

Mobile content and applications

the next area of growth?



The rise of high speed mobile networks is creating a momentum that will transform the mobile industry into a delivery channel for mobile contents and applications. Albern Murthy looks at the possibilities being opened by this phenomenon.

With all the gloom and pessimism surrounding the world economy, one area still shines brightly. Mobile Internet growth patterns continue to grow rapidly all over the world.

In the United States, operators Verizon and AT&T reported data revenue growth of 41% and 51%, year-over-year revenue in the fourth quarter of 2008. The analysts, Consultancy Accenture estimates that the western European mobile data market is worth 29 billion euros (\$36.5 billion) and forecasts it will grow 21 percent a year until 2011.

The picture is equally rosy on our side of the world. Frost & Sullivan reported that mobile broadband adoption and usage are experiencing explosive growth in Asia. It said that mobile data revenues for the Asia-Pacific region in 2008 totaled US\$65.1 billion, compared to US\$21.9 billion in 2003. Mobile penetration rates in Asia have crossed the 50 percent mark. By the end of 2008, 25 percent of the region's mobile devices were Internet-enabled, with 14 percent being 2.5G enabled and 9.0 percent 3G enabled. Frost & Sullivan expects growth to continue. "Going forward, we expect this number to increase dramatically by 2014 when 47 percent of the region's device will be able to receive an Internet connection," said Nitin Bhat, senior vice president for information and communications technology (ICT) practice of Frost & Sullivan at the Mobile Broadband Asia Pacific Summit 2009.

Clearly the continued robust performance of the mobile industry is due to the growth of mobile Internet as voice revenues have been flat or declining for years now. Even first generation data revenue streams such as ringtones and wallpapers are past their glory times.

Mobile data now is synonymous with mobile Internet. As more and more mobile users switch to smart mobile

devices and begin experiencing mobile Internet, the demand for mobile content and applications will show the same growth patterns, opening up excellent opportunities for mobile content and application creators. It is without doubt, the next area of growth.

Fulfilling 3G's Promise

What the industry is witnessing now is the result of investment in 3G networks. Admittedly it has taken some time - 3G has been around for three to four years now. The focus initially was about video calls but that alone is not sustainable. 3G networks were always designed to be more than just a conduit for video calls. The main premise of 3G has been about bringing a better Internet experience to users and about content and sharing.

At the same time, one must acknowledge the role of the latest generations of mobile devices. Mobile phones have become highly sophisticated devices. As new and better devices are made available at better prices; more Malaysians can now afford these media rich phones. Even the web has adapted to the trend towards accessing the Internet on mobile devices. It was just yesterday when not many websites were accessible to mobile devices. Even the ones that were did not provide that good a visual experience to users. Today, a large number of sites can be used on mobile devices.

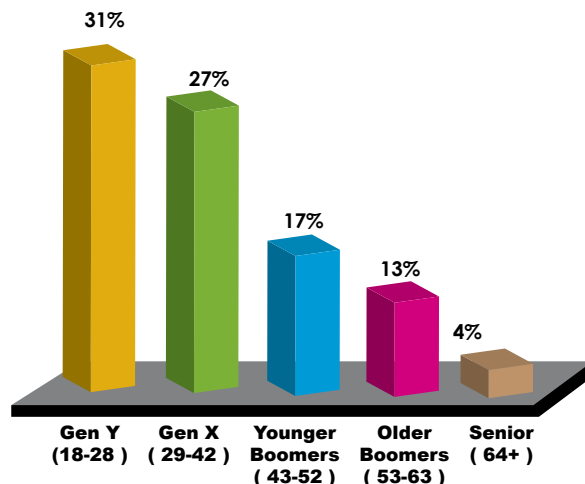
Within this rollout of technologies and advances of devices, another factor has been instrumental in bringing this new paradigm and that is the change in consumer behaviour.

When consumers discovered that they can download content at acceptable speeds on mobile, mobile Internet took off. To a certain extent, in the initial days, while networks were being built, the experience may not have been perfect. Streaming was not that good an experience.

Gen Y and Gen X Use The Mobile Internet Most

“How often do you browse the Internet from your cell/mobile phone?”

(percent answering “At least monthly,” “At least weekly,” or “At least daily”)



Base : US consumers with a cell/mobile phone

Source : North American Technographics Marketing And Mobile Internet Online Survey, Q3 2008

Source : Forrester Research, Inc.

Not surprisingly consumer take-up was slow. The mobile consumer today has a far better experience and the results speak for themselves.

What we are witnessing in this country is not unique; it is a worldwide trend. Other regions have gone through the same path or are somewhere behind this region. By and large, Europe has led the 3G charge and there are some very good examples there to emulate.

