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A New Era Begins

By Jesse Cryderman

Over the past month we've watched significant news unfold that will have a dramatic impact on the communications IT landscape. Major players announcing fundamental changes in business strategy and big news from Apple have the news outlets buzzing, and for good reason. We're witnessing the beginning of a new era, a post-Jobs era, an era where hardware companies go soft, and everyone wants their piece of the software and services business.

An Apple a Day

Last month, it seems as if every day brought a new headline from Apple, culminating in the surprise announcement that Steve Jobs would be stepping down as CEO. At the beginning of the month, Apple's valuation surpassed Exxon Mobile, briefly making Apple the most valuable corporation in the world. Soon after, news of a possible deal with China Mobile (the largest wireless carrier in the world) hit the wire. Apple may soon design and rollout an iPhone for China Mobile's TDSCDMA network. Then it was leaked that Sprint will become the third carrier in the U.S. to carry the iPhone, as part of the iPhone 5 launch in October.

The biggest news, though, was certainly the announcement that Steve Jobs, the public face of Apple and the captain of the ship during the company's meteoric rise, would step down as CEO. However, while the world continued to buzz in the aftermath of the news (one person called the coverage "giddy"), Apple killed off it's .99-cent TV rental service and made some direct moves toward releasing an Apple TV set (not a set-top box). It's very likely that the internet-enabled television set will be the next battleground for Apple and Google, with both companies doing the groundwork with set-top boxes that were more research projects than money makers.

DISH Network Dreams Big

The next Netflix? A direct competitor to AT&T? DISH network has some big plans, and is making moves to put them into play. The satellite-based video provider has been bleeding subs (down 135,000 in the second quarter) and needs to change strategies to stay afloat. After buying Blockbuster in April as a weapon in the battle for streaming content supremacy, DISH picked up a new CEO, Jim Clayton who had some choice words for Netflix. "If I were them, I'd be watching what's going on," said Clayton to the AP. "I'd stay tuned. Because no one's going to have a monopoly on this and I'm sure it's not just our company that's looking at trying to take a small piece of the pie from Netflix."

But Clayton has since set his sights even higher: DISH has filed for FCC approval to build a wireless network based on LTE-advanced technolgy. This would allow them to provide high-speed broadband and compete directly with telcos and cablecos who offer triple-play bundles. And the plan is not so far fetched. They could follow Lightsquared's lead and enlist Sprint to handle the heavy lifting. Credit Suisse analyst Jonathon Chaplin predicts DISH would save $1.6 billion a year in operating costs by partnering with Sprint, instead of building out their own network from the ground up.

Zacks Equity Research weighed in on its blog, stating that adding high speed internet service could "help DISH Network to eliminate customer churn." In addition, the combination of DISH's Blockbuster streaming services with its wireless broadband network would allow it to offer a "highly innovative bundled service" which could compete with online video streaming sites like Netflix, Hulu and YouTube.

The Verizon Strike: How it Impacted Service

Despite all the talk of CEM solutions in this issue, none of them accomplish much if there is no service to begin with. Verizon felt the sting of this truth during a 15-day strike last month that saw 45,000 workers leave their posts. The number of striking workers was large enough to have an impact on the monthly employment statistics, but what kind of impact did this have on their network quality and service metrics?

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Verizon acknowledged what it called "minor disruptions," but customers on the receiving end of service and installation delays were angry. In New York, Verizon customers complained about excessive wait time for installation and service. One customer, who owned a boutique investment bank, reportedly lost phone service for nine days. Others received FiOS installation dates in excess of four months after placing an order for new service.

Even though FiOS is superior technology, Verizon's unresponsiveness and inability to install service definitely pushed customers to Comcast and Time Warner. Competitors like Time Warner were quick to capitalize on Verizon's lagtime, offering installations on Sundays and shortening their waiting time window from three hours to two.

The strike didn't just impact Verizon's service, it also affected public safety. In Maryland, the State Highway Administration's 511 was inaccessible to Verizon's landline customers, and launched about two weeks late, thanks to Verizon's delay in installing switches. And in Pittsburgh, Pennsylvania, ankle monitoring bracelets worn by criminal offenders require clean, discrete home phone service (not part of a bundle). Since Verizon's landlines provide the best service in Pittsburgh, many feared an extended strike would impact the ankle monitoring program.

For a company like Verizon, the cost of losing scores of customers to the competition because service issues could not be resolved quickly falls directly under the umbrella of the type of problem CEM aims to fix. Yet, as we've seen, there is nothing in the software realm that can prevent a good old-fashioned strike. Or is there?

Don't Change Horses (In the Middle of the Stream)

Google and HP certainly haven't been grooving to Tower of Power's funk hit Don't Change Horses (In the Middle of the Stream). They've been too busy making drastic direction changes that have everyone rubbing their necks and scratching their heads.

