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The Monetization of Mobile Multimedia

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The demand for and widespread usage of popular video sharing sites, social networking sites, and smartphones have 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 toward consumers and enterprises.

Network/Market Drivers. The number of 3G subscribers has increased to more than 700 million globally, and in the most recent year, more than 1 billion new mobile handsets were sold. Smartphones led by the iPhone represent the fastest growing category, and are dramatically increasing mobile video usage across all networks, locations and providers. The rise of app stores around distinct smartphones has changed the landscape, with iPhone applications recording more than 2 billion downloads since its inception.

Bundled Video Applications. Traditionally mobile TV, video telephony, video portal and video conferencing were sold as standalone services. Today, it is bundled video applications and flat-rate pricing that are driving the mass-market adoption of video services. AT&T is a good example of this approach and the impact on ARPU, with average ARPU of its iPhone users doubling to \$90, adding an additional \$1 billion of revenue. Once consumers are presented with this bundled offering, they increasingly go on to purchase additional services.

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 to declining, non-voice value-added service revenues continue to increase. In markets where video calls have been priced the same as voice (e.g. France) uptake and profitability have immediately followed. Consumers also are more willing to use video services when bundled inside monthly minutes packages (e.g. United Kingdom). In other markets where calls are heavily regulated and tariffs remain unchanged (e.g. Germany), the uptake remains sluggish.

New business models 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.

Some of 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 \$1 billion. There is a continuing need to sell compelling services to the mass market through tailored campaigns. These campaigns are most effective when they 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.

Conclusion. Fiscal year 2009 has seen an explosion of interest in mobile and broadband video and increased revenues but this is only a precursor of what is to come in 2010. With the advent of compelling applications, combined multiuse multimedia services across converged networks, and attractive pricing and promotion, we can expect monetization to drive continued multimedia growth in the coming years.

Paul Zuber is the founding CEO of [Dilithium Networks](#), a provider of multimedia delivery over mobile and broadband networks to any device. He brings nearly 20 years of experience in founding and growing successful global technology companies. Prior to joining Dilithium, Zuber was president of Solectron Australia, which acquired Bluegum Group, a company Zuber co-founded and led as CEO. Previously, Zuber worked at Ready Systems, John Galt Computer Corp. and Bain & Company. He holds bachelor's degrees in international relations and economics from Stanford and a master's degree in business administration from the Stanford Graduate School of Business.

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