Although this region has excellent mobile data adoption rates, it can be said that it is around where Europe was 2 years ago. We have progressed from the stages of WAP, GPRS and later EDGE technology to the point now where more have access to high speed broadband Internet. And every day, more mobile phones are connecting online.

Where the operators fit in

Mobile operators too have gone through an evolution in their approach to generating revenue from mobile data. The boom in mobile Internet has changed the industry. The old approach was to launch GPRS services and then offer content within a walled garden. Today, it is in general based on an open garden concept. Of course, revenue from sales of downloads and ringtones will not go away for the next few years but the main action will be in serving the current lifestyle of sharing and connecting. This lifestyle has become the main driver of the PC environment and it will also dominate the mobile Internet soon.

To thrive in this new environment, mobile operators may best succeed by focusing on becoming platform providers. Again, the European experience bears emulating. After initial hiccups, there is a lot they have done right. The T-Mobile Group is an excellent case study. They have focused on becoming a pure platform provider. They do not aim to host exclusive content. Instead they take a very open approach.

By doing so, it is not important for operators to focus just on developing the content. Instead they have to work on finding the right partnerships. The content and mobile industries have to work together rather than as two separate entities. There will need to be more collaboration between them. The focus has to be on the end users.

Working out the right model

Just like how mobile operators have to rethink their strategies, the content industry too has to modify its approach towards making money on mobile. The good news is that the right kind of change is happening. The music industry is a good example of this phenomenon. It is starting to change to the right direction though they could have done that a lot sooner. It is moving away from the license model where, for example, every truetone download is RM5 no matter how many truetones are downloaded. Consumers have consistently proven that they will not change their habit of downloading from other sources if the cost of downloading multiple truetones on mobile is still expensive. They will just go for the other option that is available from just about everywhere on the Internet.

The content industry is finally accepting that they cannot control people but they have discovered that if they make it affordable, people will definitely do a lot more original downloading of games and songs. Together with affordable price packing from the operator's perspective, that will drive the mobile content industry a lot faster. It took the industry some time to understand this.

The key is pricing and packaging. Affordability is an industry responsibility and here the content and mobile industries have to work as one. It is not possible to have separate agendas in terms of acquiring the same customers. Mindsets have to change and both parties will have to come round to the idea that volumes will compensate for

DIGITAL MEDIA CONSUMPTION BY MALAYSIANS

(GLOBAL RANKING)

RANK #5

in digital media consuming nation

RANK #7

having streamed digital media in the past month

RANK #9

having downloaded digital media in the past month

RANK #3

in spending over 20 hours a week watching streamed/downloaded content from the Internet

Source: AC Nielsen

lost margins. The content and application industries will deliver compelling content and innovative applications while mobile operators will work on getting more people to take up the contents and applications through creative packaging. One good starting point for this partnership would be to answer this question: How can my customers experience your application on my network?

Successful Mobile Content and Applications

When the right mindset is reached, it becomes easy to move on to determining what types of content and applications will be desired by mobile users. Getting mobile content

applications right too was a lesson learnt after many wrong turns. A lot of resources initially went towards developing innovative solutions and applications that were either ahead of time or required intensive consumer education.

The mobile industry created various innovative solutions but the lesson learnt was that people take time to adopt. Too many resources then have to be spent on educating the users. The easier path is to simply deliver what works on the big screen albeit with a twist; mobile content and applications have to look and work easily on mobile.

The right approach then is to go back to traditional stuff and create things that people want. Results all over the world show that it pays to follow the Internet trends rather than innovative trends. The trick it appears is to simply deliver what's hot at any time. In the mobile industry it pays to keep things simple and to also just emulate what works on the Internet.

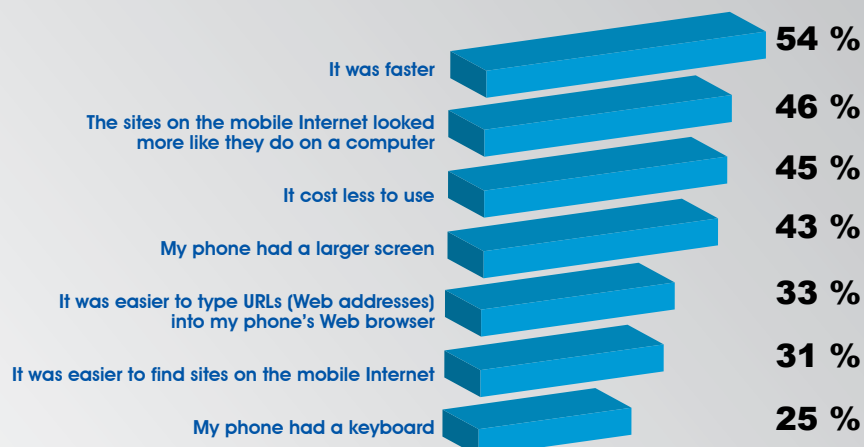
The growing prevalence of Internet enabled mobile devices is moving the online content world towards getting their products onto mobile devices as fast as possible. This strategy is sound because customers who have been using these applications or downloading content from laptops and PCs want to continue their love affairs on their mobile devices. They want a simple logon process and in essence, the same experience on mobile devices.

