How wireless carriers and media and entertainment companies can cash in on mobile content

by Bend_Weekly_News_Sources

Diamond Management & Technology Consultants Sees New Business Models, New Technology and New Content on the Horizon

Apple's iPhone might have captured the public's attention but the strategic question remains: How will media and entertainment companies and wireless carriers profit from mobile content?

According to Hamilton Sekino, a partner in the telecom and high tech practice at Diamond Management & Technology Consultants, Inc., wireless media and entertainment is a new frontier, and navigating that terrain can be risky. "Companies will hit some dead ends in their search for new revenue," Sekino said. "But there's no question that mobile phones are emerging as key devices for the delivery of content. Content providers that do not increase their focus on wireless are taking the far greater risk of losing a new wave of digital distribution.

"We expect the total US wireless revenue for the video games, music, TV, and news & information segments to grow from $1B in 2005 to $8B in 2010, with annual growth rates of 30% to 150% for various segments," Sekino added. "In the video games segment, the wireless share of revenue could reach 18 percent of total revenue, in the music segment, 14 percent. That potential growth can't be ignored."

Those companies share a vested interest in promoting broad consumer adoption of mobile content. But according to Diamond, profitable offerings in the mobile marketplace will only emerge if those companies are willing to test new business models, exploit emerging technologies, and create new categories of content.

"We recommend that content developers develop and follow a long-term roadmap that will lead to new wireless media and entertainment opportunities," Sekino said.

"For example, Diamond is helping clients implement a structured, bottom-up process to identify, assess, prioritize, and develop the business case for new mobile data products and services," he added. "But because there are so many business model, technology, and channel dependencies on wireless carriers, this can't be done in isolation. Media and entertainment companies and wireless carriers must work together in building this shared roadmap. Only then will they be ready to venture into the next frontier of media and entertainment development and distribution."

Diamond's latest whitepaper, "Wireless: The Next Frontier for the Media & Entertainment Industry," outlines specific growth opportunities and initiatives companies must take to profit from mass-market adoption of mobile content. To request a copy of the white paper, send an email to:

wirelessfrontier@diamondconsultants.com .

For consumers the potential of mobile content promises a world of mobile phones and other wireless devices catering to their unique interests in music, video games, television programming, news, and information. What's possible? Made-for-mobile TV episodes, time and location sensitive information, and the opportunity to sample mobile video games are just some of the ideas percolating among the content providers.

For wireless carriers, the appeal lies in creating new revenue streams at a time when mobile penetration in the U.S. is peaking and revenue growth from traditional cash-cow voice services is declining.

For media and entertainment companies such as music labels, TV studios, and newspapers that are struggling to boost their revenues, wireless represents a new channel for directly and profitably marketing their content and services.

New Business Models, New Technology, New Content and Apps

Diamond's Sekino said both media and entertainment companies and wireless carriers will have to take a close look at new business models, new technology enablers, and new content and applications.

For example, media companies could consider direct distribution of content, but decisions about pay-per-download, subscription, ad-supported or hybrid revenue models will be critical in capturing a critical mass of customers.

"Cross-platform bundling is a definite possibility because consumers may be reluctant to pay for mobile TV programming when they've already paid for that programming at home," Sekino said. "Look for television content distributors to partner with wireless carriers to bundle home and mobile access and offer discounts for wireless TV to existing cable customers."

Space limitations on mobile phone interfaces currently work against providing music customers with a rich "search and purchase" experience, such as that which they enjoy through online channels like iTunes. Apple is trying to overcome this limitation with its iPhone interface design but other phone OEMs have yet to respond. Smaller memories and limited battery life also preclude wireless phones from being substitutes for MP3 players. However, wireless carriers may succeed by promoting a differentiated service whereby customers purchase a monthly subscription for music and other mobile content. For example, Vodafone has reported plans to launch a service that provides customers with unlimited access to streaming music for a flat daily or monthly fee.

New technology enablers could give a boost to wireless gaming where economies of scale are stunting growth.

"Mobile games have to be customized for a growing number of handsets and different geographies, which makes scaling that business very expensive," Sekino said. "To make games truly handset and geography independent, mobile game developers, the carriers and handset manufacturers need to invest in new mobile gaming platforms and adopt middleware that will standardize the user interface and minimize porting costs."

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