

Wi-Fi helps wireless carriers widen approach
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As mobile phones move beyond conversation to photography, ring tones and gaming, the wireless industry itself is rushing toward an extreme makeover.

Within a year, carriers Verizon Wireless, Cingular Wireless and Sprint Corp. will compete against services from top brands like ESPN, AOL and Target Corp.

More significantly, mobile phones will be able to access a signal from wireless carriers as well as a network based on the Internet. A customer will pick up the appropriate signal--without doing a thing- -as he moves from place to place.

This trend toward converging networks will lead to new services, allowing what people typically see on a television or computer to migrate to the mobile phone.

"We expect tremendous change," said Andrew Cole, wireless vice president for consultant AT Kearney. "Soon, the wireless landscape will look very different."

Motorola, Nokia and other phonemakers already make dual-mode handsets that operate on traditional cell phone networks as well as on Wi-Fi, which is the wireless broadband network connection commonly available in airports, hotels and coffee shops.

Plus, a longer-range Wi-Fi cousin, WiMAX, will make its debut next year, adding to network choice.

Furthermore, Motorola has a deal to add voice connectivity to Skype, the free Internet voice service, to some phones. This will enable customers to bypass their wireless carrier for some calls. Vendors are also making handsets that use Vonage, a low-cost Internet calling service.

"Vonage and Skype are broadening the field," said Mark Schockley, a Motorola vice president. "Skype is an opportunity for Motorola to bring more value to end users."

Even carriers that own networks are converging with Wi-Fi to extend their reach and lower costs.

"We see these technologies as complementary to our network," said Kristin Rinne, Cingular's chief technology officer.

Eventually, customers will glide from one network to another seamlessly without paying attention as they use advanced handsets, industry insiders say.

TowerStream, a firm that provides wireless broadband service to business customers in Chicago, New York and Boston, staged a test at its Rhode Island headquarters to handle wireless calls from three different services--T-Mobile, Skype and Vonage--over a single handset.

Wi-Fi hot spot testing

This summer, TowerStream will launch a test in Manhattan so that as customers use their phones while moving, radio signals will be passed from one Wi-Fi hot spot to another without breaking the connection.

"We have hundreds of people in New York who've signed up for the test," said Jeff Thompson, TowerStream's chief operating officer. "We expect to get a lot of helpful feedback."

The firm intends to offer a converged service commercially in 12 to 18 months.

These new networks will also offer more robust and specialized content.

In Scandinavia, more than a dozen firms sell wireless service to a population that's only a fraction of California's, Cole said. They tend to have strong brand names and specialize in niche services that go far beyond voice. Most don't own the networks they use, but rent time on them instead.

Although the U.S. is behind, it is also happening here.

ESPN has already cut a deal to use Sprint's wireless network to launch a sports-oriented niche service later this year. AOL has plans to get into Internet telephony soon and follow with a wireless offering. Target, the retail powerhouse, is said to be negotiating a wireless deal.

"So long as each entrant has a clearly defined niche, you can have many, many wireless offerings succeed," said Cole.

The convergence will also include wired phone service, a development business customers have pushed for.

Large enterprises want convergence to reduce costs, said Andy Mattes, chief executive of Siemens Communications North America.

"Many companies will have two wires to each desk," one to the phone and the other to the computer, Mattes said. "And at least one cell phone provider. The chief information officers want cost control and balance. They're asking for it."

But the process of creating a converged environment is neither smooth nor easy.

Even though wireless industry players may need one another, they aren't always chummy. Phonemakers like Motorola want to sell their products directly to consumers rather than go through carriers. And the carriers do not want to lose control over customers.

"When you think about Motorola's move to put Skype on handsets, that's perpendicular to the interests of mobile carriers because it allows communication to occur that doesn't go through their network at all," said Mike Mulica, CEO of Chicago-based BridgePort Networks, a firm that creates convergence-enabling products.

"There's a bit of a struggle over customer ownership going on."

Mulica said that all electronic communications are shifting to the Internet, which enables users to move freely across networks.

"With the Internet model, you don't have explicit agreements to roam," he said. "It's implicit--more random--than what wireless carriers are used to."

Internet users don't concern themselves with costs and charges among various network operators, but someone must. One firm that specializes in such things is VeriSign of Mountain View, Calif.

"Mobile operators are cautiously using Wi-Fi, especially in big cities where many have poor coverage," said Tom Kershaw, a VeriSign vice president.

Mobile phone carriers were once wary of roaming agreements that enable customers to use other networks to make phone calls while traveling away from home.

"Roaming has become a great source of revenue for them," said Kershaw.

Similar agreements will be worked out to enable customers to roam among different kinds of broadband networks, he said.

Pricing not consistent

In a converged world, a customer making an Internet call on a cordless handset at home could continue talking as he walked outside and down the street--but that could create a pricing problem. The Internet call is so cheap it's practically free but moving the call to a cellular network starts a meter running at about 25 cents a minute.

"Either we get to a point where the tariffs of the two networks are the same," said Kershaw, "or you have to alert the customer when he moves from one network to another so he's aware of the rate change."

Carriers and equipment vendors are discussing these and other issues, said Jorge Fuenzalida, a director of the InCode Technology and Strategy Group. Another concern is who will handle customer-care issues when sophisticated services like hand-held TV don't work.

Yet another fear is that wireless convergence will spawn radio signal interference.

"When you have hand-helds and laptops emitting multiple signals in a variety of spectrum, you're increasing the radio frequency density," said Dennis Roberson, vice provost at the Illinois Institute of Technology and Motorola's former chief technology officer. "It's like a haze of pollution that's invisible."

Despite the challenges, wireless companies must embrace convergence, said Mulica of BridgePort Networks, because competition will demand it.

"This is about owning the subscriber's experience over different services and doing it in a way that uses Internet economics," said Mulica. "If mobile carriers hope to benefit, they must have the same weapons as their competitors."

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