First, Google announced a $12.5 billion acquisition of Motorola Mobile, which will pit the giant against Apple with supercharged Androids. What's most important about the deal is intellectual property; Google will acquire an enormous patent portfolio (around 17,000 patents), with which it can defend itself against copyright infringement suits. Until now, the software company has left the hardware companies to their own devices (no pun intended) when it came to defending against Apple's lawsuits (to wit: Samsung Galaxy Tab debacle). Armed with patent protections, Google is poised to go toe-to-toe with Apple in the very near future.

Later in the month, HP decided to exit the tablet game almost as quickly as it entered it, dropping out of the WebOS game entirely and promising to refocus on software and solutions. As a last hurrah, HP ignited a firesale on their TouchPads (marked down about 75%) that swept across the internet and spawned more news stories than the impact the pad funeral had on HP's bottom line. By August 19, the company lost about $12 billion in value following the news, and investors remain unsure whether HP could pull an IBM-style move and jump from the low-margin device market to high-margin IT software and services.

The two companies aren't the only examples of changing business strategies, and fighting to decide whether their riches will be found in software or hardware. Cisco made a move to expand its software-based solutions by acquiring Axioss this month. As we reported earlier, DISH Network wants in on triple-play service offerings and Netflix-style streaming content. And it's no secret that major carriers like AT&T and most recently Verizon are making expensive plays to get into the enterprise cloud services market.

AT&T may be the tortoise in the LTE race, but its HSPA+ upgrade has allowed it to remain competitive.

AT&T Introducing Two LTE Devices: Will LaTEcomer Status Hurt Them?

AT&T is bringing two Long-Term Evolution (LTE) devices to market beginning August 21. But, where is the network?

The AT&T USBConnect Momentum 4G and the AT&T Mobile Hotspot Elevate 4G hit stores Sunday. The Momentum is a laptop dongle, which will sell for $49.99 with two-year contract. The Elevate is a portable LTE hotspot, through which AT&T customers will be able to connect up to five wifi devices to AT&T's (as yet non-existent) LTE network, as well as its HSPA+ network. Additionally, the AT&T USBConnect Adrenaline, which is already on the market, can be updated to LTE functionality on the company's website starting August 26.

Momentum and Elevate users will be eligible for 5GB data plans for $50 plus $10 for each additional gig which, AT&T says, is the same amount many of their 3G customers already pay.

AT&T–the second largest U.S. mobile carrier behind Verizon Wireless–plans to rollout LTE coverage in Chicago, Atlanta, Dallas, Houston and San Antonio by summer's end. They expect to expand coverage into ten more cities by yearend and project 70 million U.S. LTE customers by the beginning of 2012. AT&T, a latecomer to 4G relative to Verizon Wireless and Sprint (S :NYSE), delayed LTE deployment, instead focusing on upgrading its HSPA+ network.

The company asserts that HSPA+ with enhanced backhaul enables 4G speeds, affording consistently fast mobile broadband speed when moving into and out of 4G LTE coverage. However, a PCWorld performance test conducted back in March found laptop modems on AT&T's network achieved an average download speed of 2.5mbps, compared to 6.5mbps on Verizon's LTE network. As impressive as that number appears, it will degrade as more traffic connects to Verizon's network.

Having deployed LTE last year, Verizon got to the market first, but are they bringing the most? As of July 21, Verizon offered LTE to 160 million people in 102 markets, and it expects to provide service to 185 million customers in 175 markets by year's end. They plan to convert their entire U.S. mobile footprint to LTE by the end of 2013. Until then, Verizon markets without LTE coverage will continue to experience 3G speeds slower than AT&T's; that same PCWorld test found that smartphones on Verizon's 3G CDMA network had an average download speed of 1.01mbps versus 1.45mbps on AT&T's HSPA+ network.

Sprint, the third largest U.S. mobile service provider, was delivering Wimax 4G to 120 million people in 71 U.S. markets at the end of 2010. Coverage is projected to increase to 130 million by the end of 2011. Sprint has considered supplementing its Wimax service with LTE, but its 4G future is unclear in the face of uncertainty at partner Clearwire (CLWR :NASDAQ), and WiMAX 2 might not rollout until 2013.

Pending regulatory approval, AT&T expects to close on its $39 billion acquisition of Deutsche Telekom's T-Mobile USA sometime next March. Upon completion of the deal, AT&T will be able to deliver 4G to 97% of the U.S. population and will supplant Verizon as the country's largest mobile phone company.

AT&T may be the tortoise in the LTE race, but its HSPA+ upgrade has allowed it to remain competitive throughout its 4G deployment, and AT&T is poised to become a real monster in the space, if and when the T-Mobile deal closes.