

# **Changing Wi-Fi Business Models**

iWeek  
September 2014

# What is Wi-Fi, anyway?

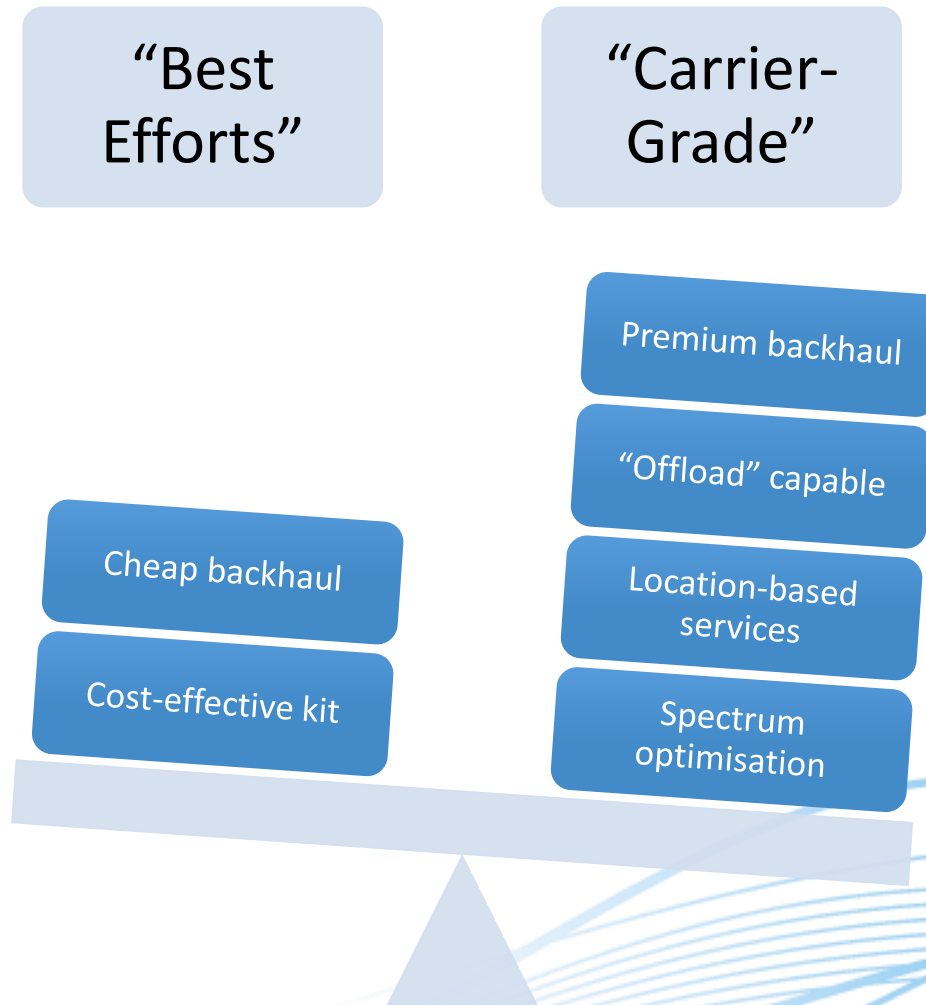
“Do they have Wi-Fi in here?” “No. You have to pay for it.”  
– overheard at O.R. Tambo

- “This thing I use to get on the internet”
- FREE
- High interference
- “Doesn’t work too well”



