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802.11planet.com Insights

Investors Build Their Own WISP

By Gerry Blackwell

To hear some Wi-Fi entrepreneurs talk, the only thing holding them back is lack of investment funds. Yet less than two years ago, a venture capital firm in Landover, Md., near Washington D.C., looked but couldn't find a Wi-Fi company to invest in. So, it started one of its own. How could this happen?

The venture capital firm is Humanvision, founded by Gary S. Murray, a successful local entrepreneur with two $100-million technology companies in his resume. In 2001, Wi-Fi was already hot and Murray's son, working as an analyst at Humanvision, was keeping his eye out for a likely looking WLAN company in which to buy a stake.

"But this was one of the business plans that in fact did *not* come across our desk," says the younger Murray. "We thought it was something we should seek out because we could tell by the way the markets were moving that it had potential. We kept saying that long enough that, in the end, we decided I should go ahead and do it myself."

Today, Murray doesn't spend much time at Humanvision and its small-business incubator. He's working almost full-time as president of WiSE Technologies, a public-access WISP with operations so far mainly in the metro D.C. area but with much larger ambitions.

WiSE started by marketing its turnkey, last-ten-meters WiSE Zone service to independent retail owners, mostly coffee shops, in the capital. It currently has over 30 sites either installed or contracted.

"Originally we tried to get a pilot going with 10 locations," Murray says.

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"The trial went pretty well, so we said, lets go ahead and roll out more. And we kept rolling them out until by the end we had a business."

Except WiSE has nowhere near reached the end. Much of its focus has lately shifted from selling independent retail sites one access point at a time to selling larger customers in education, transportation and multi-dwelling units (MDUs).

WiSE recently announced a lucrative deal with airport concession firm HMSHost Corp. WiSE has already installed hotspots in 17 concessions around Baltimore Washington International (BWI) Airport. HMSHost's idea is to lure Internet junkies out of the airline lounges where wired or Wi-Fi access services are already available and back into its cafes and bars where they might spend some money on refreshments while they surf.

The HMSHost deal apparently only covers BWI, but there is at least a possibility that WiSE will be able to move into some or all of the company's other airport and "travel plaza" locations -- Murray is a little vague on this question. "Our goal is definitely to extend the relationship to other sites," is all he'll say.

In the meantime, WiSE has cut a deal with another company with airport access -- yet to be announced -- and expects to be installing hotspots in four more airports within weeks.

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It is also vigorously pursuing the education market, where it has another as-yet unannounced deal with Kaplan Inc., the New York City-based private learning company with 135 locations across the country. And WiSE is actively marketing to college campuses.

"Four campuses are in the final stages [of negotiations] but are not under contract yet," Murray says. "Two are about to close."

The MDU market is a relatively new one for WiSE, but Murray claims the company is actively working on five "pilots" and is close on finalizing deals on three.

Altogether, the company wants to double its footprint among independent retailers in metro DC by the end of the year and be on three college campuses and in ten more airports across the country.

WiSE's approach to the retail market is simple enough. It charges retailers $695 for the Wi-Fi equipment, installation and point-of-sale materials. The retailer provides a DSL or better Internet connection -- WiSE *only* provides last-ten-meters Wi-Fi connectivity. The access point/routers present an authentication screen to users which routes log-ons to an authentication server at WiSE's Landover network operations center.

WiSE takes 50 percent of revenues as a fee for managing the technology and service. It owns the customers, collecting fees and distributing shares to the retailer.

Revenues are generated by a handful of access packages: $1 for the first five minutes, plus 20 cents per additional minute; $6.95 an hour; $15.95 for 200 minutes of use in a month; $24.95 for unlimited monthly use; and an annual unlimited-use subscription that works out to $19.95 per month.

The hardware and triple A (authentication, authorization and accounting) server software that drives the service are all off-the-shelf. Murray won't say who his suppliers are. The company uses multiple vendors' network equipment.

"We really consider ourselves a solutions company," he says. "We take it on a case-by-case basis and use the best for each situation. And we're always researching new options."

So WiSE brings no proprietary technology to the table, only engineering and business expertise, plus two roaming agreements -- so far.

It has a one-way deal with Boingo that gives Boingo subscribers access to WiSE hotspots, but not the other way around. Murray says he is working on a new deal that would give his customers access to Boingo sites.

The second deal, with Bryan, Texas-based NetNearU Corp., gives WiSE subscribers access to additional sites in eight other states.

"We're actively seeking out and talking to other [public access WISPs] about roaming," Murray says. "That's a big goal of ours."

This is one Wi-Fi start-up for which venture funding is probably not a big issue. According to press reports, Murray sold his last company, TimeBridge Technologies, to South African-based Dimension Data for a cool $135 million cash in 2000. Not that Murray wouldn't consider additional outside financing but he doesn't need it to execute the current business plan, he says.

"We're not actively seeking funding, but obviously if somebody comes along, we'd consider it."

We're guessing Murray would also consider it if somebody came along and wanted to buy the company outright. His father has already sold off two successful companies in the past. In fact, you could say Murray *pere* is a serial entrepreneur.

Meanwhile, what we'd really like to know is where were all the Wi-Fi entrepreneurs in the DC-Maryland area in 2001 when Murray looked in vain for an investment?

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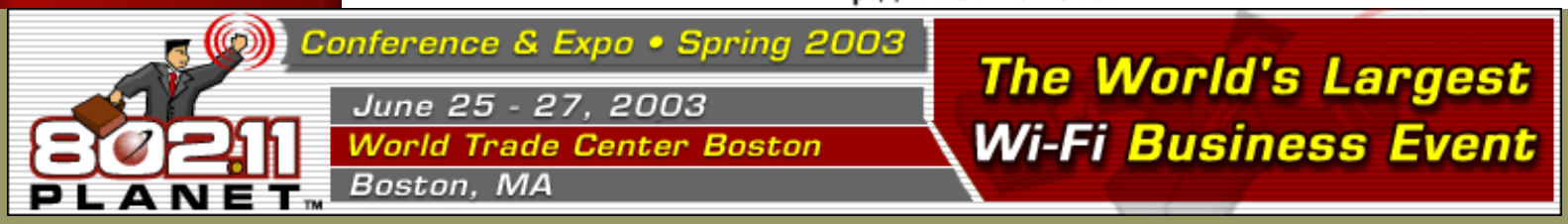
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