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Mobile operators set sights on the moving image

By Andrew Edgecliffe-Johnson and Mark Odell

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Mobile television "is like sex in the open air – a jolly exciting idea but not always practical", Dick Emery, chief executive of the UKTV group of channels, wrote in a recent collection of essays on the future of broadcasting.

There has been no shortage of excitement in the past year or so about the prospect that mobile television could help replace network operators' declining call revenues and counter broadcasters' problems with fickle audiences and fragmenting advertising income.

Vodafone joined up with Twentieth Century Fox in November 2004 to air purpose-made one-minute "mobisodes" of the drama 24 on its third-generation mobile network in a dozen European countries and Japan. A month later, France Telecom's Orange mobile arm started beaming live television pictures over its network to 3G phones in France. A series of high-profile deals followed, with broadcasters such as HBO, ITV and Mediaset tying up with operators including 3, Cingular Wireless and Telecom Italia.

Until now, the success or failure of the new medium has been almost impossible to judge. Predictions of a "3G Christmas" last year were proved wrong because the handsets on offer were bulkier and less attractive than second-generation phones. In the coming year, the mobile and television industries will find out whether customers are excited by the services available on the latest phones or whether mobile television will prove to be yet another fad.

Big sums are at stake. Mobile operators have invested £40bn (\$69bn, €58bn) in the UK alone on third-generation licences and infrastructure: they are hoping that television and music offerings will motivate consumers to trade up to 3G. Content owners, in turn, know that audiences are spending more time away from home, away from the television. The growth of personal video recorders, iPods and video on demand, coupled with the success of text-message voting for reality television programmes, has also shown them that personalisation and interactivity are trends they could cash in on.

The important questions, however – how big this market will become, which of the rival technologies will win out and how the value will be split – will not be fully answered until the players have invested significant sums in mobile television. Moreover, some early studies of the potential size of the market provide grounds for caution.

A UK survey of 1,500 people aged 13–55 for Olswang, the law firm, found just 17 per cent wanted to watch television content on their mobile phones, compared with 44 per cent who said they would watch programmes on their personal computer. Concerns about the cost of the service and the picture and sound quality led 70 per cent to say they did not want television on their mobile at all. Similarly, Strategy Analytics found that fewer than 20 per cent of those it asked in the UK, Italy, France and Germany were interested in watching television on their mobiles.

Even so, the consultancy expects the global market for mobile video on demand, streaming video and other mobile broadcasts almost to double to \$2.7bn (£1.56bn,

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€2.27bn) next year and to rise to \$12.2bn by 2010 – an estimate privately supported by some telecommunications executives, who say video and music content already accounts for more than 10 per cent of revenues in some markets.

Nevertheless, many executives at mobile operators and equipment makers acknowledge it is too early to know whether mobile television will catch on. Peter Olson, head of strategy at Ericsson, the world’s largest maker of mobile networks, says: “2005 has been the year of launch, 2006 will be the year of testing the market and we believe that by 2007 we will see how the market turns out and if it [mobile television] will be a hit or not.”

Estimating how much money could be made is further complicated by the different pricing options on offer from operators. In the UK, widely seen as the most advanced for mobile television of the big markets in Europe, some, such as Orange, are charging flat monthly rates of between £5 and £10. Others, including 3UK, have adopted a bundled approach, with all-in packages of voice minutes, text messages, music and video starting at £35 a month. Several continental European operators, including Telecom Italia Mobile and SFR in France, are charging metered rates of €0.25–€0.50 a minute.

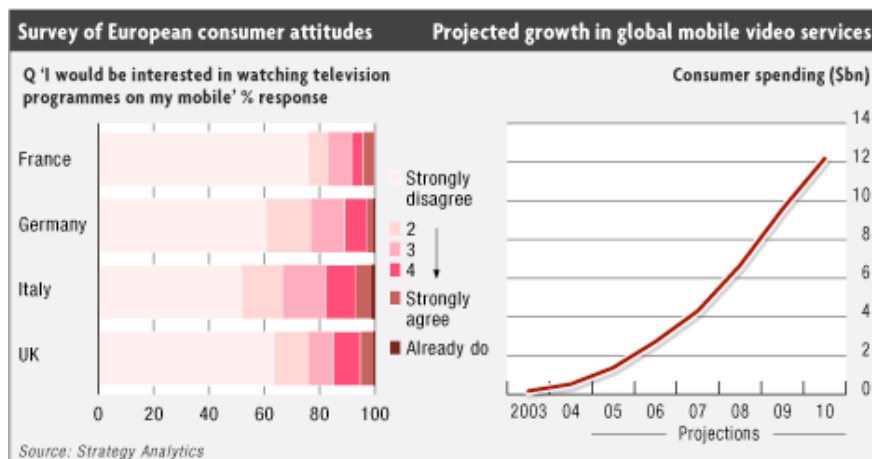
There is also a wide variation in how the spoils are to be shared among content owners, network operators and the aggregators who pull in content from various sources and format it for mobile screens. Phil Taylor, director of wireless consumer applications for Strategy Analytics, estimates that in a partnership such as the one between Vodafone and Sky, the broadcaster would take 50 per cent, leaving the operator to share the remainder with other service providers.