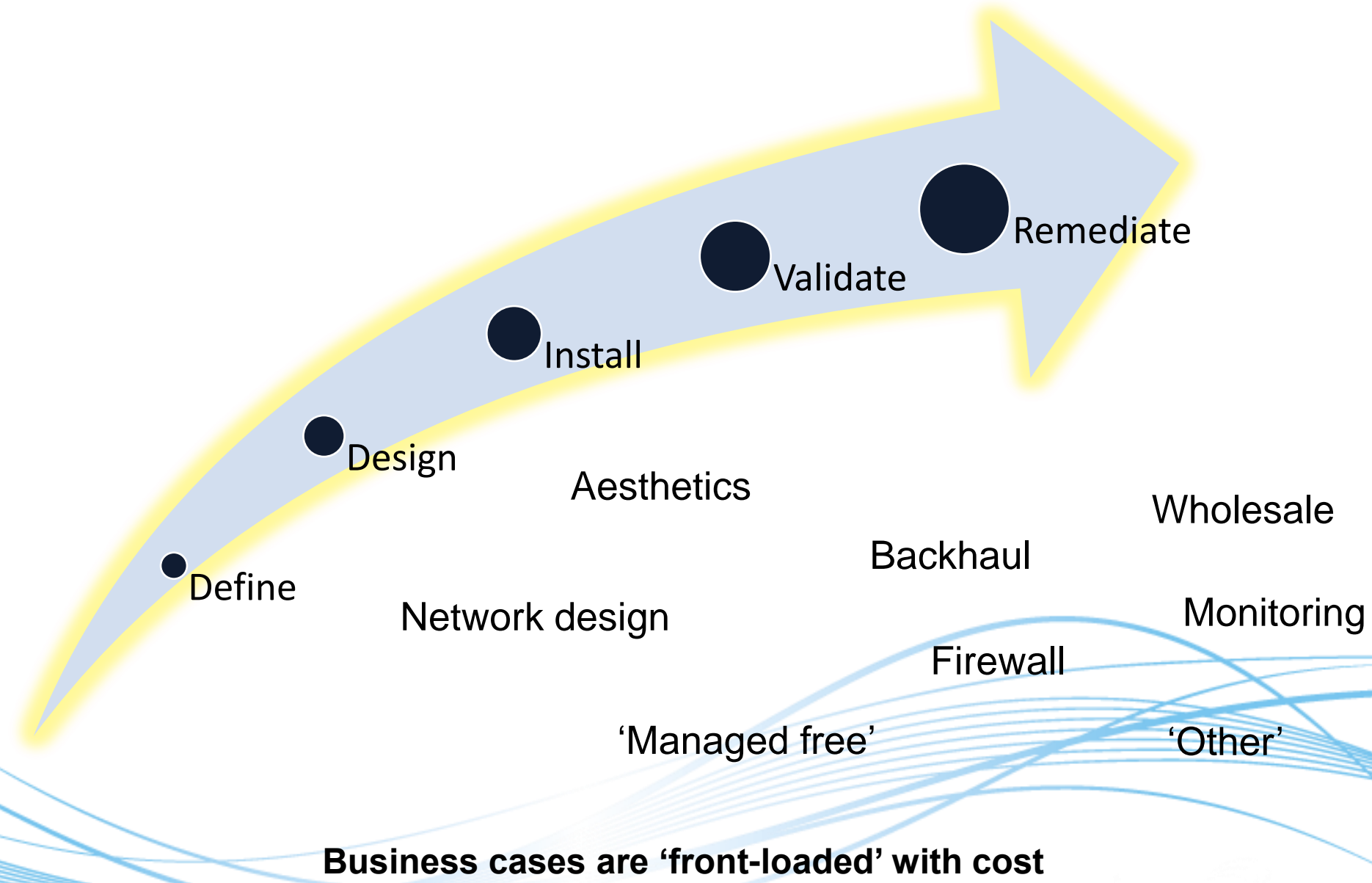
- Supported by many devices
- License-exempt
- Great throughput
- Lousy range
- Excellent “glue” medium

# There's Wi-Fi and there's *Wi-Fi*



**Gartner: 80% of new Wi-Fi installations will be obsolete within 3 years  
*due to improper planning***

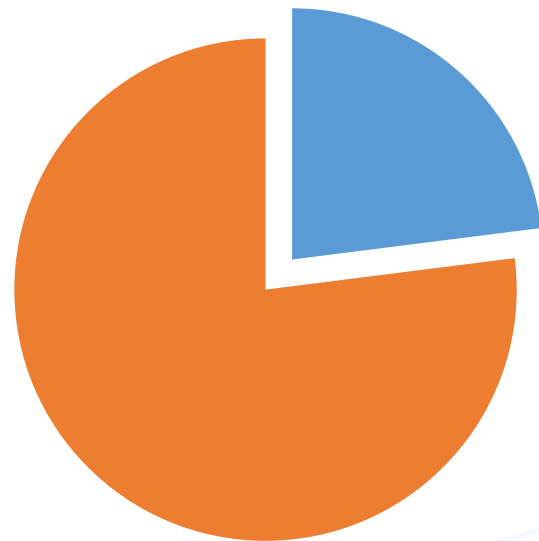
# Carrier Wi-Fi is great ... but it's expensive!



