

The market transition from 2G – 2.5G to 3G and beyond

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Speaking notes, 3G content & mobile devices seminar

The imminent launch of 3G services by the major mobile operators in 2005 brings into question the need for transition from the incumbent 2.5G to 3G.

Why do we need to bring to the Australian mobile phone consumer a 3G service, after all a mobile in its purest form is but a device to talk and text on.

Globally 3G is already changing the way we use and think about phones. I cast my mind back just 18 months when the 40 series nokia's were leading the charge. Now, mobile phones are no longer a device for calls and texting but a 24x7 entertainment device that has grown dramatically as handsets and content offerings have improved. I envision that over time 3G will continue the evolution in the way in which we use and think of phones.

They are multi media assistants with huge scope, so long as we are prepared to adapt our behaviour to make the best use of them.

How will the launch of the 3G service impact the competitive landscape?

Is it sustainable when we have four companies vying for a total market share which is less than the total subscriber base of KT Telecom which stands at just over 18million?

3G represents an opportunity to develop and drive true multimedia content and converged applications.

For insights, I have looked to Korea where last week I visited KT Telecom.

To think that it was only 10 years ago that the basic market delivered a speed of 64k, this speed increased to 153.6 in 2000 on a 2.5 G platform.

Korea has been on a 3G platform since 2002 when they launched the CDMA2000 1 x EV-DO platform with speeds of 2.4M. Today they now look to the W-CDMA platform for the 4 G experience.

In realising the ubiquitous world, today consumers can enjoy a wide range of daily life information through 3rd generation wireless internet. The variety of entertainment and multimedia content includes:

Movies
News Services
Games
LBS
Banking
Micro Payments
Traffic
Dieting

As Australian carriers race to market with the next gen 3G roll out, delays will be inevitable

Handsets – there is a global shortage. Important questions to consider include, how will little old Australia get enough to satisfy the 3G war uptake, or will it be a softly softly approach much like i-mode.

Content Management Systems and integration of billing platforms with content developers.

Actual content purpose developed for video capable handsets, that has pushed the OS markets, will not be available in Australia given we don't do Girls Gaming and Gambling

The experience as it rolls out will be;

- *Generally poor; Australia is late to the party and no local carrier seems to be taking advantage of the lessons learned in early-adopting markets.*
- *No LBS – a key driver in most OS markets.*
- *Spotty service coverage and high data download costs provide little incentive to switch to 3G.*
- *3G is reliant on data revenue and content and Australian operators are reluctant to share data revenue with content providers and in most cases (i-mode aside) carriers' share of content revenue outweighs their involvement in the process.*

The lessons;

- *"Rich" content creation is expensive to produce. It is also a high risk model based on revenue sharing in a market with potentially no handsets and no explanation of marketing plans or acquisition numbers.*
- *Operators will need to open up and share with content providers or find themselves with no meat on their bones.*
- *Most rich content is basic at best. Content providers moving into 3G need to learn and repeat the following mantra; "3G is not TV."*
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- *Just like with today 2.5G service content in general needs to be modified and optimised specially for the end delivery tool.*

- *Gated communities and walled gardens are pointless in Australia. No single Australian carriers' market is big enough to allow a successful return to a content provider on an exclusive deal. There are not enough potential customers out there on a single network.*
- *Over-eager regulatory bodies are regulating an industry even before it has launched which is stifling innovation.*

Local content providers will have to get used to the fact that every 3G content provider in the world is now a competitor. They may also find it extremely difficult to transition from the easier wallpapers and ringtones space to 3G when the operators have little to no experience in delivering the ubiquitous world.

Additional content questions I hope will be answered or discussed today are:

Content:

The state of the mobile content industry: the respective role of operators, content providers, software developers, vendors.

Snapshot of the here and now of the mobile content market: who are the big players? What are the popular content types? What generates revenue currently?

- What content do consumers use and what are their expectations for mobile content?
- What kind of content is expected to be the leading application?
- Successful content = entertaining content = Global/ far reaching content = local adaptation
- The future of mobile content: how will the market shape and where is the money going to be made?

"Open your Eyes," the alarm clock whispers in a seductive way on the opening scene of the movie Vanilla Sky. Now, it calls out to the mobile content industry:

Open your eyes. Is there really a long term sustainable business model to have the following:

1. Content producer
2. Content provider
3. Third party marketing channels
4. Content aggregator
5. Content billing enabler

6. Mobile operator (we know who they are)

To top things off nicely, number 6 alone takes out anywhere from a low of 15% THROUGH TO 50% of gross revenue...

So how do we move from 2.5 to 3G and how does the content delivery change? i.e:

Dating – interactive welcome video, registration, log ins, personal homepage, search, profile views, contact

Horoscopes from text to video

Cooking tips

Exercise tips

Celebrity gossip

The addition of video with a quality voice over can add impact and interest to the consumer's mobile interaction to create a meaningful and 'sticky' experience.

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