

PTT's Hidden Value: A Catalyst for Advanced Voice Services

Push-to-talk (PTT) services have consistently provided value for subscribers, offering more communications choice by integrating "walkie-talkie" and cellular functions into a single handset. Nextel Communications' network and handsets were purpose-built for PTT, enabling the carrier to develop and maintain a competitive advantage in the marketplace.

That advantage has translated into impressive financial results. Among the six major U.S. wireless carriers, Nextel has consistently reported the highest ARPU (2004 EOY - \$69), lifetime value of a customer (2004 EOY - \$4,312) and compound annual growth rate of (1997 to 2004 - 42 percent). In addition, PTT is a "sticky" offering. Customers like the speed and convenience of instant PTT communications so Nextel's churn is the lowest in the country.

Several other wireless carriers have unsuccessfully attempted to replicate these achievements. Latency, low reliability, coverage and voice quality have limited carriers' success in delivering PTT, as well as customer satisfaction with the services. Still, interest in instant communications remains high. In a November 2004 survey of 1,278 cellular phone users, In-Stat noted that nearly 72 percent of current PTT users said that instant communication was "the most valuable benefit of using PTT."

Although industry discussion has tended to focus on PTT as a stand-alone "walkie talkie" service, the real significance of PTT may be as a catalyst to developing additional instant voice and group communications services. In other words, PTT is the leading edge of a new category of advanced, premium voice services that can provide significant value to subscribers and increase operators' bottom line results.

These advanced services are characterized by features made commercially available within the last two years and not currently offered by Nextel. Let's look at four of them: availability, handset-based contact/group list management, group conferencing and group messaging:

- 1) Availability, a feature that indicates on a handset screen when an intended recipient or group of recipients is actually available to receive a call (rather than presence, which

indicates whether a person's phone is turned on), dramatically increases service value. Industry statistics indicate that callers typically make a "live" connection with a called party or parties less than 30 percent of the time. Availability, which can be permission-based and user-driven, reduces time spent playing "telephone tag" and increases communications convenience—especially for productivity-minded business customers.

- 2) Handset-based contact management also provides a convenient method for customers to create, modify and/or delete groups on their phone rather than be required to use the Web or call a customer service number to make list changes.
- 3) Instant group conferencing allows users to select all or a portion of pre-established groups to initiate real-time PTT or cellular conference calls.
- 4) Instant voice messaging enables customers to leave voice-mail messages for one or many individuals on their contact lists simultaneously, without waiting for the phone to ring or remembering extension numbers. This new capability in wireless benefits many types of customers, from executives working with colleagues in multiple time zones to coaches of children's soccer teams.

These convenient new features help build wireless communities and improve communications efficiency for customers, especially business users. Rather than defining PTT by its history as a stand-alone service, let's envision PTT as one of the new revenue-generating voice services that operators can offer to their subscribers to increase usage, improve revenues and reduce customer churn.

Here's what the enabling technology must deliver for advanced voice services to succeed:

- Coverage must extend across the carrier's full, cellular service area, not be limited to a smaller service territory. Users must be able to use these services from any location where they can currently make a cellular call.
- Communications reliability and voice quality must be equal to—not less than—the customer's current cellular service. Users will not accept an increase in dropped calls.
- Latency (transmission delay) must be extremely low, since instant communications require real-time delivery.

In the In-Stat study, cellular users were asked whether they would purchase a PTT service from a wireless carrier based on the session initiation time. Eighty-four percent indicated that they would purchase if the time to initiate was "less than one second," and 78.5 percent indicated "one to less than two" seconds.

Fortunately, breakthroughs in IP, packet-switched technology now enable network operators to meet all the criteria above. High-speed, multiprotocol switches can be deployed on existing and next-generation networks, providing a technology-neutral, standards-compliant approach to efficient delivery of advanced voice services. In addition, handset manufacturers have recognized the opportunities that premium services afford. At least nine vendors, including Kyocera, LG Electronics, Motorola, Nokia, PalmOne, Sagem, Samsung, Siemens and TCL/Alcatel, now offer purpose-built phones at every price point—low cost to high-end. Further, innovations in distribution methods now enable network operators to download advanced voice service applications over the air using BREW for CDMA phones or quickly update SIM cards for GSM phones. All of these advancements will help broaden the market for instant communications services and drive adoption.

Will stand-alone PTT continue to grow? Of course. The service will continue to attract business users and, as In-Stat notes, also has appeal in the youth market. Competitors will continue to develop compelling services and try to persuade Nextel's high-value PTT users to switch carriers. However, the most exciting area for growth is just beyond PTT, in advanced voice services. These new services open the door for an entirely new array of wireless communities and enhanced communications, which will drive usage and revenue for operators.

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