Wireless internet companies are taking the same wrong turns as their landline predecessors, according to Sarabjit Singh Baveja and Vince Tobkin of Bain & Company. To succeed, they will need to recognise the true power of the medium and should not expect quick returns

The great mobile detour

When AT&T issued a tracking stock for its wireless group in April 2000, high returns seemed a given. Market frenzy over the wireless internet had more than doubled stocks of pioneers like DoCoMo and Sonera. Many who missed profit-taking in landline internet stocks looked to wireless as the next big thing.

According to Venture One, $622 billion was invested by venture capitalists into wireless equipment and services start-ups in the 2000 first quarter alone. But today AT&T's tracking stock and many other wireless shares seem to have followed their internet precursors over the cliff. AT&T Wireless Group halved to $17.00 a share by the end of 2000.

Does this mean wireless is doomed to the same fate as their landline internet ancestors?

One thing is certain from this scenario: the wireless companies that do succeed in the future will be those that avoid the mistakes made by their landline internet predecessors.

Instead, many are heading down the same blind alleys, and they're picking up speed. Here are three major mistakes made by landline internet companies playing out with surprising frequency in wireless strategies.

Missing the true power of the medium

A lot of dot-com cash and energy was misspent chasing nonexistent or short-term opportunities. At first content was to be king. Then e-retailing. Next, B2B exchanges.

It's now clear that sustainable advantage for landline internet companies occurs only where these firms harness the medium's true potential. The web's interactivity, bandwidth and reach must be used to make product and service offerings more flexible and dynamic, and business relationships deeper and broader.

So why are some taking the same detours in wireless? Why aren't wireless strategies fast-forwarding to opportunities that leverage what is unique about the medium?

The real opportunity in wireless lies in the seemingly trivial observation that while landline connections require you seek out the internet, wireless lets the internet come to you – any time, any place.

This possibility implies enormous opportunity to hit new heights in value creation and efficiency by integrating the power of the virtual world with the physical world – whenever and wherever – in consumer experiences and business processes. Yet surprisingly few corporate strategists are talking about it.

A very few companies do appear to be experimenting with this potential. In B2C, Geoworks is painting a vision that features permission marketing, which, for instance, would have french-fry coupons pop up on your cellular phone screen as you enter a burger joint.

Also, Hewlett-Packard Laboratories in Palo Alto is conducting an experiment called CoolTown where every person, place or thing has a web presence and carries beacons that broadcast their addresses. In CoolTown's museum, a visitor can pick up the URL on her wireless device of a painting she admires and send it to a printer. In the bookstore, a shelf can recognize a customer by reading his cellphone beacon, then recommend titles.

In B2B, some companies are harnessing the true power of wireless. Boeing is reducing cycle time on aircraft construction by using wireless to give measurement-system operators immediate access at the assembly site to drawings, status reports, e-mail and other traditional desktop features.

Mobile software makers River Run, iMedeon and Oracle are teaming with service operations to put in place wireless solutions that allow dynamic scheduling of technicians. Today, River Run's workforce management software enables Sears' repair technicians to estimate job durations, order parts, and communicate with management – all generating additional revenue.

If you are chasing the latest wireless horoscopes or movie reviews beware: missing the medium's power alley will yield lots of road kill, just as in landline internet.

Overestimating the rate of change

Second, wireless companies are guilty of fueling hype that projects a brave new world of connecting people and products right away and all at once.

What we should have learned by now is when the power of a new medium is immense, it can be painful and slow to change processes and behaviours.

For proof, look at financial results in landline technology. We're at least five years into landline internet and not much money is being made. Estimates remain attractive: Forrester Research predicts $2 trillion to $4 trillion of transaction value in B2B e-commerce alone by 2004.

But to date, most exchanges have yet to host a transaction. In B2C, front-runners like Dell and

Schwab have taken years to migrate customers online. After five years, Schwab has migrated about half of its accounts.

So, if your business case predicts or requires driving to scale in a few months, odds are you'll be a flash in the pan, like landline's coterie of "get-rich.coms."

The wireless transformation will take time. Survey after survey shows that companies and users remain concerned about quality, standards, security, reliability and support.

Once the basics are addressed, the long task can begin of enabling business processes and users with wireless, and integrating wireless and wired platforms. Therefore, expect wireless to display landlines' "exciting-but-slower-than-expected" adoption rate.

This isn't to say that early movers will have no advantage, or that getting to scale quickly is unimportant. These principles remain key, but they will yield little if the value proposition underlying them fails to patiently pursue a truly sustainable opportunity.

Companies that will endure in wireless will harness the medium's power and build their business models for the long term.

Customer relationships and brand power

A final mistake is failure to focus on brand-building and customer loyalty.

Note where the brand value and hence customer control and profits migrated on the landline internet: Yahoo!, AOL, eBay. Was there a reason that the portals – not the access carriers – wound up controlling internet customers? Was there a logic that said an auctioneer, not a PC manufacturer, should become the web's biggest brand?

Just one: telecommunications companies, PC makers and others ceded their opportunity.

With this mistake many internet companies not only missed an opportunity for improved brand and customer strength, but also bought into a myth. They believed the economics of the internet favoured cultivating new customers and new, unrelated revenue streams.

The opposite has proved true. Bain research has found three-quarters of acquired customers in some online retail sectors, like apparel, are unprofitable. The smart money in landline was invested in strategies that focused on retaining and cultivating existing customers and revenue streams.

Today, some wireless carriers and companies appear willing to make the same wrong turn.

Witness Sprint's rush to market last holiday season with wireless broadband in alliance with Yahoo!, a move that gained little traction. Missing the battle for brand and customer loyalty will be a huge error.

It is tempting to rely on a strong, branded partner. However, the longer-term costs may bankrupt you.

In short, if the full potential of the landline internet was to make business models more dynamic and flexible, the full potential of wireless is to make business multidimensional.

AT&T take note: people are never going to surf the web on their cellphone, but they will use it to simplify their lives and jobs, speed processes, and reduce search and transaction costs.

The companies that can mine the real opportunities in wireless will strike gold. ■