

## The WiFi Front Telco v Cable in Fixed Wireless

By Ed Finegold

Internet cafés were novel a decade ago. Now, it's tough to imagine a café that doesn't have free WiFi access. Sure, you'll find a few WiFi-free hangouts that cater to esoteric luddites, spinning vinyl records amongst shelves of dog eared books, with dusty gas lamps and buggy whips for decor. But for the most part, we expect WiFi with our half-caf soy lattes. WiFi plays a key, bridging role in mobility; a WiFi hotspot can give us freedom to consume higher speed data without fear of overage in a world of capped mobile data plans. And now subscription mobility allows us to tap into our TV content with an app and WiFi. The WiFi front is a battleground for cable operators and telcos as they work to meet consumer demand for

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unshackled access to entertainment on any device. But who's winning, and how do we decide?

### Rating the Players

One way to measure leadership in WiFi is by the scope and breadth of an operator's footprint; we can measure how many hotspots they have and how much turf they cover. To keep things simple, we'll examine two telcos and two cable operators; AT&T, Verizon, Comcast, and Cablevision. We'll also look at a handful of markets that can tell us something about each operator's strategy and market reach. Those include New York City; Metro New Jersey (just west of Manhattan across the Hudson River); Chicago (because three of the four operate there); Peoria, Illinois (following the old political polling adage "if it plays in Peoria"); and Dayton, Ohio (because Ohio is so often considered representative of America's heartland).

We'll adjust for the fact that cable operators are regional in nature, not national, to adjust for geographic bias. They just don't have WiFi hotspots outside of their cable footprint, whereas telcos are national entities. That said, our research shows that even within their home markets, some of which are major cities, cable operators can be a bit slow on the WiFi uptake.

A second criteria we'll use to measure WiFi leadership is creativity at the customer interface. We can look at this in two ways; first, how aggressive is the operator in regards to subscription mobility. Subscription mobility is the model where a subscriber can access his or her content services from any access point,

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including a WiFi hotspot. “The Tier 1 cable operators that we serve, all of them are actively engaged in trying to get subscription mobility out there,” says Scott Ortiz, Director of Product Management for CSG Systems, which has been a major provider of billing and customer management services to the cable industry for 25 years and whose solutions reach more than half of all U.S. households. We will also look at how well these operators are using the moment of eyeball capture – such as at the WiFi login or terms of use acceptance page – to offer value-added services.

#### **AT&T’s Monstrous Footprint**

When we measure by total hotspots and geographic range, AT&T is the WiFi champ in the United States. According to the company, AT&T has more than 24,000 public WiFi hotspots across the U.S. Many are free, and all are open to AT&T customers with certain smart phone, broadband, and laptop-connect data plans.

AT&T distances itself from the competition largely because of its strategic partnerships where its WiFi services are offered free to anyone. Its relationships with McDonald’s, Starbucks, FedEx Office, and Marriott give it a nearly ubiquitous presence throughout the U.S. There are more 700 AT&T WiFi hotspots in Chicago; more than 460 in New York City; more than 60 in Metro New Jersey; 27 in Dayton,

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Ohio; and 18 in Peoria, IL. The vast majority of these are free hotspots in Starbucks and McDonalds locations. And, despite the fact that Montpelier, Vermont is the only U.S. state capitol without a McDonalds, there is an AT&T public WiFi hotspot in the heart of its downtown area. AT&T’s strategic approach to WiFi is unparalleled by any other provider and would be tough to match given the overwhelming, combined presence of Starbucks and McDonalds locations alone.

In regards to subscription mobility, AT&T supports auto-authentication for its smart phone customers within all of its hotspots, including those that are not free to all. Its smart phones will also handoff seamlessly, according to the company, across its mobile networks and WiFi hotspots without a user prompt. This makes the AT&T WiFi footprint an extension of its national mobile presence, and creates a strong value proposition, especially in light of the company’s move to capped data plans.

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AT&T U-Verse has also moved into subscription mobility in at least three ways. First – table stakes – subscribers can download smartphone apps that enable remote DVR management. AT&T has also enabled a limited amount of video content to be downloaded to Apple i-devices. And finally, AT&T U-Verse supports HBO GO, a mobile service for HBO subscribers that enables access to HBO content on-demand from WiFi connected devices.