## How expensive is free Wi-Fi?

Shopping Mall Example			
Basic' Carrier-Grade Wi-Fi (including backhaul)	Unit Price	Qty	Subtotal
Installation (Wi-Fi equipment)	R 182 744	1	R 182 744
Installation (services)	R 72 000	1	R 72 000
Installation (cabling & sundries)	R 39 272	1	R 39 272
20Mbps fibre backhaul	R 24 000	36	R 864 000
Captive Portal, Remote Monitoring & Support	R 3 295	36	R 118 620
			<b>R 1 276 636</b>

It's the Opex



■ Capex  
■ Opex

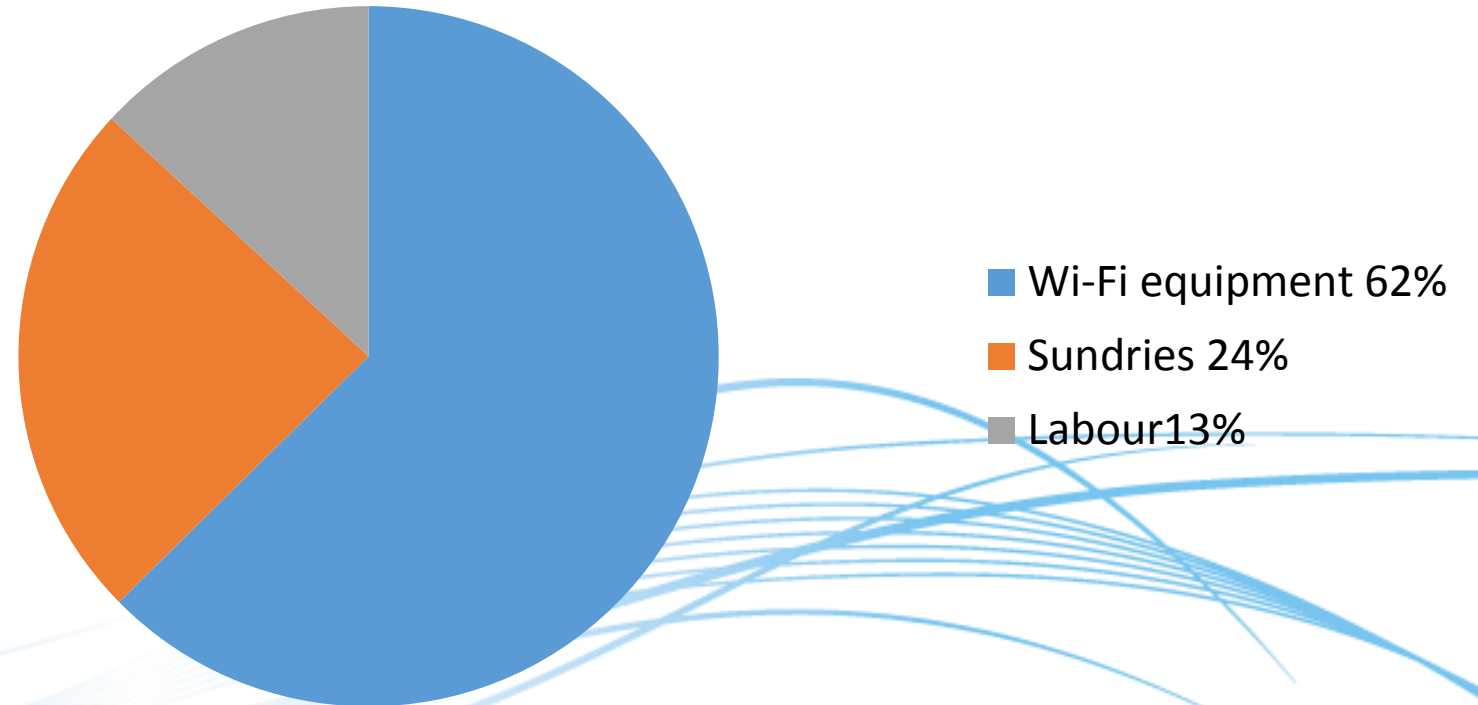
Site acquisition, overheads, and rentals are not even included!



## Key Lessons

- a) Choice of kit is a key cost driver
- b) You get what you pay for
- c) Don't overlook hidden costs & overheads
- d) Labour is not free & planning is *critical*
- e) Wireless networks are wired too
- f) Business models must focus on opex

### Labour & Cabling



# Tough times for Wi-Fi aggregators (& Gowex)

## Free Wi-Fi Supplier, Gowex, Files For Bankruptcy

samzenpus posted about 2 months ago | from the creative-accounting dept.



39

PuceBaboon writes

"The BBC is reporting that a Spanish firm, Gowex, which provides free Wi-Fi services in major cities world-wide, has filed for bankruptcy, following revelations that financial accounts filed over the past four years were "false". The company supplies services in London, Shanghai, New York and Buenos Aires, as well as Madrid. Other sources report that up to 90% of the company's reported revenue came from "undisclosed related parties" (in other words, from Gowex itself) and that the value of the company's share price was now effectively zero.