The mobile operators will provide their expertise in ensuring that the Internet experience is as good on mobile as it is on larger screens. The mobile industry's role then will be in facilitating that experience. The operators that succeed in creating the best experience of popular Internet applications in their networks will do well. They will focus too on ease of use.

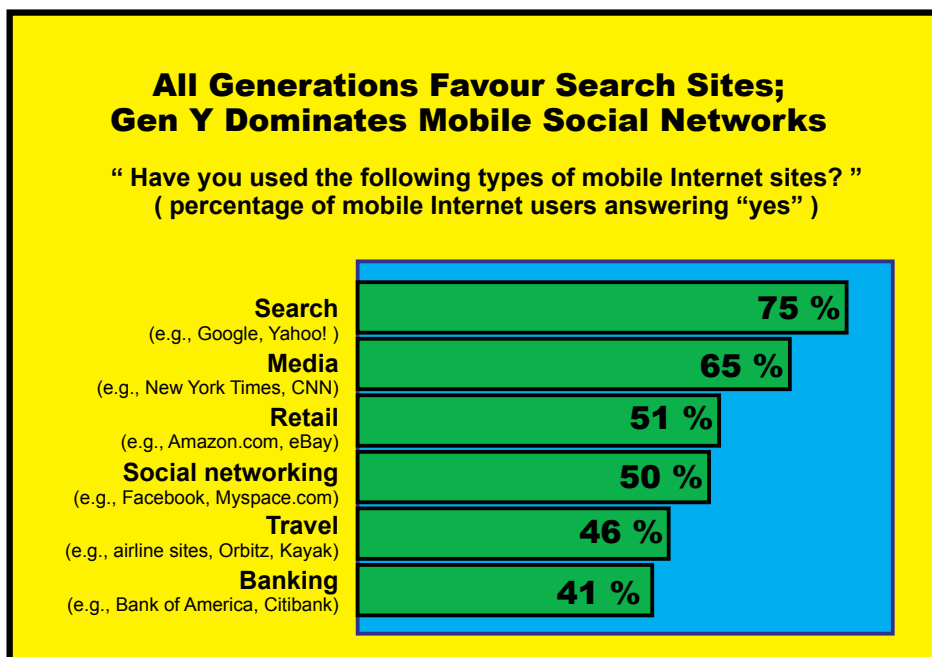
At the same time, the Internet content industries can learn a lot from the mobile industry in terms of customer profiling and customer management. On mobile, operators

Slow Networks Hinder Younger Generations; Device Issues Hold Back Older Users

I would use the mobile Internet on my cell/mobile phone more frequently if..."



Source: Forrester Research Inc



Source: Forrester Research Inc

can assist by profiling customer based on mobile content & applications.

Since it knows its customers intimately, mobile operators are ideally placed to deliver this edge. They can work out what a customer wants. Concerns like privacy will have to be given due attention but with a proper permission based process in place; mobile operators can help content and application makers fine tune their products and deliver even better mobile experiences. Customer profiling will be a key element driving mobile Internet adoption and it is likely to be the next stage towards the creation of ultimate mobile Internet applications.

What to focus on

The point made earlier is the best guide towards creating mobile applications and content that are relevant to mobile users: follow hot Internet trends and work towards making the mobile experience as delightful as possible. Consumers will not be abandoning their desktops totally but instead will become increasingly more mobile. They will expect to have access to similar applications and content when on the move.

One excellent approach is that which is taken by Google. It has worked hard to create the same experience on mobile. Users of their applications get an immaculate experience when they access their favourite applications on mobile devices.

Following hot Internet trends is likely to make it easy to get consumers to take up newly developed content and applications. Currently, the Internet is all about sharing. The Internet space is filled with communities creating and sharing their own content. The mobile industry must focus on these hot topics. For example, consumers are demanding better ways to experience applications like Facebook,

Tweeter, mySpace, email, navigation and maps on their mobile devices.

