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Quantum Helps Carriers Become Internet Providers

By Sally Ruth Bourrie

Under its new program called Mir@ge, Quantum Communications Group says wireless carriers can become private-label Internet service providers within 90 days.

Mir@ge offers direct Internet connection and local dial-up access in more than 500 cities. The service can be branded with the wireless carrier's name and includes customized dial-up software, e-mail and packaging. Customer service and technical support staff answer phones in the carrier's name.

"All the carrier has to do is market it to their subscribers and bill their subscribers for it. We do everything else under their name," said Mike Clough, CEO for Eden Prairie, Minn.-based Quantum. About 20 contracts currently are out for review, he said.

Quantum, chiefly a consulting firm that has served wireless companies for about 10 years, is marketing Mir@ge, along with handling the billing interface and providing data for billing. Epoch Internet, an ISP headquartered in Irvine, Calif., provides the customized software, Web hosting, Web development and technical support.

"It's all about the cellular companies being able to own the customer," said Dennis Glavin, director of branded programs for Epoch Internet in Vienna, Va. "We have dial-up POPs that are compatible with cellular telephone protocols, and Quantum has a great understanding of the cellular market and ... how the billing takes place so it was a great partnership."


CLOUGH

Primarily a business-to-business provider, Epoch also sells private-label Internet programs to local exchange carriers, competitive LECs and long-distance resellers.

Becoming an ISP can increase average revenue per subscriber and reduce churn, Clough said.

"The more services a person has with a single carrier, the less likely they are to switch," said Elliott Hamilton, senior vice president of U.S. telecom consulting at The Strategis Group in Washington, D.C. Eighty percent of telecom consumers surveyed by Strategis were interested in combinations of telephony, video and Internet services from a single provider. Age and household income profiles of wireless users also match those of Internet users "pretty closely," Hamilton said.

It is difficult for a wireless carrier to become an ISP, Clough said. In addition to capital expenditures and ongoing overhead, decisions in such areas as equipment purchases, developing technical support staff for the servers and customer care staff for the subscribers require a different expertise than wireless.

"Many wireless carriers are setting up a program to be ISPs," Hamilton said. "Being an ISP fits into most wireless carriers' long-term plans of being an, if not complete, a more full provider of telecom services. Again, if you think about who the wireless carriers are, they're already affiliated with other telecoms, long-distance networks."

Benefits of being an ISP include marketing additional products and services to subscribers via the Internet and advertising by putting the carrier name into the e-mail address, Clough said.

Dialing into the Internet with a wireless phone also increases minutes of use, Glavin added.

While Clough suggested pricing Mir@ge according to the subscriber's wireless usage–and even free for heavy users–Hamilton was more emphatic. "Carriers really have to start offering discounts for customers who have multiple services because that will be the key to keeping churn down." Churn among Internet users is about 30 percent, which is "in the same ballpark" as wireless churn, which Strategis estimates at 24 percent to 26 percent. Hamilton also advocates that providers selling smart phones offer Internet service with them.

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According to Clough, some big wireless carriers expect about 10 percent of their subscriber base to go online within the first year; Clough predicts about 1 percent to 2 percent will make the move. ■