



There's Gold in Them Hills!

The problem is you don't know where.

CB Labs' network science-based software applications will generate new sources of revenue for mobile phone companies

RIGHT NOW, WE ARE AT A POINT IN THE EVOLUTION of the cell-phone industry at which the sources that fueled the historic growth of mobile-phone companies have been largely exhausted, and new sources of revenue are increasingly hard to find. Much of the phone companies' growth during the past decade has come from signing up new consumers, but while there is still growth potential for new customers in key markets abroad, the market in the developed world is saturated—everyone who can use a mobile phone has one. Nor is there much room to grow by increasing usage time, thanks to fierce competition among carriers to woo customers with unlimited-access plans.

But that's not the end of the story, for new sources of revenue are ready and waiting. They begin with the most valuable untapped asset mobile companies have, which is their access to a vast storehouse of information about their customers.

Indeed, via their mobile phones, wireless service providers know precisely who is friends with whom and, thanks to embedded GPS technology, where they are when they are talking to each other. Further, mobility patterns make it easy for companies to infer where people live, work, spend and interact. And in the future, new applications will enable cellular customers to use their phones to make payments and conduct general banking business, which will give service providers further access to consumer spending patterns. In fact, the information mobile companies can access is far more accurate than what Google collects about its consumers. Yet, none of this data is currently being utilized. Doing so would raise legitimate concerns about privacy that could alienate the user base and threaten the current business model.

As a former Senior Director from McKinsey was fond of saying, "There is gold in them hills, but the problem is you don't know where to look."

We can show you where to look.

With the advent of network-science-based software applications, mobile companies can gain a refined understanding of the linkages that run throughout the social networks in which their customers operate. That understanding can then be employed to pinpoint consumer behavior and sell a wide range of

products and services. We envision new commercial opportunities arising that could link phone companies with various third parties (such as hotels, airlines, and other providers of goods and services) that could use this data to reach current and potential customers. Naturally, not all applications would require all the data that is collected from consumers – vehicular-traffic applications require only cumulative traffic patterns, while "recommendation" systems, which provide cell-phone users with specific purchasing opportunities tailored to their interests and purchasing habits, would require more detailed information on the behavioral patterns of users.

As for the privacy concerns, computer scientists in our group have already demonstrated how they can be addressed

so that the data for the application can be acquired in a way that masks the identity of the cell-phone user.

Ideally, toward that end, a data "integrator" would be developed that would collect consumer data from all three major cell-phone carriers, break it out and correlate it to specific applications, and sell it to various third parties (providers of goods and services) while sharing the revenue with phone companies that provide the data. The advantage of this model is that it would yield the data required for new applications,

benefit the phone companies that are the sources of the data, and delegate the thorny issues of data customization, privacy, and security to a third party (the integrator) that has the technical ability to address them. Short of that kind of fully integrated approach, each of the three major U.S. carriers has sufficient coverage on its own to develop many profitable applications.

Modeling the flow of vehicular traffic (which is already being done), retail consulting (Where should one open a store to ensure that it will receive optimal traffic among the desired demographics? Where is a billboard most effective?), service recommendations, health applications, and urban design are just a few of the seemingly unlimited number of location-based applications that could be developed as the data becomes available. When it does, untold commercial opportunities will arise to usher in the next great era of historic growth for the cellular industry.

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