

Commanding Communications

COMMANDING COMMUNICATIONS

*NAVIGATING EMERGING TRENDS
IN TELECOMMUNICATIONS*

Joseph Bonocore



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Preface

“Write a book on an industry moving at the speed of light? You gotta be kidding!”

Some of my business colleagues were nothing if not blunt about the magnitude of the task that awaited me. Yet I was more determined than ever to write a book—not a technical abstract or marketing tome or statistical survey, but a comprehensive and comprehensible book—that would examine and interpret the explosive world of communications in a completely fresh and, hopefully, enlightening way. There was plenty of technical and marketing literature in circulation that nibbled on bits and pieces of the overall pie. But where was the meaningful work that attempted to digest it all and, in a cohesive and coherent way, provide a broad context for the changes that were breaking like waves all around?

As a long-time consultant to some of the largest communication companies, I had become increasingly aware of the need for such a work. Many of the discussions taking place and decisions being made around emerging communications themes and issues paid no regard to the business and regulatory environments. In talking to people in the industry I was finding that absent that overall framework, it was very difficult to cut to the tactical issues and understand the trade-offs that were often associated with those issues.

Voice-over-Internet protocol (VOIP) offers a good example. Companies and customers that are considering this emerging form of communications—which carries voice over the same high-speed packet-switching network that accommodates Internet traffic—should be looking beyond just the technology to the broader picture, which shows that for the next several years, most voice and data will ride on separate networks. There will ultimately be an integrated voice-over-Internet protocol network, but users who

plan to implement the service in the near term had better be aware of the timing issues.

In an industry that is changing by the day, it soon became clear to me what I was *not* trying to accomplish. I was not trying to write a static reference work that purported to have the last word on all communications matters. Instead, my objective was to create a living, breathing book that would set forth some major directions and issues, with the full knowledge that they would change. I realized the most important thing I could hope to accomplish was not to definitively answer every question, but to provide a platform that was wide and deep enough to trigger some valuable dialogue and debate around these issues.

Who stood to benefit from this literary labor? Just about anyone with an interest, for whatever reason, in communications. I had radically altered my original plan of aiming this book primarily at members of the telecommunications industry. I realized there are many nontelecom groups whose activities impact and influence what's occurring in the industry. Beyond regulators, suppliers, information technology workers, consultants, and lawyers, there are the millions of current or prospective investors, students, job seekers, and just about anyone else with an abiding curiosity about an industry that promises to significantly change our lives in the years ahead. For all of these groups and individuals, I realized a widescreen book could help fill an information void. Even for members of the communications field who live with the drumbeat of change, a document that could provide perspective would be a valuable business tool.

My mission defined, I set forth on a task that proved to be every bit as challenging as my industry colleagues had initially warned. Rarely did a day go by without a major story involving some player, some breakthrough in the communications space that once again promised to “redefine the future.” Dwarfing it all was the attempted acquisition of Sprint by MCI WorldCom for \$129 billion—the “mother of all acquisitions”—until it was outmothered early

in 2000 by the once-unthinkable \$183 billion deal that will make Time Warner a satellite of America Online (AOL).

Indeed, much has happened since I first started preparing this book. The good news is that the preponderance of breaking events were either consistent with what I had already written, or clarified points that might not have been so obvious at the start of my endeavor. For example, the prevailing wisdom had been that the industry would fall out along the lines of broadband service carriers and wireless service carriers. The proposed MCI WorldCom-Sprint mega-deal, however, precipitated a basic rethinking of the issue, and the new calculus suggests that the major players going forward will indeed require both broadband and wireless capabilities to remain competitive.

In addition, when I began this book, it was difficult to foresee the overnight sensation that data over wireless would become. Since its introduction several years ago, wireless data has had to wrestle with slow transmission speeds and spotty geographic coverage. Moreover, users had to settle for a few lines of text on a tiny screen, and the number of web sites formatted for wireless access was extremely limited.

While it's still several years away from offering the rich web experience that desktop and laptop systems offer, wireless data has suddenly come to life and is making its robust presence known with the help of new-age devices like the PalmPilot and the heavy promotion of Sprint PCS's new wireless data service. To appreciate the full potential of this technology, one has to look no further than the pilot tests Nokia is running in Europe with its advanced wireless phones. Shoppers who have just made a purchase, for example, can aim the device at the store cash register and trigger an instantaneous transfer of money via wireless connection from their bank account to that of the store. No need for money, or even a credit or debit card. Your phone is your cash. Imagine the possibilities.

Even the biggest communications bombshell to drop since I began preparing this book—AOL's proposed pur-

chase of Time Warner—sorted neatly with the structural framework (past, present, and future) I had laid out for the industry, and confirmed in my mind that I was on the right track. The marriage of new content and old content implicit in the deal creates the world's most formidable cache of print, film, music, and television programming. Time Warner's acquisition of the EMI Group only two weeks after the AOL deal, which created the world's largest record company, drove home the point. In merging with Time Warner, however, AOL is not only becoming the 20,000-pound content gorilla, it's gaining desperately needed broadband access via Time Warner's cable network, which reaches into some 13 million American households. Not wanting to be left at the altar with no distribution options, AOL also has deals cooking with regional telephone companies for DSL access and with Hughes Electronics Corporation for satellite TV.

But here's the rub: I believe that AOL chief Stephen Case is looking well beyond what's already on his radar screen, to a future deal with either AT&T or MCI WorldCom that would give the Internet service provider the meganetwork access it needs to remain competitive. If and when this happens, it will be another compelling example of content merging with conduit—a fundamental industry movement that is well under way and that promises to touch off other titanic alliances and takeovers in the next few years. The coupling of AOL and Time Warner certainly puts the new media giant in a much stronger bargaining position with the likes of conduit leaders AT&T and MCI WorldCom to reach some kind of accord.

To be sure, the future shape of the communications industry is one of the most fascinating aspects of any industry examination. The outcome will determine how entire industry segments play out. For example, which device will emerge the winner in the drive to put communications at the epicenter of our lives: the telephone, the computer, or the television? I personally believe it will be a device that combines the functionality of all three. Will the consolida-

tion mania sweeping the industry result in a Darwinian landscape ruled by industry goliaths? Size will continue to be critical, but I believe we are about to see another industry phenomenon: an explosion of small, specialized communications companies that will become virtual global carriers overnight through their ability to tie into the meganetworks of the industry powerhouses.

Giving readers a framework for understanding how events like the preceding, and many more, might unfold and impact the industry and, eventually, their own lives is precisely what *Commanding Communications* is aimed at. But like the industry itself, this book is very much a work in progress. There is always another chapter to be written. My best advice to readers . . . stay tuned!

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