

Mobile ~ Let me Entertain you

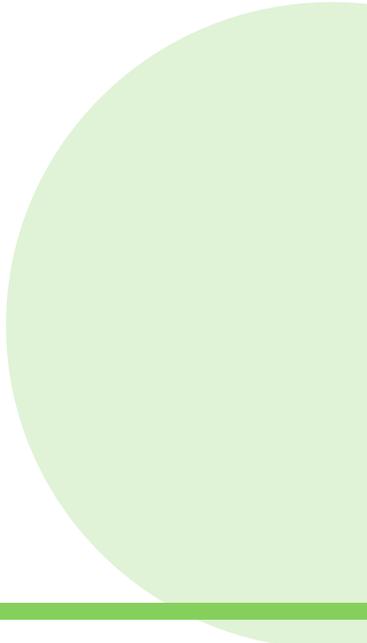
This whitepaper is an extract from:

**Mobile
Entertainment Markets
Opportunities & Forecasts 2007-2012
(Second Edition)**



. . . information you can do business with

Mobile ~ Let Me Entertain You

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Introduction

The mobile phone is one of the lifestyle changing developments of the last decade. Not only has it provided freedom from the constraints of wired communication for nearly 3 billion subscribers worldwide, but with the introduction of 2.5G and 3G networks and handsets, it has provided a mobile gateway to the Internet and access to an ever widening range of mobile entertainment products and services for a growing number of mobile telephony customers.

For many years mobile service providers saw increasing revenues on the back of ever increasing subscriber numbers. However that is no longer the case in most developed markets. Mobile penetration of the population varies considerably country by country, from near saturation in many developed markets to low single figure percentages in some developing markets. As competitive mobile markets mature and become more saturated, price competition increases, particularly for basic voice and text messaging services and revenue growth opportunities become more limited. In maturing markets service providers have turned to value added services and particularly VADS (value added data services), to boost, or sustain ARPU (average revenue per user).

The deployment of 2.5 and 3G networks has dramatically increased the opportunity for revenue generation from value added data services and for some countries/operators the proportion of total revenues accounted for by data services is now approaching 30%. A significant portion of mobile data revenues in the consumer sector come from mobile entertainment services of various types. This is expected to continue over the next five years as the mobile phone assumes the role of multi-function communications and entertainment device for an increasing sector of the mass market.

Types of Mobile Entertainment

Juniper Research divides entertainment services into the following seven key categories:

- Mobile gambling;
- Mobile adult services;
- Mobile games;
- Mobile music;
- Mobile TV;
- Mobile user-generated content; and,
- Mobile infotainment

The Hurdles to the Deployment and Adoption of Mobile Entertainment Services

While mobile entertainment services are becoming increasingly popular, there remain a number of key constraints on the market which serve to limit the opportunity for market growth. The major hurdles are outlined in Table I below:

Table I: The Hurdles for Mobile Entertainment Services

Issue	Why is it a challenge?
User Interface	<ul style="list-style-type: none"> • Difficulty in discovering services and content; • Difficulty in accessing services and content; • Difficulty in navigating services and content; and, • Difficulty in utilising multiple applications simultaneously
Handset form, capacity and battery life	<p>The capabilities of the mobile handset are clearly important with regards to entertainment, from a number of perspectives:</p> <ul style="list-style-type: none"> • Form factor – the handset must enhance the overall experience; • Capacity – the handset must have enough memory to store sufficient content, be it full-track downloads, video content or games; and, • Battery Life – Rich media applications impose greater demands on handset battery life.

