



Practical experience, market knowledge, and insight assisting customers on the path to greater profitability

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Femtocells: There is a Strong Push, But is There Enough Pull?

Femtocells are gaining additional trials and initial commercial roll outs. There are a lot of good reasons why operators hope to deploy them. They can increase network performance by placing an access point closer to the subscriber, and can potentially also provide a more cost effective way to build out access points than continued proliferation of macrocells. At the same time, they can help partially offload the mobile backhaul network serving those macrocells - and push some of the transport costs for mobile onto competing operators (or at least the operator's own fixed network). Further, it has been suggested that they might help operators more selectively roll out some new services to where demand is strongest, but we think that is a less valid argument in practice. In our opinion, the femtocell is going to be much more of an operator and vendor push than a subscriber pull, and commercialization for residential applications is going to prove a difficult challenge to overcome. There is likely to be residential subscriber push-back to funding a partial offloading of the mobile backhaul network, giving operators a potentially more cost-effective way to roll out new services, and helping them build a network that provides greater service quality and availability. The initial cost of services such as Sprint and T-Mobile offer. In addition, the potential for interference in many residential settings and the need to set up security for the access point adds complexity and cost, and the fact that some early service offerings have not supported handoff from a call originated on a macrocell to a femtocell and counted towards a subscribers minutes reduce marketability. But these are problems that can potentially be fixed.

We think the same concept has far more applicability in commercial settings though - with picocell deployment in office buildings, malls, and train stations making better potential commercial sense. Enterprises would certainly like to offload mobile usage charges when possible onto broadband access facilities if they can get transfer of calls from the macrocell to the small, localized access point worked out.

Both the femtocell and picocell will face competition and time to market disadvantages from WiFi that will have to be overcome.

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