications. Nonetheless, when he sat down with Features Editor Chuck Lenatti and Editor Galen Gruman on a recent trip to *M-Business's* offices, Donahue was clear that the roar of voice would continue to capture the lion's share of his company's revenues.

A veteran of AT&T Wireless (formerly McCaw Cellular), Donahue began his career as president of its paging division. Before working at McCaw, he was director of sales and marketing for MCI's AirSignal division, which was acquired by McCaw in 1986. That background with enterprise customers fits Donahue's role at Nextel, since the wireless carrier is focused on business users and often gets a good idea of what the enterprise wants from wireless data services. Donahue admits that right now, enterprises don't know what they want, just that they are interested.

M-Business: The supposed killer apps of data services are email and instant messaging, and the company that's done best with that is America Online. Although its customers are consumers and your customers are businesses, what can Nextel learn from America Online?

Donahue: That we don't want to get in the consumer market just so that we can give away 1,000 minutes for \$20. Let the other companies kill themselves doing that.

Touché. What else?

America Online's biggest hit has been in the youth-oriented market. So the question becomes, what is it that's going

to attract youth? It's got to be fun and sexy, and there have to be appealing applications. Kids like to communicate frequently; they love the games. If you can offer those things to them at a reasonable value, from the perspective of both the handset and the access, you could hit a home run. That's what we did in the early days. If you went into any large company, you'd say, what wireless stuff do you use? They would have pagers, cell phones, and in many cases two-way radios. We'd say, "We'll put it all in a single handset and save you 40%."

So now to answer your question, we have to ask ourselves, "What do we have to continue to do to stay ahead of the fray, to stay ahead of the business customer?" One of the things we naturally looked

at is data. We think that data's got real legs. It's just slow to develop.

What are some examples?

Two-way messaging with @Road is a big hit for us. Integrating the phone with a Global Positioning Satellite (GPS) system, so any dispatcher can see where his driver is and tell him to go over to a business and pick up a package because it must be delivered within three hours across town. So you have high

Voice will continue to reign because enterprises don't yet know exactly what they want from wireless data, says Nextel CEO Tim Donahue.



customer satisfaction, and you have much more efficiency in terms of your fleet management.

Java makes everybody's life a hell of a lot easier. We have applications on our phones running Java – travel expense forms, calculators that do more than just figure out tips. Applications so that landscapers can measure out an area using their phone's GPS transmitter to calculate square feet. In real estate, we can hit agents the minute a property gets listed. Here's the price, here's all the information you have to know. And if you want to look up anything else in the MLS (Multiple Listing Service) listings, just use the phone and you've got it.

What investments are you making in data, given how long you think it's going to take?

I recognize that the market has been slow to develop in terms of the applications. What we're doing [in preparation for that day] is stratifying our sales organization so that we know what the construction industry wants, we know what the medical industry wants, we know what the field service and field sales people want. We're going to develop applications that go directly at those verticals, where they'll pay 15 bucks a month for a particular application if in fact it makes them more productive or efficient. You've either got to generate revenue or save dollars.

Are you seeing that the early market for wireless data tends to be more blue collar than white collar?

Blue collar is clearly the majority of what we're seeing today, especially as it relates to the field service businesses, the dispatch services, and the construction services. We have not seen early data adoption among white-collar users, except in two areas. The first is two-way messaging, sort of a follow-on to SMS (Short Message Service), and the other is the whole issue of location services.

But today, white collar makes up 34% of our voice base. And it's the fastest growing segment of our voice base. We're in just about every Fortune 500 company. Where did it start? The facilities people.

“We live in a voice world. Data's important ... but let's not get ourselves worked into a lather over 3G data speeds.”



They had to have the two-way radio. It moved from the facilities people to the IT people, who were running around doing desktop stuff and who were constantly talking back and forth using the big button [Nextel's walkie-talkie function, which lets Nextel users talk to other Nextel users without incurring per-minute charges]. It moved from the IT people into the middle management and into the sales areas. And so what happened was we started to see use progressively move up. Now it's moving up to the executive only because it's smaller, lighter, with better feature functionality than it was before.

There's a lot of talk about location, and you say that will help drive white-collar use. But to do that with millions of people who might be in the same area, it's going to have to scale really well. Can it do that?

There are two sides to the location question. Do you want the capability to reside in the handset or on the network? I'd prefer to have it in the network if I didn't have to go on overlay [a separate location-detection network that works with the voice/data network]. Today that's built on overlay, so right now I prefer to have it in the handset. But it makes the handset expensive and bulky.

Right now, it's a pain in the ass for the industry. Probably most of us will come

out with a handset, and then over time I think the vendors will figure out a way to put software in the network that does the same thing. You have the sites and you've got radio frequencies coming in and out of the antenna, so you should be able to figure out how to do it on the network.

We're seeing a lot of backlash about third-generation (3G) promises. We talked to Qualcomm last week and they said, “Oh, no, 3G was never about data.” Now we're hearing that 3G is better for voice and 4G or some other G will be the data nirvana. What's going on?

When I talk to people about 3G, they talk about high-speed data and streaming video. That's nice, but the reality in the world is that in the next five years, 80% of revenues are still going to be voice [and 3G lets carriers increase voice capacity by four to eight times]. We live in a voice world. Don't misunderstand me: Data's important, we love it, it's especially going to help email applications and business customers. But let's not get ourselves worked into a lather over 3G data speeds. Our all-packet network has a gross data rate of 96Kbps, but you know it gets degraded going through a network. We're running at 22K right now, which is the end user experience. By the time we get to the end of this year, we'll have it at 56K. Now for what we do – short bursts of information – 22K is fine. But if you're going to be a heavy-duty email user, if you want to download a lot, you've obviously got to have better speeds. So I'm focused on 3G for the voice lift first and the enhanced features and data products second.

So data is a side benefit, and the real benefit is going to be the voice capacity? How long is it going to be before data is important?

Many years. Eighty percent of the revenue over the next five years is going to be voice. Twenty percent of the revenue is from data, but that's a lot of revenue because these are big revenue streams we're talking about. I don't want to minimize data, but I would say that initially the whole lift here is for voice, with the added benefit of the coming data speeds. Data will start to take off when applications really become understood. ☐