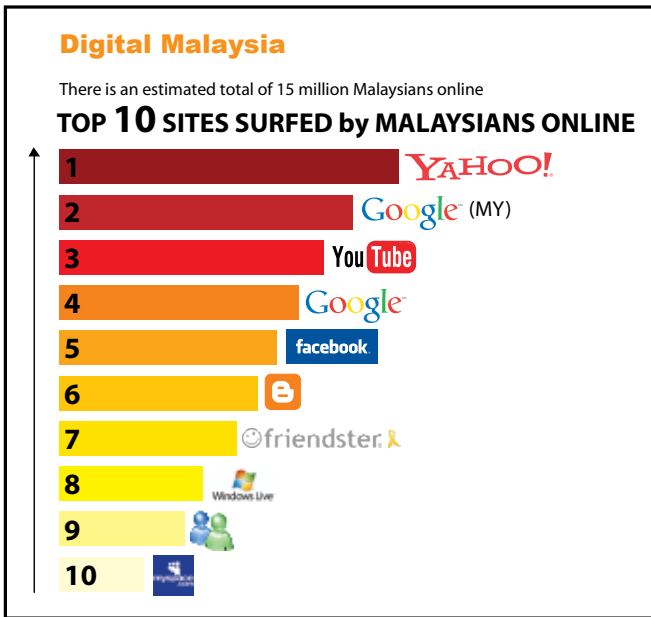
Another related hot trend to watch out for is that of delivering information and opinions. These days, consumers are increasingly searching for tips and opinions on lifestyles. It can range from opinions on where to eat, what clothes to wear and what gadgets to buy. Consumers are keen to get these types of information on their mobile. The technologies to create these applications and services are available now.

Consumers are also looking for applications and services that simplify life. An Ericsson ConsumerLab study undertaken in 2007 in US, UK, Italy and China revealed a list of mobile services the respondents were willing to adopt. The top 10 services that consumers were most looking forward to are listed below.

1. Paying Public Transport
2. Buying From A Vending Machine
3. Using Mobile Phone As An ID/To Gain Entry
4. Getting Product Info On Your Mobile Phone
5. Recharging Phone With E-Money (Online)
6. Automatic Mobile Phone Backup Service
7. Positioning Service (Like GPS)
8. Buying Product In Store
9. Downloading Coupons And Maps From PC
10. Sharing A Picture

Local Content

There is a huge role for local content in the mobile ecosphere. Profiling consumers is another word for creating local content. DiGi for example has created a website that is all about creating a customised view of the Internet. The website, located at MyInternet.com.my, is a fresh approach that seeks to bring established applications like Facebook



Myinternet.com.my screenshot

and Friendster together with local content. Approaches such as these are likely to do well.

It is everyone's role to help get local content going. The mobile operators have a corporate responsibility to do this but it also makes great business sense. Local content is becoming very popular these days especially for independent music labels, references to vacation spots and restaurant guides in Malaysia.

Another approach can be to create platforms on which users come and create their own content. These platforms must be creative and relevant to the local community; not aimed at simply creating another version of say, Friendster. Mobile operators can motivate local content developers by highlighting to them what the trends are, what people are willing to pay for, by giving them focus areas.

Some parties are also doing well by taking international content and making it relevant to local users. Good examples are localised maps that can be uploaded to GPS solutions. The opposite is also viable as there certainly are local applications and content that can be exported to the world. Malaysian companies for example have developed great traffic solutions and home monitoring applications that would be relevant anywhere else in the world.

Mobile operators can also help to jointly educate customers. Local content will have a boost when everyone is geared towards promoting the same themes. For example, if the industry believes that online communities and email are the big topics now, all events and road shows can push these themes, creating a reason for content company to go and develop into these trends and market. Other approaches could be through competitions or funding or sponsorship that are focussed on specific hot themes.

Creating the Right Ecosystem

Attention will also have to be paid to getting a complete ecosystem ready for a new age of mobile Internet. One area

that would need to be addressed is that of payment. Mobile Internet will involve online shopping, confirmations of purchase. Transactions will require the use of credit cards.

When mobile content and applications take off, financial institutions will have to be involved. Areas like credit card transactions and online banking will have to be streamlined. In fact, exhaustive precautionary measures will have to be in place to avoid fraud.

Also, it will be important to ensure the regulatory and monitoring processes stay up to date. If bad apples get into the act and start delivering damaging content, consumers are likely to stay away. The industry has seen the damage that can be caused in the text messaging areas when some scams scared away consumers from genuine value providers.

The Content Age is Here

It will require effort and education by all parties to reap the Malaysian market which is poised for a huge explosion in mobile content and applications. It will be important, in terms of mobile Internet, banking industry, mobile operators, content provider and regulatory monitoring, to ensure that the quality of content is what the customer wants.

Do that right and everyone will benefit. In fact, the saying that 'Content is King' will never be truer. **my**

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