

## WinstonNet™ – A Sustainable Business Model

### ***PURPOSE:***

The chief economic objective of WinstonNet™ is to project Winston Salem as a technology friendly city as investors are constantly gauging the city for its investment opportunities. Winston Salem can be perceived as a technology leader catering and playing host to a gamut of businesses so as to enhance its image from not just a manufacturing friendly base but also a city which is receptive to information based industries. In totality, wireless Winston Salem will provide opportunities in industrial, business as well as in the educational sector thereby improving the lives of its citizens and community organizations.

### ***APPROACH:***

After several interviews with people in the technology industry including Bo Gray from X1 Communications and after some deep dive sessions, three approaches emerged to reach the goal of WinstonNet™.

These three approaches not only addressed the economic goal but also the issue of sustainability. Thus, from these approaches stemmed three business models, which we presented in class.

### ***SUSTAINABLE BUSINESS MODELS:***

- 1.) **Revenue-sharing Partnership with Cingular:** Under this model, the major source of revenue would be through a revenue-sharing agreement. Additional sources of income may be identified as the model evolves further. The proposal to Cingular will hinge upon the domain expertise and contacts that WinstonNet brings to the venture. Basically, the strategy here will be monetize the local

network and expertise that WinstonNet already has due to its city-focus and that Cingular lacks. The sustainability of the business model will be dependant up on the value it creates for the customers in the long run as well as the value it captures. For the underprivileged that face the digital divide, WinstonNet will offer a wireless service that will offer seamless internet connectivity free of charge. This free service will be subsidized by the fees charged to the other set of customers - the mobile workforce/business travelers who need access to real time data over the Internet while they are traveling and use expensive phones such as the iPhone or Blackberry. With the proposed margins of 15-20% for revenue-sharing and a strong partner like Cingular, this model shows the greatest promise to be sustainable over a long time period.

- 2.) **Partnership with Time Warner:** A tie-up with Time Warner can become the touchstone of a successful business model as it can enable WinstonNet to achieve its social objective by playing a role of a vendor. WinstonNet can negotiate a deal in which Time Warner would have to subsidize its wireless services in the underprivileged areas of the city, while charging a higher price to corporate and trade customers. For Time Warner, the value will be in a reduction of their fixed infrastructure costs and positive publicity. For WinstonNet it will be an option to bypass the heavy investment required in infrastructure. The revenue stream will come from Small Businesses that suffer from a lack of resources to advertise and to whom WinstonNet will offer a highly targeted audience reducing their cost burden.

3.) **Wireless Winston:** **This is** the most direct approach to realizing the goal of WinstonNet. Here, we simply propose to offer wireless service to the economically and socially disadvantaged sections of the city as well as people who are digitally illiterate. Thus, our target audience would include students from the lower economic strata, retired professionals, stay-at-home moms, small businesses in the city and independent professionals such as lawyers. This highly targeted market will give WinstonNet a niche, which may be undesirable to other for-profit service providers. However, such a targeted market will make it very attractive to advertisers who want to cater to this specific segment. Hence, an ad-revenue model would be adopted in this case as it will be feasible to do so due to the highly relevant target market being offered to advertisers. Typically, for a small wireless service provider in its nascent stages, one hotspot is expected to generate \$800 per month (based on our discussion with X1 Communications). Depending on the number of hotspots, which will further be a function of the footprint, WinstonNet will have an opportunity to generate revenues from ads. In this model, WinstonNet will continue with Azul Star as its partner.

#### ***CHALLENGES AHEAD:***

Like all technology products or services, the biggest challenge for WinstonNet will be crossing the chasm. This is so because the target market for WinstonNet has faced the digital divide for so long that many of them don't even have an interest in learning about computers or being connected. (As pointed out by the Social groups in class)

Hence, the primary challenge for WinstonNet will be getting the main stream users to adopt the service. According to Geoffrey Moore, author of "Crossing the Chasm", this

can be accomplished by targeting a niche segment of the mainstream market and then using that as a base to diffuse the service. For example, in case of WinstonNet, the mainstream adopters could be people in economically disadvantaged areas. WinstonNet can reach them by involving a few of them first, the people who show some interest and solving a problem for them, such as paying bills online. If these influencers are convinced then they will go and tell their friends and encourage them. Gradually, the diffusion will begin and spread in the mainstream.

Another challenge for WinstonNet will be competition. As a new entrant in the market, it will be seen as an outsider and rivals will try to push it out. It was to overcome this threat of forced exit that we thought of the three business models. Broadly, there are two ways to tackle the competitors – either target a very small niche which we're better at serving or have a strong partner who has the resources to fight the competition. Thus, the recommendation to partner with Time Warner or Cingular or to focus only on the disadvantaged sections of Winston-Salem was given.

***CONCLUSION:***

In the final analysis, I feel WinstonNet is not only a great social initiative but one that has the opportunity to prove to the world that social good and economic advantage can go hand-in-hand. As long as WinstonNet takes a realistic view of the competitive environment and the value it is creating, it can become a truly sustainable social enterprise and achieve its primary goal of eliminating the digital divide.

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