### WIFI Report Card

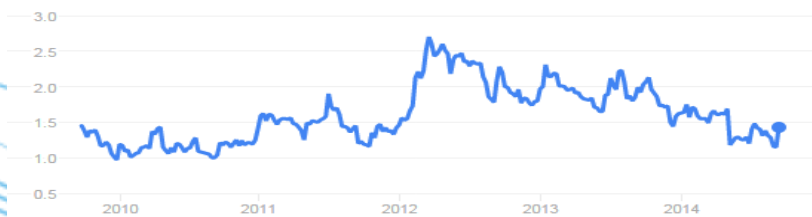
PROFIT MARGIN:	[FAIL]
RELATIVE STRENGTH:	[FAIL]
COMPARE SALES AND EPS GROWTH TO THE SAME PERIOD LAST YEAR:	[FAIL]
INSIDER HOLDINGS:	[PASS]
CASH FLOW FROM OPERATIONS:	[FAIL]
PROFIT MARGIN CONSISTENCY:	[FAIL]
R&D AS A PERCENTAGE OF SALES:	[NEUTRAL]
CASH AND CASH EQUIVALENTS:	[FAIL]
ACCOUNTS RECEIVABLE TO SALES:	[PASS]
LONG TERM DEBT/EQUITY RATIO:	[PASS]
"THE FOOL RATIO" (P/E TO GROWTH):	[FAIL]
AVERAGE SHARES OUTSTANDING:	[PASS]
SALES:	[PASS]
DAILY DOLLAR VOLUME:	[FAIL]
PRICE:	[FAIL]
INCOME TAX PERCENTAGE:	[FAIL]

#### iPass Inc.

NASDAQ: IPAS - 12 Sep 4:00 PM ET

1,43 ↓ 0,06 (4.03%)

1 day 5 day 1 month 3 months 1 year 5 years max



#### Boingo Wireless Inc

NASDAQ: WIFI - 12 Sep 4:00 PM ET

7,57 ↑ 0,31 (4.27%)

1 day 5 day 1 month 3 months 1 year 5 years max



# The myth of the golden goose of “Wi-Fi Offload” Part I: It’s Density or Nothing

## On offload economics in China:

“If you want a site for offload, how do you acquire it?”

“We pay for it.”

“And if your competitor wants it?”

“We pay more.”






# The myth of the golden goose of “Wi-Fi Offload” Part II

- a) You’re competing with the carriers for location
- b) You’re competing with LTE and LTE-A
- c) License-exempt is a tough sell
- d) You need a carrier-grade installation, backhaul, & SLAs
- e) You need a large network or in the right locations
- f) Ever heard of IPX or GRX?
- g) It’s a wholesale play
- h) It’s an exclusivity play in a world embracing open access

## China Mobile to quit WiFi rollout

### 4.3 million hotspots not making money

By Richard Chirgwin, 13 Jul 2014

 Follow 2,629 followers

3

#### RELATED STORIES

China's smartphone market slows down

#### Implementing global e-invoicing

After spending 17 billion yuan on WiFi hotspots – more than \$US2.75 billion at the current exchange rate – China Mobile has quit on the rollout and will redirect its spend to LTE.

The reason for the decision, reported in *Sohu IT* (original in Chinese, [here](#)), is simple: the hotspots don't make money. *Sohu IT* says the hotspots are good at generating traffic, but hopeless at generating income, with an raw ARPU of just 15 yuan (\$US2.58) per month .



