

# Will “Front-End” Infrastructure Get Carriers Moving?

At issue: September and October saw an interesting round of investments being made in a new breed of wireless companies — those providing “front-end” infrastructure to carriers. As opposed to “deep” infrastructure like switches, cell sites, and optical connections that carriers have been spending heavily on over the past year, front-end infrastructure consists of software and network tools that let carriers deploy new types of data services and build out new kinds of revenue deals. VC investments in these front-end infrastructure companies totaled \$42 million in September and \$94.3 million in October — far higher than investments in any other wireless sector. But does the availability of such tools mean that carriers will soon dominate the data services market?

**MO SAYS:** No. You’d think that the number of front-end infrastructure companies rolling into the marketplace would mean carriers are finally ready to build out the mobile economy we’ve all been dreaming of. That, equipped with the tools to deliver whole new sets of data services tied to real revenue-sharing models, the carriers would finally have us all in the palms of their hands. But, given their history in making (or should I say “unmaking”) mobile opportunities, I’d say that’s a dangerous call.

We’ve all been waiting for them to take on that role. But to date, who can name one popular carrier-run, revenue-making wireless data application in the U.S.?

And I don’t think it’s been the lack of infrastructure technology that’s holding them back; it’s been a fear of staking too much on data services. And cool new tools or no, that fear is still there.

But that doesn’t mean these tools won’t be used; and it doesn’t mean we won’t be able to roll out revenue-making wireless data applications. It simply means we may be doing it through a different breed of service provider — a type of provider that acts as an intermediary between the content and service developers and the carriers. Companies like Wmode and MobileWay are already building ways for content and service providers to get their goods on-air and to secure revenue deals without having to wait for the carriers.

And more intermediaries are likely to move into that gap, possibly cutting the carriers out of the most lucrative part of the emerging mobile data market.

What does this all mean? Perhaps that by working with non-carrier partners, wireless content and service providers will find themselves with more clout at the negotiating table when it comes to ironing out revenue-sharing deals. And perhaps that the bright new segment of front-end infrastructure providers should hedge their bets and look to target their products beyond just the carriers.

**GALEN SAYS:** Mo, I disagree. The carriers *do* know where they want to go; now, with this front-end infrastructure, they’ve got the tools to get there. Sure, they’ve been slow to move in the mobile market. But for the first time we’re seeing real efforts by carriers to create the infrastructure and basic underpinnings for consumer and enterprise applications.

The carriers have been clear for some time that in wireless they don’t want to be the dumb pipes that have so hurt landline carriers. What’s not been clear is how they expect to be smart pipes when they aren’t investing and promoting real

data services. That certainly has created an opportunity for would-be front-end service providers to offer themselves as alternatives or intermediaries.

But for such companies to do more than facilitate the carriers’ operations — such as aggregating the content providers, the billing services, and the application providers — would mean

the carriers giving up on the smart-pipe goal, and I just don’t see that happening. I frankly believe the carriers would resort to impeding rollouts, access, and services rather than give up that goal.

The carriers’ efforts to reach out to developers and enterprises shows their commitment to owning a majority of the next-generation services market. I believe that a few key providers, like a Qpass for m-commerce management, will facilitate the carriers’ services. They could also ultimately help provide the one thing the carriers have stubbornly avoided that could create an opening for these front-end infrastructure firms: interoperability. Instant messaging, mobile wallets, and so forth will need to break out of the carrier-walled gardens to become effective. If the carriers don’t make such core functions interoperable, then the America Onlines will do it for them. ■

*Each issue, Editor in Chief Mo Marshall and Editor Galen Gruman debate a key mobile strategy question. Send us your views at [letters@mbusinessdaily.com](mailto:letters@mbusinessdaily.com).*