Tim Clausen, head of wireless content for Private Media, an adult entertainment company, says it gets just a quarter of the proceeds, with operators taking half and the remainder going to the aggregators. It is a high-margin business, however, as the group bears none of the costs of getting its existing library of content on to the new distribution platform.

The big task for all parties involved is to get the content right for the mobile device. Some think current offerings by operators that simply broadcast the scheduled television channels are unsuitable. Early trials have shown that consumers prefer short clips, which they can watch at a bus stop or while waiting for a friend, to the long programmes that broadcasters are used to producing. News headlines, sports highlights, music videos and pornography have all featured prominently on operators’ early offerings as a result.

“It is called snack content – a piece of programming that lasts four or five minutes. It’s there as a boredom killer,” says Luca Pagano, head of the UK business of Buongiorno, an Italian-based production company and aggregator that specialises in content tailored for the mobile. “The mobile has so far been about peer-to-peer communication; in terms of entertainment we are really only starting now,” he adds.

As well as short soap operas and “mobisodes” (see right), the medium is transforming the phone-in show. Buongiorno has developed a football show in Italy and the UK that uses video content sent in by fans. Similarly, 3UK is seeking to create a mobile community akin to Myspace.com on the internet, with SeeMeTV, a service that allows users to load videos of themselves on to a central server. Others are charged 10p to see the clips, of which the authors receive 1p a download if enough people (in this case, a minimum of 1,000) download them.



In the US, MobiTV, a mobile content aggregator, provides a 27-programme package

available via Sprint-Nextel and Cingular. It has signed an agreement with Major League Baseball to broadcast games live while complying with restrictions designed to protect gate receipts: the operator would block the signal within a designated area.

A technology war is brewing, however, that could hinder a roll-out of the new services. Most operators are broadcasting their current "live" offerings over their 3G networks. But the limited availability of radio spectrum and the capacity demands of mobile television mean that, if successful, the service could swamp the networks.

More efficient digital broadcasting technology is on trial in Europe and has already gone live in South Korea but it remains unclear whether the industry will opt for a cohesive approach. Ericsson believes the answer lies in upgrading its existing 3G networks, arguing that television delivered that way provides a one-to-one relationship with the viewer and more potential for interactivity. It also points out that an operator adopting digital broadcast technology would have to invest heavily to build a new nationwide network.

Nokia, on the other hand, is supporting one of the digital broadcast technologies. Many in the industry believe the solution will be a mixture of the two: the broadcast element over a tailor-made digital network, with interactivity provided by a return path that uses the operator's 3G network. One executive at a UK operator currently broadcasting over its 3G network suggests the carriers could avoid huge investments in new digital networks by getting a third party to build and operate one on behalf of all the operators.

But the debate over more sophisticated transmission technology will become serious only once it is clear that people want to watch television on their mobiles and revenues start pouring in. The industry will be hoping that its own passion for the medium will generate a practical type of excitement among consumers.

FUNCTIONS FLOURISH FOR THE PC IN YOUR POCKET

Paul Taylor in New York

It is almost 33 years since the first public telephone call was made using a portable cellular phone. Since then, the device has evolved from a brick-like box that could basically do one thing – send and receive voice calls – into a sleek multi-purpose communications tool with much of the processing power and performance of a personal computer.

Along the way, mobile phones have been equipped with the ability to take digital photographs, play music and browse the web. Another leap in functionality is due to make mobile phones capable of displaying high-quality video and television content.

So what will the mobile phone of the future look like and what features will it support? Given basic ergonomics and human physiology, it seems likely that the shape and size of mobile phones will not change that much. That means there are likely to be the same familiar clamshell designs, "Mars bar" mobiles and "sliders" as well as data-centric devices with mini-keyboards.

Some of the biggest changes are likely to involve mobile phone screens as the industry makes the transition from power-hungry liquid crystal displays to newer technologies such as organic light-emitting diodes (Oleds).

