

Summary

Executive summary

The very personalised nature of mobile phones and their portability make them ideal vehicles for personalised entertainment either on the move, or in private moments. And, as 2.5G and 3G networks become more widely deployed, so the capabilities of offering more and better mobile content and entertainment services increases. At 2005, the convergence which the industry commentators have been anticipating, is finally happening – the market for mobile content and entertainment is developing with new services and new players changing the face of the market.

The market for mobile content and entertainment in the 2G world has been dominated by the provision of simple content – ringtones, logos, some paid information services such as news, weather, directions and some enhanced communication services such as dating and flirt services. However, imminent changes in the penetration of highly featured devices plus roll-out of advanced cellular networks and service packages mark the beginning of a paradigm change in the mobile industry. The content capabilities offered by GPRS and UMTS networks and the latest handsets are such that animations, high quality and 3D graphics, real-tone audio, video downloads, video and audio streaming and even streamed TV become possible. This change in the content capabilities of mobile is signalling huge implications for mobile content and entertainment services, and the associated marketplace.

Moving from the 2G to the 2.5G environment we have witnessed a power shift within the value chain. The mobile network operators have, for several years now, been adamant that they do not wish to be reduced to the providers of bit-pipes. They are determined to extend along the value chain to maximise their market opportunities. Informal estimates from the mobile network operators have put the service provider share of the mobile download market at less than 10 percent.

Figure 0.1 Mobile content and entertainment value chain

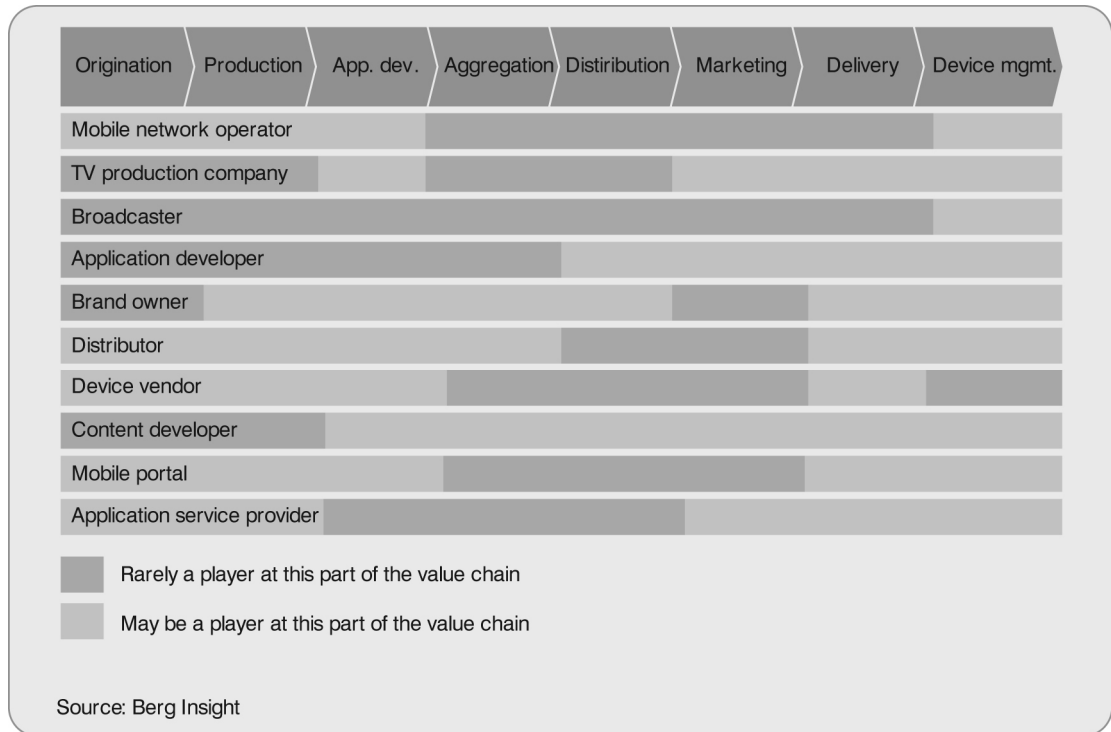


Figure 0.1 shows the mobile content and entertainment value chain as it is emerging. It contains elements in common with both the mobile data service value chain and also with the TV production value chain.

The blocks underneath the main value chain display some of the different industry players and the positions that they are taking within the value chain. Many players are attempting to stray from their main positions in order to control greater value at other parts of the chain or in order to stimulate the development of their line of content and entertainment.

Key recent landmarks in device evolution from a content and entertainment perspective have undoubtedly been colour screens and Java. Both of these have added a new dimension to mobile content and entertainment. Content capabilities have improved to such a vast extent

that the nature and value of the content has itself shifted paradigmatically. It is a long-established cliché of the dot-com era that ‘content is king’, however as the possibilities of the devices has increased, the opportunities for the content has exploded. Added to this is the wide-spread roll-out of 2.5G and 3G networks that support a whole new range of mobile content and entertainment services.

Berg Insight estimates that over 50 percent of mobile subscribers in Western Europe will regularly access (at least once per month) some kind of mobile content and entertainment service by 2012. This marks an increase from the position at 2005, at which point we estimate that around 40 percent of total subscribers have ever accessed mobile content and entertainment services and around 15 percent do so on a regular basis.

We forecast that where ringtones and logos accounted for at around 33 percent of mobile content and entertainment services at 2004, we anticipate new services accounting for greater proportions of the revenue by 2012 with the highest earning services being games and music, followed by adult content and sport.

We consider the main drivers of the market for mobile content and entertainment services to be:

- The increased penetration of mobile devices with advanced features that support multi-media presentation of content to form factors that are convenient and comfortable to use;
- Mobile devices are beginning to incorporate internal and external storage that enables users to store content files;
- The roll-out of GPRS and 3G networks across Western European markets, followed by enhancements such as HSDPA to follow is supporting wide-spread availability of faster and more sophisticated mobile services;

- We are seeing the beginnings of the convergence of mobile devices and games consoles that are more ergonomically suitable for game playing than traditional mobile devices;
- Large media companies and FMCG brands are stimulating the take-up of mobile content and entertainment by making available extensive ranges of high quality content and by marketing heavily;
- Mobile penetration rates are continuing to rise, even in highly penetrated markets – where users are purchasing second devices – often for accessing leisure services outside of the work-place;
- Mobile network operators have agreed on their guidelines for adult content and are now in a more comfortable position to begin marketing their adult services;
- TV broadcasters and production companies are looking to enhance their interactive TV offerings with mobile elements;
- Regulators are looking at releasing spectrum from analogue TV services that is suitable for DVB-H TV services;

Mobile content offerings are being targeted not just at the lucrative market, but also at other segments including older people who may be extensive users of services such as gambling and certain types of games.