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Google & Open Movement Smash Verizon's Walled Garden

Verizon Joins The Open Network Movement



According to The Wall Street Journal (11-28-07 WSJ), ["Verizon to open cell network to others' phone."](#) Suddenly Verizon has decided open networks are not so bad.

FIRST THINGS FIRST

Let's be clear. [Verizon](#) did not say that it is embracing the open source movement nor liberating itself from closed proprietary networks. According to [The Wall Street Journal article](#) , Verizon is simply moving away from subsidizing the cost of the phone. Now consumers can buy their handset anywhere, so as long as it works with Verizon's network. Moreover, the suggestion is that

handset makers Nokia and Motorola are free to engage consumers more freely. This is an abrupt [change in position for Verizon](#). Is this announcement in response to pricing pressure? This announcement sounds more like a supplier channel strategy shift.

BACKGROUND

Wireless incumbents like Verizon and AT&T tightly couple cellphone devices, features, and applications to closed proprietary networks. This makes it costly for customers to switch between the different providers. So why is Verizon making this announcement now?

THE SIMPLE ANSWER

So why now? Competition. The simple answer is companies like Google are willing and capable of doing whatever it takes to extend their business model across any network. If you're Verizon, you can keep watering the walled garden strategy and hope for the best. Alternatively, you can try to convince Google that you are serious about changing your business model to some kind of a revenue sharing model. Duh! I am surprised they did not adopt a first mover advantage. Perhaps this is no more than a concession or gesture. I am not the only skeptic:

"The announcement is a marked departure from Verizon Wireless' previous stance on open-network policies that Google and the Federal Communications Commission are promoting for a new spectrum auction in January. For months, Verizon has been protesting, arguing, and in any and all ways kicking and screaming about the downsides of open-network business models and all the problems it will bring to the industry. [Read more >](#)

THE STRATEGIC ANSWER

So, why is Verizon wireless opening up its network to other phones? The real answer is competition from open innovation. Specifically, competition from

innovative Internet players like Google and Apple who understand the basic principles for creating and capturing value through transparency (a/k/a openness). What are some of these value creation principles in the [networked world](#)? Fundamentally, Internet players understand that when you empower consumers with more open choices and accessibility, you create value.

When you announce a new and [open platform for mobile devices](#), as Google did, you start decoupling the device from the network provider. In doing so, you give customers the ability to choose and carryover any device they want independent of the service. You also create an environment and framework for new and innovative web-based applications. Keeping the network provider, network, devices, and applications transparent is a good thing. Flexibility is another form of value creation.

DEATH OF WALLED GARDENS

Walled gardens are not sustainable in a networked world. In fact, walled gardens provide a rich environment for Internet companies to capture value. Internet companies thrive on harnessing the emotional friction and economic inefficiencies walled garden models create. The popularity of Wi-Fi and cellphones is the best evidence that mobility creates value. However, open mobile devices will create even more value. Apple and Google have a clear handle on this strategy.

Indeed, Google and Apple are reducing the barrier to entry by opening up the mobile device. I call this Skype-ifying of cellular networks. Google, [Skype](#), and Apple have laid the groundwork. Skype recently signed a deal with [wireless carrier 3](#). In 2008, we should see more transparent cellular networks, both at the device and application level. This is going to extend the footprint for Web 2.0 applications and SaaS based services. The wireless industry is finally heading towards the same level of transparency we currently experience with PCs.

WHAT CONSUMERS WANT

Consumers ultimately want to see a unified broadband wireless network that is agnostic and transparent at the device level and application layer. Consumers want to access their e-mail, social networking sites, communities, and favorite applications over any wireless device. Acting as a gatekeeper to your community and places is not a value added service.

Let there be no doubt, Verizon's recent announcement to open up their network to other phones is a tactical defensive move. Heed the warning walled gardens, it's time to democratize your network and move forward with open innovation and business models.

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