

wireless

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REVIEW®

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Quiet is the New Loud

iPass refused to use Wi-Fi to fuel its IPO. The offering was still a success. But now the company is talking Wi-Fi, and it wants carriers to listen.

iPass Chairman and CEO Ken Denman

- Mobilizing the New Telcordia
- Wireless Gamebreaker Mforma

How iPass
Ignored
the Wi-Fi
Hype
and Gained
All-Access
Entry to the
Enterprise

Fresh off a low-key IPO, the virtual network operator puts Wi-Fi in its place—as just another access medium. But iPass knows Wi-Fi won't stay quiet for long

A wireless Feature by Dan O'Shea

Hype-averse:
Ken Denman,
CEO of iPass

Photos by
Michael Sexton

All-Access Entry to the Enterprise

Someone should teach Ken Denman how to run an IPO, because the chairman and CEO of iPass didn't follow the example set by dozens of other companies in the last five years.

For a refresher, here's a page out of the 1999 edition of the IPO textbook: You start before you have customers, or before you even have a company, for that matter. Really, all you need is a concept. Well, you know, you don't even need a concept. Just a word. It has to be a bleeding-edge, high-tech, next-big-thing kind of word. Next, you need a clear business model, which is best accomplished by not having one. Yes, leave it out altogether, and instead, just stick with your word. Ring it from the bell towers and chant it in the streets. Spin, rinse, repeat—all the way to the bank. Oh, and one last thing—don't forget to sell out early and leave the suckers behind.

iPass followed none of these rules. The virtual network operator has been providing remote Internet access to corporate customers since 1996. (That's at least three rules broken right there.) Its software

presents these customers with a simple, localized menu of Internet access options available at 20,000 different points of access in hundreds of different markets. Users choose whichever access point or method they prefer, initiating a secure connection that acts like an extension of their corporate VPNs.

That's the business model iPass pitched to the public market when it filed for its IPO last year, even as it was becoming apparent that the company had a connection with a particular, much-hyped technology poised to sweep the nation. It was technology easily summed up in one unique, snappy word, a word that sold itself. That word was "Wi-Fi."

While Wi-Fi is one of several publicly available Internet access mediums iPass customers can use, it's just that—one. So iPass tried not to play up its Wi-Fi angle, and despite so clearly flouting the rules of how to run an IPO, the company went ahead with its IPO on July 23, 2003. It was an unqualified success. In late September, its stock hit \$24, about \$9 more than its IPO opening price.

In demonstrating some self-control about how it played—or didn't play—the Wi-Fi card, iPass also illustrated exactly where the much-hyped technology fits in the telecom pantheon: as just another entrée on the Internet access menu. While Wi-Fi might seem like the special of the day right now, it could come to occupy a place as important as, but no more important than, other broadband access methods.

"There are a lot of perceptions out there about Wi-Fi, because people want to talk about the next big thing," Denman said. "We like to talk about it, too, but we also like to point out where our core market is. If Wi-Fi shouldn't take off, we still have a great business model, which is based on solving a problem that's not based in Wi-Fi. Until that's clear, we're not getting caught up in the Wi-Fi hype."

The fact that iPass wanted to tread into the tempestuous ocean of public financing in the first place is the stuff of pure fascination. There hadn't been any notable IPOs by wireless industry firms since 2000. And even if iPass chose not to use the double-edged Wi-Fi sword, the weapon was still in the company's arsenal and could be used for or against it by others.

But for Denman, the benefits of being held accountable to the public market outweighed the potential risks of being hyped on Wall Street as a Wi-Fi company. IPOs may not mean the easy money they once signified, but they are still a darn good way to let the world know you really mean business.

"We spend less time in due diligence meetings with our customers and our partners if the public market information is available to them," Denman said. It's unclear whether he's counting on his customers and partners to have retained their trust in the public market, or whether he's looking to renew it. But being flexible to the sway of market emotions is what iPass is all about.

