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The Monetization of Mobile Multimedia

The demand for and widespread usage of popular video sharing sites, communities of interest, social networking and personalization has increased exponentially in the past year. While multimedia services and usage are at all time highs in terms of minutes of use, service providers and content owners are still adjusting their revenue and go-to-market models towards consumers and enterprises.

NETWORK/MARKET DRIVERS

The number of 3G subscribers has increased to over 300 million globally. In 2007, over 1 billion new mobile handsets were sold, and over 200 million of these were 3G enabled. The number of handsets sold has led to diversity in models, multi-use phones and decreased costs to end customers, with the end-game being sleek, easy to use devices such as the Apple iPhone. During 2008, the launch of innovative handsets from new players such as Google will continue to increase the usage of voice, data and video across all networks, locations, and providers.

A fundamental change will be the ongoing deployment of IP Multimedia System (IMS) in wireline and wireless networks. IMS networks will allow for the co-existence of IP and legacy circuit-switched networks and services and will ultimately simplify the network architecture and allow for new services such as presence and other services not yet envisioned. While IMS is not mandatory to deliver video and multimedia services, most operators understand the importance of having IMS-ready services and networks today to enable graceful migration in-line with revenue and cost-savings expectations.

CONSUMER BEHAVIOR

Consumers have proven time and again that they will embrace new mobile and internet services and products that bring additional value to their life. There will always be early adopters but until a new service crosses the proverbial chasm to become main stream, service providers will not be able to realize a full return on investment.

In this global market, consumers have also shown that services that start in one country (Blackberry in the U.S.) may ultimately find a home in other markets, while other services never emerge beyond their own specific market. For example, while iMode was a well-known success in Japan, the cultural and behavioral factors involved (long subway commutes e.g.) did not inherently translate to other markets. This emphasizes the need to be able to deploy services universally but adapt them to meet local market needs.

BUNDLED VIDEO APPLICATIONS

Traditionally video mail, video telephony, video portal and video conferencing were sold as stand-alone services. Today, it is bundled video applications that are driving the mass market adoption of video services.

Since fewer than 10% of current mobile subscribers are on 3G networks, combined services allow operators to realize greater revenue potential through content, better network utilization and lower churn. Combining video call completion to voice (VCCV) and video ringback tones (VRBT), which make use of video/voice mail, video telephony and avatars, enables greater call completion for 3G calls. VCCV and VRBT services also enable 2G and 3G subscribers to access the same network and services in a more seamless manner. In markets where combined video services have been launched, we see call completion rates increase by ten points, ARPU increase by 15% and churn decrease by 10%.

WILLINGNESS-TO-PAY MODELS

Studies and primary research that we have conducted show a disparity between how often consumers say they will use a given service and how much they are willing to pay versus actual usage and what they actually will pay. While voice revenues remain flat, non-voice value-added service revenues continue to increase.

In markets where video calls have been priced the same as voice (e.g. South Africa and France) uptake and profitability has immediately followed. Consumers are also more willing to use video services when bundled inside monthly minutes packages (e.g. UK). In other markets where calls are heavily regulated and tariffs remain unchanged (e.g. Germany), the uptake remains sluggish.

New business models, along with declining network infrastructure costs, demonstrate how service providers can afford to economically price new applications. One business model is ad-supported mobile multimedia similar to what has developed on the internet. For a monthly subscription fee, end-customers can decide to pay less or nothing for a call by viewing advertisements.

PROMOTIONAL ACTIVITIES

New applications and services need to become cash-flow positive within the first year and ROI (return-on-investment) must be based on market reality and proven business cases. After new services are launched - even with the right pricing, handsets and networks - promotional activities must be undertaken to educate, inform and motivate subscribers to adopt video.

The best examples of successful deployments come from Indonesia and Singapore where marketing campaigns used traditional and internet advertising, contests, and celebrities along with general word-of-mouth. Many service providers today have capital expenditure budgets greater than $1B USD. There is a continuing need to sell compelling services to the mass market through tailored campaigns. These activities are localized and utilize the operator's knowledge of their subscribers' communications behavior, with an understanding of the additional challenges and opportunities that video and multimedia present.

PARTNERSHIPS

Service providers initially viewed aggregators, ASP's and content owners as competitors. Now they are forming partnerships to enable better utilization of networks and bandwidth. In the Middle East and Western Europe, partnerships have evolved between service providers, broadcasters and local content owners to deliver media-rich services through SMS and video portals. The competition from internet companies such as Yahoo, Google, Apple and Skype, is leading to new ways of doing business and creating win-win propositions, revenue sharing, and joint promotional activities. Companies such as YouTube, are moving into mobile based services and have already announced partnerships with service providers in an effort to avoid duplication and use limited resources more efficiently.

CONCLUSION

Fiscal year 2007 saw an explosion of interest in mobile and broadband video and increased revenues but this is only a precursor of what is to come in 2008. With the advent of compelling applications, combined multi-use multimedia services across converged networks and right pricing and promotion, we can expect monetization to drive continued multimedia growth in the coming years.