Other factors driving handset development over the next five years include much broader availability of third-generation networks and "overlay" technologies capable of delivering richer broadband content, including streaming music and live video. Future mobiles are also likely to contain multiple radios able to roam between cell networks and other types of network including Wi-Fi "hot spots". This could dramatically improve coverage and reception inside buildings as well as filling in "dead spots" outdoors.

Other technologies, such as satellite-based GPS (global positioning system) navigation, are expected to drive a surge in location-based services that would enable users to locate friends and family and be directed to nearby restaurants or other establishments. They could also spur the development of targeted local advertising services.

When combined with technologies such as radio frequency identification (RFID) and biometric fingerprint readers, mobile phones could also become useful as electronic wallets or passports.

In a study published this year, InStat, a US-based market research company, asked consumers what mobile phone features they would be most interested in. A total of 42 per cent said they were very or extremely interested in voice activation, while close to the same proportion were very or extremely interested in buying a mobile phone with built-in WiFi for voice and data.

Perhaps most interestingly, just 12 per cent expressed interest in buying a mobile phone capable of receiving television broadcasts – suggesting that device makers,

carriers and content providers face a big marketing effort if mobile video is to succeed.

SPANISH SOAP MOVES OFF THE SOFA AND INTO THE STREETS

By Leslie Crawford

If all goes to plan, *Supervillanos*, a co-production between Spain's Globomedia and Amena, a Spanish mobile phone operator recently acquired by France Télécom, will shortly be coming to a small screen very, very near you.

Supervillanos is the first soap opera to be created specifically for mobile phone handsets. Spain appears to be taking to the new format. In its first two weeks, the series had 350,000 downloads, surpassing the producers' wildest expectations.

The series is about a family of aliens who take on human form and wreak mischief when they land on earth. The grandmother is a sex fiend who picks up men in tapas bars. The mother is a junk-food addict who berates her children for eating healthy produce such as carrots. Their mascot, an alien canine, likes to eat humans on his morning outings.

Episodes are three minutes long, for easy viewing between metro stops or while waiting for the bus. Each of the 40 chapters costs €0.60 and no branding angle has gone unexplored. There are video games linked to the series as well as logos, ring-tones and music, all of which can be downloaded for a fee.

"Digitalisation is transforming the nature of our business," says Mikel Lejarza, a partner at Globomedia and executive producer of *Supervillanos*. "We are no longer just a production company of television soap operas and comedy programmes. We are reorganising ourselves to become an audio-visual content provider for all sorts of outlets, including mobile phones, the internet, digital radio and television."

He adds: "This is the new frontier for content producers. The future belongs to telenavigators, rather than television viewers, and it is very exciting to be involved in the creation of this new world."

After presenting *Supervillanos* to potential clients at a trade fair last month in Cannes, Mr Lejarza says Globomedia is in talks to sell the series to phone operators and content distributors in Portugal, Germany, France and Switzerland.

Telefónica, Spain's largest telecoms group, has also shown interest in the medium. Last year, it tested an interactive comic strip created by Endemol, its Dutch production company, in which mobile phone users could vote to determine what happened next in the story.

At Amena, Alberto Calero, director of new services, is just as enthused about the opportunities of broadcasting over mobile phones. "We noticed that people are watching less television and spending more time on other screens – game-boxes, the internet or mobile phones," Mr Calero says. "Advertisers know their audiences are fragmenting across a whole range of media and we saw the possibility of devising a new kind of ad specifically tailored to mobile phones."

"*Supervillanos* is only a small piece of a very big puzzle," says Mr Calero. "When you launch a new service such as a mini-series, you have to co-ordinate it with the handset manufacturers, with advertisers and with the production companies. The idea is to get advertisers to sponsor the mini-series, so that viewers can download video content for free."

Mr Calero thinks the new medium will be attractive to advertisers because Amena has developed technology to monitor how many users are watching ads on their phones. "Television is saturated with ads and companies can never be sure whether viewers are watching their commercials or have wandered off into the kitchen to get a snack. The feedback for ads on mobile phones will be far more accurate and therefore more attractive for advertisers," he says.

He forecasts that advertising revenue will be more important than "pay-per-view" income. "Advertisers will have a new product for an unsaturated market and that is hugely attractive to them."

At present, data accounts for 12–20 per cent of most mobile operators' revenues. But the figure is growing rapidly. Mr Calero expects to see 20–30 per cent annual growth in revenues from data services, with video content accounting for about 40 per cent of new data services over the next few years. Amena estimates that at least half of all handsets in Spain will be third-generation by 2009.

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