Denman, who was an executive at US West and MediaOne before joining iPass in October 2001, said he was lured to the company by its focus on maintaining a lack of focus. iPass understood the productivity value of the Internet to corporate enterprises and employees who were often away from the office, but didn't take sides on how best to access the Internet. "iPass evolved to this point because it saw there would be additional access methodologies that would come along, and that iPass could be the secure, common vehicle for using them," Denman said.

The initial design of that vehicle, the iPassConnect software client, began with the idea of collecting all of the local dial-up access numbers enterprise users would need when trying to access the Internet in a particular area. The client software offers users a

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VPN-like menu of connectivity options, but without the contractual and deployment costs associated with VPNs. Over the last three years, the company has added Ethernet-based locations and wireless access venues, such as Internet cafés, airports and hotels, to that menu, creating what it calls the Global Broadband Roaming footprint, including points of access in 24 countries. With the broadening availability of Wi-Fi access in public places, iPass also has added more hot spots to the list—it recently surpassed 2,400 Wi-Fi hot spots, representing a composite of 17 operators.

These hot spots run the gamut from small, independent venues run by Mom-and-Pop operators and local wireless ISPs to the network of business traveler venues operated by Wi-Fi service provider Wayport. Most recently, iPass forged a significant deal with STSN, a provider of Wi-Fi and broadband Ethernet access to guest rooms of several major hotel chains. “We had 500 Wi-Fi venues covered by our service at the beginning of this year, and the deal with STSN will give us 3,000 by the end of this year,” Denman said.

Adding Wi-Fi to the menu was easy from a technical point of view, requiring only minor software adjustments. However, iPass did subject the hot spots to rigorous security evaluations before including them. “We have SLAs we offer to end users, and we test with these Wi-Fi operators to make sure they meet those SLAs,” Denman said.

Jon Russo, vice president of marketing at iPass, added it could take anywhere from

three to nine months for iPass to certify a new Wi-Fi operator's hot spots for inclusion in its service. “At the end of the day, our commitment is to the end users,” Russo said.

As the company has aggregated Wi-Fi hot spots from across the country onto its access menu, a world increasingly infatuated with Wi-Fi has begun to notice. iPass has been tagged at times by media and analysts as “a Boingo for the enterprise,” referring to Boingo Wireless, the consumer-focused aggregator of Wi-Fi hot spots that offers a similar client software.

Denman sees danger in such perceptions. “We're not a Wi-Fi company,” he said. “We're a software-enabled virtual network operator. It's inappropriate to call us a Wi-Fi company. We're focused on making sure the users of our customers don't get stranded without access. That's our business.”

Said Pontius Bergdahl, CEO of Columbitech, a wireless VPN vendor, “They seem to me more like an ISP—an ISP which wants its client to work with many VPNs, and not about being a part of an enterprise VPN.”

What has been lost amid the buzz—and what still may be lost, according to Denman—is that iPass is offering its users a much broader access menu than most wireline or wireless ISPs. “The misconception with iPass is that the majority of our revenues come from the dial-up space, not Wi-Fi,” Denman said. “But we are readying for the future.”

The most recently redesigned version of its service interface, iPassConnect 3.0, reflects that readiness. It effectively changes how customers use iPass to securely access corporate resources from remote locations. “Before, we had access technology tabs, and users would choose how to connect based on that, but now it is a geographic approach,” Russo said. “You just have to know your location. Assuming there is a Wi-Fi hot spot in that location, the service interface will prioritize Wi-Fi as the preferred access method. This is a direct reflection of how dense Wi-Fi coverage is becoming, as well as how inexpensive Wi-Fi access sessions are.” And if Wi-Fi is not available, the interface gives users the next alternative access technology.

Realizing that corporate users don't want to step outside their VPNs to roam the Internet with lesser security, iPass has developed its own encryption technology to protect them. The proprietary iPass Secure End-to-End Encrypted Login (iSEEL) combines a unique session-specific ID with public key cryptography to protect passwords through authentication on the iPass virtual network and into the corporate enterprise. In keeping with iPass' flexibility to the varied world of access mediums, iSEEL can be used with any access technology, not just Wi-Fi.

