

**COMPUTERWORLD**
Mobile & Wireless [Print Article](#)  [Close Window](#)

Verizon Wireless changing cellular landscape, analysts say

Matt Hamblen

November 27, 2007 (Computerworld) Verizon Wireless surprised much of the wireless technology world Tuesday with its plan to open its networks to devices and applications it doesn't already offer.

The wireless carrier said it will offer network testing of virtually any device or application starting early next year at a reasonable cost, as long as the device or application can function over Verizon's CDMA network and future Verizon Wireless technologies such as EV-DO and LTE (Long Term Evolution) systems. The plan is to start providing the open device and software access by the latter half of 2008, said Verizon Wireless CEO Lowell McAdam.

Earlier this year, Verizon Wireless took a different tack as a strong opponent to open access when the Federal Communications Commission was establishing rules for its 700 MHz spectrum auction in January. The announcement also trumps calls by Google Inc. and citizens groups for open access to wireless networks. And analysts said Verizon Wireless has even come up with a significant response to other wireless innovations announced earlier this year.

"This news is a big deal and sets a precedent for other U.S. carriers to follow," said Jack Gold, an analyst at J. Gold Associates in Northboro, Mass. "Plus it's a poke in the eye of Google and even Apple and other closed systems."

Derek Kerton, an analyst at The Kerton Group in San Jose, said the announcement could signal the beginning of the end of the "walled garden" approach traditionally used by cellular carriers, including Verizon Wireless. The walled garden strategy has restricted users to certain applications and even certain Web sites on smart phone browsers. "The walled garden has been under attack a great deal," he said.

Verizon Wireless' announcement comes near the end of a year of important announcements in wireless, led in June by Apple Inc.'s launch of the iPhone, which runs exclusively on AT&T Inc.'s EDGE network, a version of GSM. (And because it's GSM-based, the iPhone won't work on the Verizon Wireless network for now, McAdam noted.)

During the summer, Sprint Nextel Corp. formalized its commitment to Xohm, a planned nationwide Wimax-based network that will rely on many different types of consumer devices working over the broadband wireless specification.

And in the fall, Google Inc. led a group of more than 30 companies in the creation of the Open Handset Alliance, which will work to create devices that operate on the Linux-based Android software platform. And just last week, Amazon.com Inc. announced an electronic book reader called Kindle that will run over Sprint's network without the need for a separate wireless payment.

McAdam referenced all of these products or wireless services directly or indirectly in discussing the Verizon Wireless open network push, noting that customers want a range of choices. It "makes good business sense at this time with broadband and the wireless Internet emerging into the mainstream," he said.

Verizon Wireless' "newfound open religion" came partly as a result of the FCC push, Gold and other analysts said, but also because Verizon Wireless wants to gain wireless network usage revenues from a range of upcoming devices that it doesn't make or sell.

"There is no reason to turn away customers if they can sign them up," Gold noted.

But Gold and Gartner Inc. analyst Phillip Redman noted that most third-party devices today are designed to work over UMTS and not EV-DO, which is the upgrade path Verizon Wireless is following. By opening up its



network, Verizon is hoping to attract some vendors to design a CDMA/EV-DO option for their products, Gold said.

While most of the carriers around the globe don't have EV-DO network plans, "Verizon has nothing to lose," Gold added.

In that sense, Verizon is responding to single-purpose wireless products that are not phones, such as Amazon's Kindle, that are expected to become important consumer products in coming years. "Verizon is reacting to a trend that's gaining momentum for more flexibility in terms of what devices consumers want to use," said Ross Rubin, an analyst at NPD Group in Port Washington, N.Y. "Consumers want to extend their current portable electronics by linking them to wireless networks."

Outside of cell phones and laptops, Rubin noted that there are few wirelessly connected consumer electronics devices. "But this news and Wimax go a long way toward opening up distribution," he predicted.

As for Google, Verizon Wireless is trying to say that it is "neutral with respect to devices, and this proves it," Gold said. "This move is about PR and positioning against Google -- and by the way, against Apple as well, with its sealed-in-concrete closed ecosystem," Gold added.

Ken Dulaney, another Gartner analyst, agreed with Gold and Rubin that Verizon Wireless' success depends on how fast it can set up its network testing laboratory and how quickly it can approve devices and applications.

"The announcement sounds great, but the details are what matters," Dulaney said. Developers will have to submit technology to the Verizon laboratory "which has been the worst of the U.S. carriers in terms of getting products through their testing process in a timely manner," he said.

Kerton added that one possible pitfall is that Verizon Wireless will lose some control over quality in the network testing process.

Assuming such issues aren't insurmountable, Verizon Wireless' open access announcement has some major backers, including Microsoft Corp. Calling the news a "bold move to satisfy the demands of wireless consumers," Microsoft's Pieter Knook, senior vice president of mobile communications, said the software maker is "proud to support any open access that puts more power in people's hands to connect to information they want, when and where they want it."

The move "changes the entire direction that the cell phone industry has been on for the last 30 years," said Jeffrey Kagan, an independent analyst based in Atlanta. "It's the beginning of a customer-oriented marketplace, which until now has been carrier- and network-oriented."