Mobile Entertainment Shifts into High Gear

By Keith Mallinson Wednesday, February 28, 2007

Mobile entertainment and its mobile information services and mobile advertising kin are quickly emerging as mainstream markets. U.S. infotainment revenues are set to quadruple from $1.7 billion in 2005 - a paltry 1.5 percent of wireless carrier revenues - to $7.3 billion in 2009. Mobile advertising, including search with no revenue in 2005, also will go multibillion dollar this decade.

A diverse group of specialists is making the market. These include Jamster, Thumbplay, and go2 in search; Third Screen Media in advertising distribution; and phoneerotica.com in the category that is always a frontrunner with the introduction of new media delivery channels. Many new and old media merchants such as Google, MTV, CNN and Yellow Pages publishers are also turning serious attention to the third screen.
It's much easier today to access the mobile Web and retrieve clearer definition color images over a high-speed connection than it was five years ago. Mobile entertainment can be broadly accessed by most users because they now have suitable devices.

• Most phones have screens measuring several inches across. A significant base of phones can even record and display motion video.

Keith Mallinson

• Advances in browser technology, standardization and developments with xHTML supplementing and superceding WAP are particularly significant. BREW and Java enable downloaded content and applications to run effectively.

• Increases in network speeds available from 30 kbps over the leading GPRS standard until 2003 to 3G network speeds in excess of 500 kbps today - around the same speed as an average home Internet connection - have helped make the mobile Web experience easier to use and more satisfying.

• A large proportion of today's handsets have the computing power that PCs had seven years ago. Despite these major performance improvements, average wholesale and retail handset prices are at the same levels as five years ago.

Basic micro-browsers have been in most handsets sold since 2001, but xHTML browsers, color screens and other technologies that are key in supporting mobile entertainment services have only been widespread in handsets since 2004.

The last five years also have enabled the development of ecosystems with commercial and technical partnerships to make mobile entertainment services functional and marketable. Wireless carriers, aggregators, facilities bureaus and content developers needed the time to build their mobile catalogs and test their offerings, but there is still a lot more to be done.

Possibilities for applications and services abound, but the winning pricing formulas and business models are still unclear. I question the sustainability of premium pricing - as pursued with Sprint's PowerVision Packs and Verizon Wireless' V CAST, each at $15 per month - for more than a small proportion of content categories or customers. The more advertising-based model of the Internet, including banners and sponsored searches with lower user charges, is needed for mass-market demand.

Free is a pretty compelling proposition for consumers, as is evident with commercial radio and free music downloads. Users' eyeballs and ears are valuable and are being significantly distracted from their old media,

entertainment and advertising consumption habits. The highly personal nature of mobile handset ownership with the availability of presence and location information is the marketer's dream. Services that capitalize on these factors for consumer satisfaction will be the commercial winners.

To maximize mobile entertainment growth, wireless carriers, handset suppliers and consumer electronics manufacturers must continue to explore and test new technology solutions (e.g., DVB-H or MediaFLO for video), new business models and alternative marketing mixes. They will need new competencies and partnerships to accommodate the complexities of mobile content distribution. Content owners have little to lose and so much to gain with this new distribution channel for their digital assets.

Mallinson is executive vice president of the Yankee Group's global Wireless/Mobile research and consulting.