	<p>The key concern over form factor is marrying the various needs of mobile users without comprising the core functionalities of the handset, which are to make voice calls and (in most cases) send text messages. Furthermore, each entertainment application must jostle for position on the handset with others.</p>
Network Speed and Coverage	<p>One of the major difficulties that prevented mobile internet services from widespread adoption over 2G and 2.5G was that the networks were simply not capable of download speeds required to deliver streamed video at an acceptable quality, while their networks was too high to permit real-time videotelephony or multi-user interaction. Certainly latency has been reduced, and is falling further as 3G networks are upgraded to 3.5G via HSDPA and EV-DO Rev. A technologies, but network coverage still leaves much to be desired. Within the UK, for example, where 3G networks were first deployed in 2003, large rural areas remain without any 3G coverage, and even urban coverage can be patchy. Many would-be customers frequently meet only with the message “You are now outside the video service area”, thereby limiting the number of services they are able to access.</p>
Cost of data services	<p>The high cost of data services, both perceived and real, has been one of the key factors militating against greater adoption of rich-media services.</p> <p>Historically, pricing of data was complex and confusing for consumers, while the high cost per MB (particularly for prepaid customers) clearly acted as a disincentive to usage. While there has been a reduction in retail prices, the table makes it clear that, particularly for prepaid users, mass adoption will not result unless data prices are dramatically reduced. Given that 3G and HSDPA networks significantly reduce the cost of data transmission, it is essential that the operators in turn reduce the retail prices if they wish to boost adoption and monetise their investments in their networks.</p>
Industry Structure	<p>Clearly the level control exerted by operators rankles with, and exasperates, the content providers, an environment not necessarily conducive for the introduction of innovative mobile services. Indeed, one corollary of this is that companies which specialise in a given area of content (be it gambling, games or adult content) are unconvinced as to the operators’ efficacy in marketing their particular product, in that operators, after all, are mobile specialists and not specialists in gambling/games/adult content. This would appear to be borne out by the relatively poor marketing campaigns over mobile games relative to major console titles.</p>

Source: Juniper Research

The Opportunity for Mobile Entertainment Services

Despite the hurdles listed above, there is undoubtedly a significant opportunity for enhanced revenues from mobile entertainment services. The following table outlines some of more generic drivers:

Table 2: Key Drivers for Mobile Entertainment Services

Driver	Why is it an opportunity?
Anywhere, Anytime Accessibility	The great strength of the mobile communications channel is the anywhere, anytime accessibility of the mobile phone. Next to the wallet/purse, the mobile phone is fast becoming the piece of personal apparel most commonly physically with individuals that own them.
Fun and Relaxation	The mobile phone/entertainment device presents a new way to access fun and relaxing pursuits as well as keep informed of developments in business and leisure activities that are important to the individual.
Increasing Mobile and 3G Penetration	A major driver for the growth of mobile entertainment service revenues is the continued growth in the mobile subscriber base, particularly in developing markets. Juniper Research envisages that the global mobile subscriber base will rise from 2.96 billion in 2007 to 4.14 billion in 2012. Of equal importance to the growth of the overall subscriber base is the increasing penetration of 3G technology, which enables many of the most attractive forms of mobile entertainment, particularly bandwidth hungry applications such as mobile TV, video, on-line 3D games, full track music services. By 2012, around 88% of mobile handsets worldwide will be either 2.5G or 3G enabled; some 34% of the base will be 3G enabled.
Product Innovation	Linked to some extent to the progressive roll out of advanced networks is the continued drive to innovate in entertainment product design and capability. This has breathed new life into existing product types (e.g. ringtones and wallpapers) and also lead to a new generation of “designed for mobile” entertainment products, with improved usability over products and applications ported from other platforms.
Supply-side Competition	Product innovation is in turn driven by competition and the need to gain competitive advantage. This applies throughout the mobile entertainment delivery chain, with application developers constantly having to improve functionality to retain their customers and service providers seeking new ways to boost ARPU and particularly data ARPU.

