

## VC Investment in Enterprise Wireless Continues Decline

Venture capital (VC) investment in enterprise wireless applications continued to decline in 2006, totaling only \$73.3 million on a global basis according to the research-centric investment bank Rutberg & Company. This compares to what is believed to have been about \$750 million at the peak of enterprise investment in 2000.

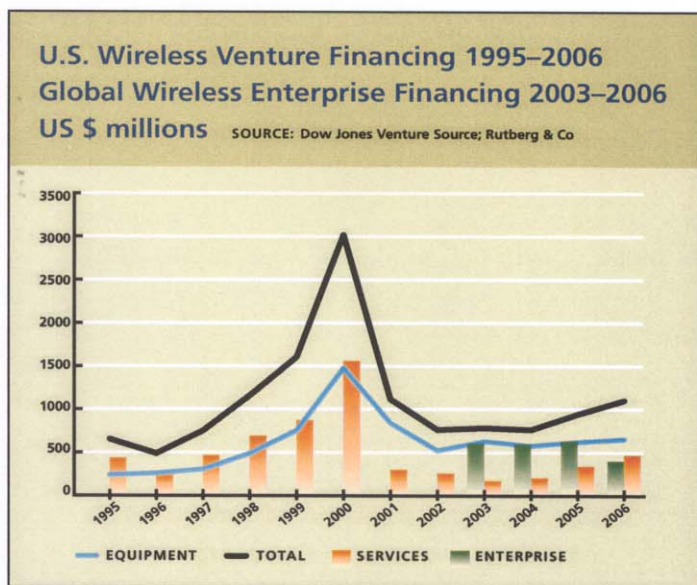
While part of the decline in enterprise wireless venture investment is explained by a shift into consumer mass market investments in wireless games, video, TV and music applications, most is attributable to the inimical environment for venture investment created by the U.S. cellular carriers. With the exception of Verizon Wireless, whose parent owns MCI, and the blue-collar application expert Sprint Nextel, the cellular carriers have shown little enthusiasm for enterprise applications, which typically require systems integration to link with legacy systems.

In Europe and Asia, where cellular carriers compete on quality of service and coverage, third-party providers offer wireless devices, application software, provisioning and integration. As Sam Jadallah, a partner at Mohr Davidow Ventures, points out: "The U.S. carriers have end-to-end control and man-

agement of the cell phone ecosystem." Not only do the U.S. carriers fail to cooperate to create a common, open platform for wireless enterprise applications, but they have created walled gardens with white label "one-size-fits all" software, limiting independent software choices for the enterprise.

Scott Raney, a partner at Redpoint Ventures, believes carriers must exert less control over the industry. In this April's *Red Herring* he said: "Once the carriers realize

In the interim, the long slide in enterprise wireless investment has serious implications. Mobility solutions represent relatively low-cost, high-ROI investments for corporate enterprises. We know that there is a continuing push by companies to use IT investments to drive productivity and an imperative to implement mobility solutions. Yet U.S. productivity, which had been growing at a robust 2.9 percent per year from the decade of 1995 to 2005, slowed to 1.6 percent in 2006. Might there be a link between these two developments? Without end-user research it is impossible to know, but lack



that they shouldn't be in the software business, but should open it up to others, we're going to see an explosion in services and we'll be able to figure out a way for everyone to make money."

of innovative new applications for enterprise wireless may well be impeding corporate investments in mobility and holding down corporate productivity.

— BRENDA LEWIS