Note that for most operators, the primary reason video content downloads are limited is largely contractual. These new, mobile forms of content access raise issues that “the contract didn’t potentially address,” says Ortiz. He says this “leaves a gray area they (operators) have to work through” but also that “there’s a market for it and I’m sure they’ll find a way to see eye to eye on it” given their long standing and lucrative partnerships.

**Comcast Stays Home**

Comcast boasts 20,000 WiFi hotspots on its home turf between Philadelphia and New York. Despite the massive Xfinity billboard that hovers over Addison Street across from Chicago’s Wrigley Field, Comcast has no official WiFi hotspots anywhere in the U.S.’s third largest city. The operator also has no WiFi presence in Peoria and Dayton, smaller cities where it offers its core subscription services. Though Comcast has significant density in Metro New Jersey, with more than 275 hotspots, and in Brooklyn and the Bronx, with more than 1,000, it has no WiFi presence in Manhattan.

This geographic bias is disappointing, because while Comcast is a major content player, and has been a leader in multi-channel delivery, its lack of WiFi presence – and thus of footprint for subscriber mobility – stands to weaken its mobility strategy.

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Granted, Comcast is marketing its 3G/4G laptop cards and mobile hotspot devices, but that key piece of its mobility strategy hasn’t stopped the company from rolling out 20,000 WiFi hotspots in a limited area.

Comcast has rolled out subscriber mobility with an iPad app, but complaints on its web site state that the app isn’t working on iPhone or iPod touch as advertised. The app provides the same remote DVR features as the other players, and also provides subscribers with remote access via any WiFi connection to on-demand content. So, the good news is, if you’re a Comcast subscriber and want to watch a movie on your iPad while eating at McDonalds, you can piggy-back off of AT&T’s footprint to get at your Comcast on-demand video. And at this time, odds are good that you’ll get more content from Comcast than from other operators because “Comcast has more weight with the content partners because they own more of the content they distribute,” says Ortiz.

**Verizon Lacks Focus**

Verizon’s WiFi footprint is national, but underwhelming. According to the company’s online WiFi hotspot finder, there are 5,824 Verizon WiFi hotspot locations, with 50 in New York City, 58 in Chicago, 6 in Dayton, Ohio and 5 in Peoria, IL. Oddly, Verizon only has about a dozen WiFi hotspots along the west bank of the Hudson River, across from New York City. Given that Verizon headquarters is in New

York City, its relative lack of WiFi presence in Manhattan and Metro New Jersey is surprising.

What seems to be lacking from Verizon’s WiFi approach is a coherent strategy. The big brand relationships, like

WiFi Hotspots				
	AT&T	Cablevision	Comcast	Verizon
<b>New York City</b>	460	630	1,000	50
<b>New Jersey Metro</b>	60	150	275	12
<b>Chicago</b>	700	N/A	0	58
<b>Dayton</b>	27	N/A	0	6
<b>Peoria</b>	18	N/A	0	5

## The missing piece is personalization.

those AT&T has forged, are clearly lacking. Browsing its hotspot finder – which, to Verizon’s credit, is extremely easy to use (AT&T’s isn’t) – there’s no consistency to the restaurants, hotels, or cafes that are listed. Most are local businesses, and even in cases where, for example, Burger King pops up, it’s just a few franchise locations in Minnesota – not a national presence.

It’s also very difficult to tell which locations are free. Verizon’s web site insists that its WiFi hotspots are only open to Verizon customers with certain Internet or wireless data plans. But a quick call to some of the businesses listed in the hotspot finder, like Hop Haus Chicago, a popular spot for craft beers and burgers, reveals that some hotspots are free for anyone.

On the subscription mobility front, Verizon has enabled a mobile tablet and smartphone app for its FiOS subscribers but the service isn’t advertised as offering a whole lot of perks. Subscribers can pay to view content on-demand on their mobile devices, and can remotely program their DVRs, but the strategy doesn’t exude openness. On April 21, a Reuters report (<http://www.reuters.com/article/2011/04/21/us-verizon-video-idUSTRE73K70X20110421>) quoted Verizon CFO Fran Shammo saying that the company is focused on its negotiations with content producers “to put our content on mobile devices.”