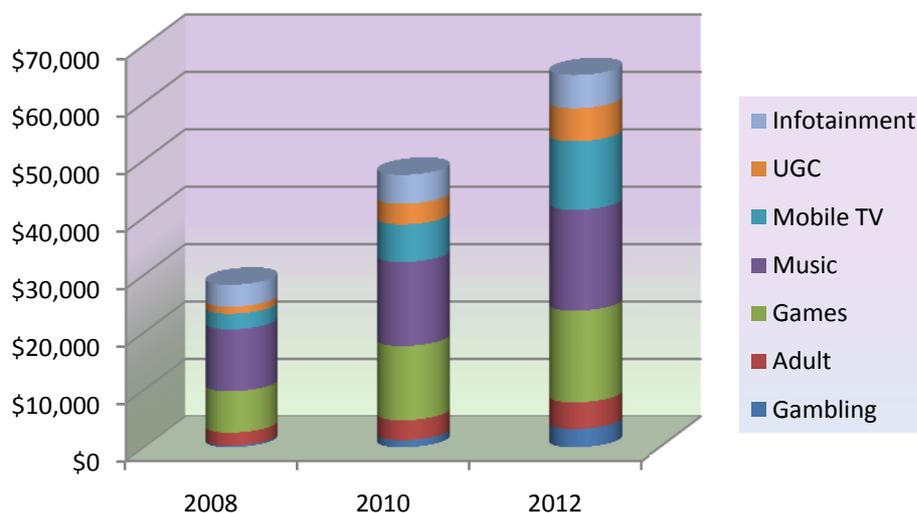
Source: Juniper Research

The Market for Mobile Entertainment

The mobile entertainment market is currently still dominated by ringtones, wallpapers and infotainment services. With steadily increasing 3G penetration around the world, this balance is changing as the take up of products utilising video, picture messaging and mobile TV technology increases.

Figure 1 shows Juniper's estimated for mobile entertainment revenues for the period 2008 to 2012. The current market domination by the three sectors, music, games and infotainment is very clear. Whilst these will remain important sectors throughout the forecast period, rapid increases in other mobile entertainment types, particularly mobile TV, will shift the product balance considerably by 2012.

Figure 1: Total Revenues from Mobile Entertainment (\$m). Product Forecast 2007-2012.



Source: Juniper Research

The total global market for mobile entertainment products and services is estimated to be \$20.7 billion in 2006, growing to \$64.8 billion in 2012. It should be observed that these forecast revenues are markedly lower than in the previous forecasts by Juniper Research, although this is primarily due to the fact that we now calculate total revenue from gambling based on gross win rather than total wager. That said, the fastest growing product sector is forecast to be gambling, which starts from a low base of \$106 million in 2007 and is forecast to grow to a total global gross win of \$3.2 billion in 2012. This represents a CAAGR of 98%.

No other sector is expected to generate growth at this rate. The next product sector in the growth rate stakes is forecast to be user-generated content, and particularly social networking services and personal content delivery, with total revenues rising from \$571.6 million in 2007 to more than \$5.7 billion in 2012, a cumulative average annual growth rate of 59%.

Order Full Report

Mobile Entertainment Markets: Opportunities & Forecasts, 2007-2012.

This whitepaper is taken from **Mobile Entertainment Markets: Opportunities & Forecasts, 2007-2012.**

This wide-ranging research report provides a detailed summary of the current state of, and future prospects for, the global mobile entertainment industry and includes revenue and subscriber forecasts for all major segments (mobile TV; mobile gambling; mobile games; mobile UGC; mobile adult; mobile music and infotainment). This second edition report offers consolidated revenue forecasts for the entire mobile entertainment market, broken down by eight key regions, as well as an overview of the relevant mobile technologies and an in depth study of the major players within each service industry. The comprehensive study also includes an exploration of the key market drivers and constraints within the mobile entertainment field. This highly appraisal of the markets within this rapidly expanding industry offers a practical look at the opportunities for new and existing players and is vital for any organisation intent on maximising their revenues from mobile entertainment.

Key Questions the report answers:

- What strategies should operators, vendors and publishers employ to maximise their respective returns in the mobile entertainment market?
- What is the current and future size of the mobile entertainment market?
- What are and what will be the most lucrative mobile entertainment services?
- What are the key drivers in the mobile entertainment market?
- What impact has 3G had on the mobile entertainment market?
- What are the major hurdles to greater adoption, and usage, of mobile entertainment services?
- How has the mobile entertainment value chain developed?
- Who are the major players in the mobile entertainment market?
- Which services are likely to be constrained by national and international regulation?

For more details on this report visit the website www.juniperresearch.com or phone +44 (0) 1256 830002.

About the Author

Dr Windsor Holden is the Principal Analyst of Juniper Research. Dr Holden is responsible for developing Juniper Research's report portfolio and designing a forthcoming range of market intelligence services focusing on the mobile content market. He is also the author of a number of recent reports including *Mobile Music: Ringtones, Full Track Downloads & Streaming*, (4th edition), *Mobile Games: Subscription & Download* (4th edition), *Mobile Gambling: Casinos, Lotteries and Betting* (4th edition), *Mobile TV: Opportunities for Streamed and Broadcast Services* (3rd edition) and *Mobile User Generated Content: Dating, Social Networking and Personal Content Delivery*.

Previously with Analysys, Dr Holden has written extensively on mobile content, emerging telecoms markets and digital TV. He is also a regular conference speaker and a former Research Fellow of the Institute of Communication Studies, University of Leeds.

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