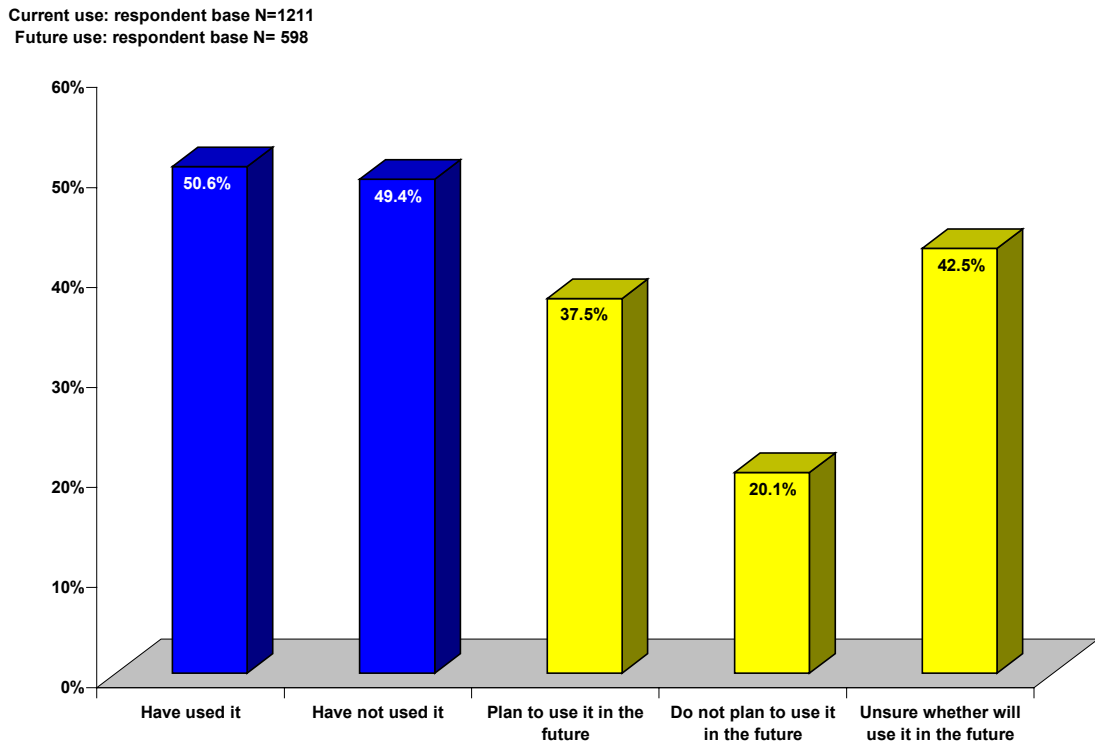


# Executive Summary

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The hotspot market is a dichotomy of both emerging market success and a concept that is struggling to take hold. On the one hand, over the past several years, hotspots have become extraordinarily more abundant, growing from a few hundred locations worldwide in 2000 to 40,000 locations in 2003, according to In-Stat/MDR. Furthermore, the market is expected to continue growing at a strong rate, climbing to over 180,000 locations worldwide by 2007. A considerable amount of media attention has also been focused on the hotspot market, generating a higher level of awareness.

**Figure 1. Which, if any, of the following locations have you used a Visitor Based Network (VBN)? (N=1211) If you have not use a VBN, do you plan to do so in the future? (N=598)**



Source: In-Stat/MDR, 10/03

Yet, despite these successes in venue growth and the elevated awareness due to media coverage, usage of hotspots continues to lag. According to an In-Stat/MDR study of potential business users conducted in August 2003, slightly over half of the respondents had used a Visitor Based Network (VBN). A VBN includes both wired (such as a hotel guestroom broadband connection) and wireless (i.e. hotspot) public access service. While there was a high affirmative response rate of use, it was found that the occasions of use was, on average, infrequent. In all venues, except hotels, the majority of respondents indicated

only using hotspots less than 6 times per year and the average monthly VBN expenditure among users was only \$12.10. Other In-Stat/MDR findings include:

- 62 percent of VBN using respondents indicated that availability of broadband would influence their choice of venues to visit, but over half of those respondents indicated that it would only affect their choice if access were free.
- Incidence of usage was higher among those respondents that travel away from their hometowns than among those that are mobile within their home city (i.e. visiting client, partners, etc.).
- 93 percent of respondents that use a VBN while traveling, have a laptop, at least sometimes, when traveling, and 60 percent of those that sometimes carry a laptop have WLAN-access capabilities.
- The majority of VBN users (71 percent) process the cost of access somehow through their company.
- The availability of free broadband would impact a significant percentage of users' choice to pay for broadband service.

The VBN market has entered into an interesting period of its evolution, where it could be on the cusp of great success, or headed for failure. The outcome of this market, at this point, largely depends on the ability of providers to attract users, thus increasing their revenue. Below are listed several of the drivers and barriers that will impact the success of this endeavor.

### **Drivers**

- Availability of laptops
- Increased familiarity with WLAN and promotion by leading global companies
- Roaming
- Discussion and standardization forums

### **Barriers**

- Awareness and ease-of-use
- Revenue growth
- Applications
- Business models

➤ Service price points

➤ Free access