Such ongoing negotiations would explain the current vagaries in Verizon’s FiOS mobile offering. Ortiz argues that “the content providers are well advised to be very concerned about any redistribution of their content,” especially given the tough lessons learned in the music industry. For big entertainment producers, their easily distributed and pirated content is “what they produce, what they own” says Ortiz, “it’s their value proposition.”

### **Cablevision Leads Early, Fades Late**

Cablevision is included in this contest because of its presence in the largest city in the United States – New York – and because early in the WiFi game, the operator promoted its WiFi strategy aggressively.

Cablevision helped drive the concept of subscription mobility into the cable market, though initially it was focused on “free” access to WiFi hotspots when, a few years ago, free WiFi – as opposed to pay-per – wasn’t as easy to find as it is now.

Cablevision has no footprint in Chicago, Peoria, or Dayton simply because these cities are not part of its service territory. But its WiFi footprint in its prime geography – in and around New York City – is an odd patchwork. There are at least 335 hotspots in Brooklyn, 278 in the Bronx, and more than 150 in metro New Jersey along the Hudson. But the operator has almost no WiFi presence in the borough of Queens. Its hotspots in Manhattan are limited to a handful, though they cover Madison Square Garden, which Cablevision owns, and Penn Station (the major train station serving the west side of Manhattan, located underneath Madison Square Garden); the 79th Street boat basin; Radio City Music Hall, which Cablevision also owns; as well as a smattering of sites in lower Manhattan.

As with Verizon, there just doesn’t appear to be a strategic approach to Cablevision’s Optimum WiFi offering. There are no consistent, big brand locations outside of properties Cablevision owns. There are huge holes in its coverage area. And in the bigger picture, its footprint is essentially dwarfed by AT&T’s.

Until and unless Cablevision delivers on some real subscription mobility promises, it’s hard to call its WiFi strategy a winner, despite its early adoption of the concept. And on that front, Cablevision appears to be trailing the pack. It offers remote DVR programming, but that’s about it. Cablevision is interesting because it’s a conundrum; it lead the way in public WiFi, but its execution was patchy. It was early to deliver mobile DVR programming, but hasn’t followed with a strong mobile content play. Given its presence in one of the largest media, fashion, and finance markets in the world – New York City – this disconnect doesn’t make much sense. But then again, die-hard fans of the New York Knicks who’ve suffered through a decade of embarrassment know Cablevision’s management skills all too well.

### **What’s Missing, and How BSS Can Help**

A major element that’s missing from the WiFi value proposition is a contextual offer and the point of eyeball capture. In other words, there are a few

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seconds or so where a user needs to accept a terms of use policy on a redirect web page in order to access even free WiFi. At McDonalds, you accept the terms of use on a red page with the golden arches, and then are free to go to your web page. But those few precious seconds aren't even used to sell you some dessert. At Starbucks, you land on a Starbucks web page that says something about accessing Starbucks digital content, but there's no link to it and no way to get back to the page once you leave it. That's a missed opportunity.

There does not appear to be a whole lot discussion within service providers today in regards to monetizing that eyeball capture moment. "We've seen, as we've talked to our clients, more of a push towards managed spending and balance management," says Brian Clark, Executive Director of Product Management for CSG Systems. Operators want to make sure customers have spending control

as they upsell and offer more pay-per content. At the same time, says Ortiz, "real time mediation and policy control is emerging" in order to provide "better means to manage and control the policies" related to value-added services.

With such controls in place, the missing piece is personalization, but that's soon to emerge as well. "Analytics is definitely a focus of our clients," says Clark. "We are taking data about subscribers and providing that to different channels a subscriber might access," Clark says, "and we are integrating those analytics into the channels so we can provide personalization." This is where the loop needs to be closed in WiFi. Its 9 pm, my toddler is sleeping, and I've snuck out for coffee and some quiet time. I've got my iPad. I connect to WiFi at the café and it offers me a crossword puzzle, a first person shooter game, and the latest episode of Deadliest Catch, or all three for \$5. Sold; moment of eyeball capture monetized.