“Which access method will reign? We don't know yet,” Denman said. “But corporate enterprises will want to harness the power of the Internet, rather than the limited reach of just a VPN.”

John Yunker, Wi-Fi analyst with Pyramid Research, said iPass has a strategic capability in managing access transaction that can be used as a foundation for new revenue streams with Wi-Fi.

While iPass takes pains to make sure people know it's not just a Wi-Fi company, make no mistake about how Denman and Russo feel about Wi-Fi's growth prospects.

“We think Wi-Fi could become a very big deal,” Denman said. “It's not yet there.”

While iPass sees Wi-Fi as just another spoke in the access technology wheel, the medium is becoming increasingly significant to how iPass works with traditional wireline and wireless carriers, as well as wireless ISPs. The company to date has enjoyed a varied and complex web of relationships with carriers. On the one hand, point-to-point private network leased lines provided by such carriers have presented iPass with a competitive obstacle. On the other, iPass buys remote access capacity from those same carriers. “Carriers are important to us,” Denman said. “We buy their access, and we hope to be an increasingly important customer of theirs.”

But on still another hand, iPass is looking for carriers to become resellers of its service interface in relationships it envisions as co-branded offerings. They could sell it to enterprise customers they already have, or could use it as a competitive differentiator to prove to would-be corporate customers how

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much more flexible their remote access plans are than another carrier’s approach.

No one understands the value of working with carriers better than Denman—during his tenure at US West, he was vice president of wholesale wireless services. “I knew the carriers then as customers, and talked to them on a regular basis.” Later, at US West’s MediaOne unit, Denman worked with a group that invested in wireless licenses and businesses. During the same period, he served on the board of directors at U.K. PCS operator One2One. Now, with Wi-Fi coverage rapidly spreading throughout all manner of public venues that could serve as access points for corporate customers on the go, iPass can not only help carriers gain Wi-Fi presence, but also gain them as resellers for its software.

To take advantage of that opportunity, iPass launched a new carrier services program late last month. As Wi-Fi availability continues to expand, iPass will give carriers an avenue into the business that would immediately offer more hot spot presence than any single operator, such as Wayport. By hooking up with so many nationwide Wi-Fi wholesalers at the same time, with iPass as the clearinghouse, carriers can leapfrog the labor of evaluating potential partners, many of whom are privately held and may own no more than a few or a few hundred hot spots in venues significant to the carriers’ customers.

“There is a core group of carriers that clearly get what we’re doing, and they understand the possibilities Wi-Fi offers, too,” Denman said.

Sprint PCS is the first carrier to join the program and will be using iPass as the clearinghouse to interface with its primary hot spot partner, Wayport, as well as other operators.

Pyramid’s Yunker said iPass is leveraging what it already has to reach out to carriers. “Transaction processing and clearing is very difficult and would cost wireline carriers and mobile operators millions to do on their own,” he said.

He said the new program should help guide carriers further into the Wi-Fi business, while also speeding the pace at which Wi-Fi hot spots reach critical mass.

However, it’s a strategy that others have tried, to varying degrees of success. Boingo has a similar program, but it so far includes only a few carriers.

The Global Reach Internet Consortium, an international virtual network operator that may be the most direct competitor of iPass, also is working with carriers. “To this point, they have focused more on selling through carriers and ISPs than we do,” Denman said.

Against iPass is the fact that many large carriers have forged at least one major Wi-Fi partnership already. For it is the uncertainty of Wi-Fi’s evolution. Questions about the viability of consumer public hot spot usage linger, but Denman maintains that his company’s enterprise fixation will be the catalyst for Wi-Fi growth. And as Wi-Fi becomes a more dominant Internet access medium, iPass has both the technical vehicle—its iPassConnect software—and the hot spot partnerships to help carriers take advantage.

While iPass remains averse to bathing itself in Wi-Fi hype to get noticed, it’s a lot easier to find the company now than it used to be. Just keep watching that stock ticker. ●





iPass Headquarters
3800 Bridge Parkway
Redwood Shores, CA 94065
United States
Tel: +1 650.232.4100
Fax: +1 650.232.4111
www.ipass.com