## Traditional monetisation approaches

User Pays

Data Bundle  
Purchases

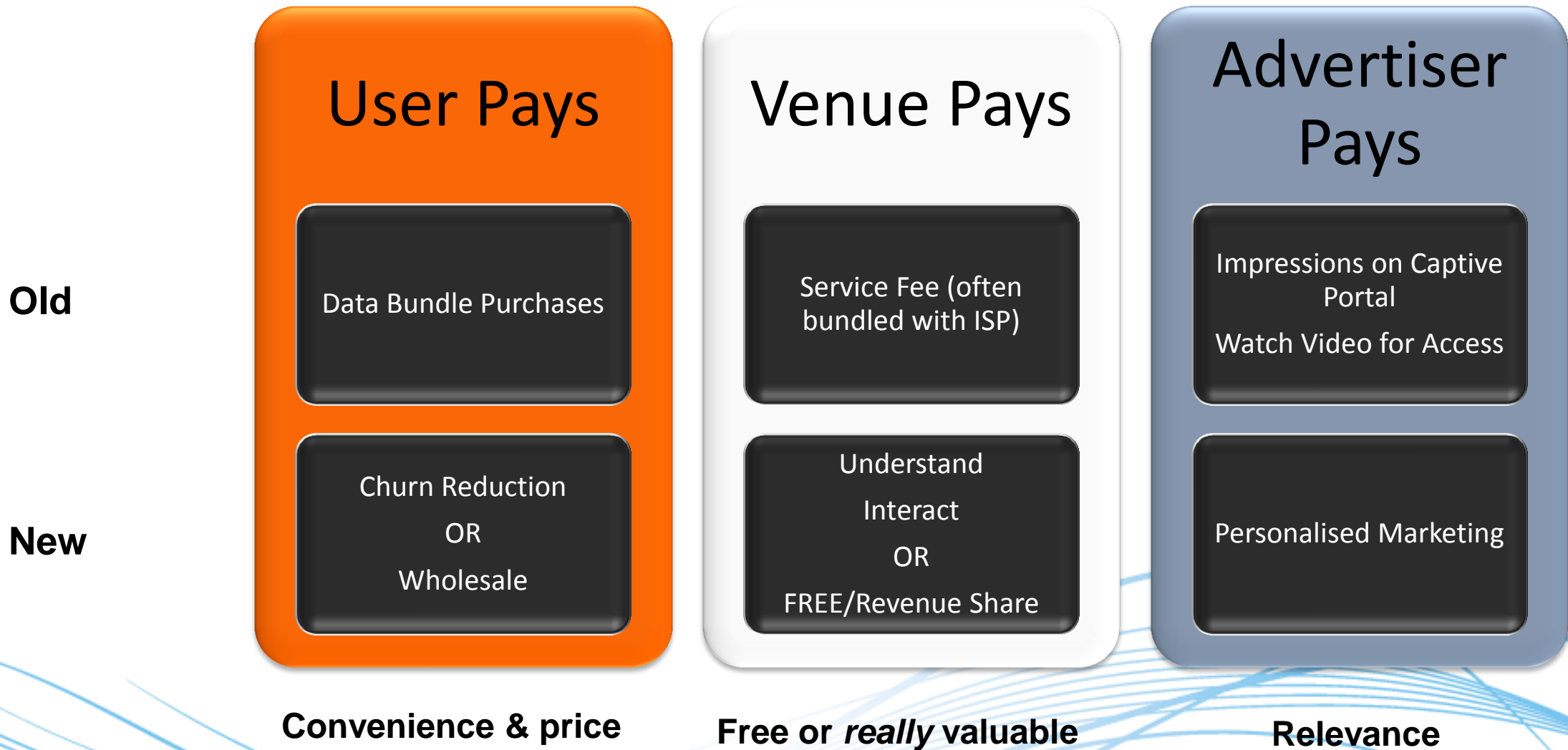
Venue Pays

Service Fee  
(often  
bundled  
with ISP)

Advertiser  
Pays

Impressions  
on Captive  
Portal  
Watch Video  
for Access

# New monetisation approaches



## Monetisation Example: Shopping Centre

### User Pays

1. "Offload"
2. Wi-Fi roaming (local & aggregated)
3. Wholesale

### Venue Pays

1. Loyalty mall app enabled
2. Revenue per square metre
3. Connectivity to shops & centre management

### Advertiser Pays

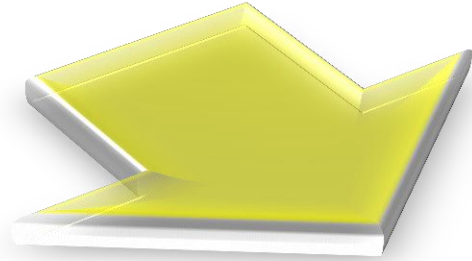
1. Impressions on captive portal
2. Personalised advertising (property-level & shop-level)

Payment back to venue (as rent) and to owner of infrastructure (access fee)



# The successful models combine network & value-added business cases

**Infrastructure  
B2C**

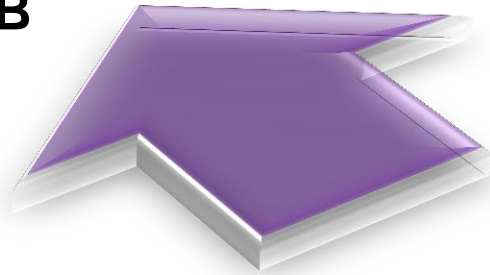


Capital

Telecommunications expertise  
(RF, networking, kit)

Wholesale

**Software & Services  
B2B**



B2B vertical focus

Software & mobile

Advertising

**Larger players and specialist companies or divisions can and should  
work TOGETHER**

Questions?

**NOMOSphere**  
*More than wireless*

**Ellie Hagopian**  
**ellie@nomosphere.co.za**

