

## **The iPhone will not destroy the wireless business**

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Wireless data consumption has been the growth story of the last 18 months, as folks increasingly pick up their iPhones, BlackBerrys and wireless modems in search of YouTube video, email and thousands of apps. But the Wall Street Journal wants you to believe this is a terrible thing for phone companies (or more specifically, their shareholders).

In a story today, the WSJ notes how the iPhone, which makes it easier for consumers to access data-intensive applications such as video, results in users consuming a lot more bandwidth than they would for texting and email.

A recent analysis by Alcatel-Lucent of North American wireless network use during the midday hour on one day found Web browsing was consuming 32% of data-related airtime but 69% of bandwidth, while email used 30% of data airtime but only 4% of bandwidth.

We've known this for a while. And so have carriers, which is why they're transitioning to next-generation networks, which offer more capacity and the ability to move data at a lower cost per bit. Will that keep the margins of the top two carriers in the high 20 percent range, where they currently sit? It may help them hold onto those margins in the short term, but as we've previously noted, the industry has to deal with innovations that are turning wireless and wired broadband providers into dumb pipes. It's also faced with increasing competition, as more than 90 percent of the U.S. market already pays for a mobile subscription.

Chetan Sharma of Chetan Sharma Consulting noted today that during the first three months of the year — for the first time ever — carriers sold more than \$10 billion in wireless data plans in a single quarter. That being said, the growth in wireless revenue is slowing. Sharma expects it to grow 24 percent in 2009, down from 39 percent in 2008. Overall annual revenue per user (ARPU) already decreased by 9 cents during the first quarter; average voice ARPU declined by \$1.17 while average data ARPU grew by 26 cents — or 2 percent — which doesn't negate the drop in voice ARPU.

So slower overall subscription growth means carriers will start seeing real competition, and competition is generally bad for margins. That's the story of capitalism. The phone companies know this, which is why they're investing in next-generation networks that will enable more data to travel more cheaply through their pipes, while at the same time offering plans and phones aimed at luring customers away from other carriers. They'll also increasingly look at new pricing plans structured to optimize their revenue and network usage, as well as try to provide other services, such as application stores and wireless data plans to other businesses, to keep their businesses growing even as margins fall.

So while the iPhone and the consumer wireless data story plays itself out, carriers are already looking to their next horizon.

New York Times, New York, 11 maio 2009, Technology, online.