

# Hollywood **speaks** out on mobile entertainment

Is it possible to make movie producers think small, and to get mobile operators to understand the box office? Hollywood insider Bill Sanders' quest is to bridge this deep cultural divide. They simply must work more closely together if mobile entertainment is ever to make serious money.



**A MOTLEY CROWD OF CARRIERS**, content providers and handset makers is trying to come to terms with one another over mobile entertainment and digital media in what seems to be very much a love-hate relationship.

"Two successful, single professionals, anxious about turning 40 and having the world pass them by, decide to marry and have a child. Are they capable of making the compromises necessary for that offspring, and their relationship, to thrive or will they each insist on continuing to do things their own way?" asks Bill Sanders, who is vice president for Mobile Networks Programming at Sony Pictures Television International and who has worked previously for many big Hollywood studios and TV networks.

"They may not have had the ideal reason for partnering to create something new, but they can still make it work if each is willing to treat a partner's success at least as importantly as they treat their own."

Mobile TV is still in its infancy but it is clear that Hollywood does not want to miss out on the action.

"Some companies are throwing a lot of money at mobile TV," Sanders says. "Some are being more opportunistic, trying to leverage existing assets without committing many resources to a still unproven business. It's really like the Wild West, with everyone making up the rules as they go along while trying to find the right business model."

## **A small screen is better than no screen**

Sanders believes history holds some lessons for the industry. "Sixty years ago, most of the studios saw TV either as a threat to be crushed or as an inconsequential sideshow. Thirty years ago, they initially fought home video to protect their box-office sales. But first TV and then home video actually expanded the pie and have managed not just to coexist but to thrive in a symbiotic relationship, generating more revenue for the studios than ever before."

Digital technology means another profound change for the studios, one that challenges conventional media wisdom.

First of all, Sanders points out, a mobile TV is not just a portable TV set.

"I used to have to argue for the small screen but media players and iPods have helped cool that hot-button issue. If it's a choice between big screen and small, big wins every time. But if you're bored and looking for entertainment or information and you already have a mobile phone in your pocket, it's a no-brainer. Most times, it's small screen versus no screen."

## **Evolving movie storytelling**

Understanding how mobile viewers' situations differ is, of course, essential. First on Sanders' wish list is a stop-and-resume button.

"If there's any viewing situation where you're likely to be interrupted, it's when you're consuming content on a mobile phone while out and about. After all, it's a phone – you might just get a call. If you can't put it down and resume later where you left off, you're not likely to invest in any content that runs for more than a minute or two."

To watch something longer, such as a TV episode or feature movie, users will want to plan it and do it in the most comfortable and enjoyable environment possible, such as from the living room sofa. In the home, digital video recorders and cable video-on-demand mean this kind of behavior is also undergoing a change, Sanders explains. Even sports arenas have introduced TV experiences such as instant replay and close-ups on big screens. Many other forms of entertainment are not restricted to certain times. Sanders likens it to reading a novel: "You read for as long as you like, put it down with a bookmark in it and pick it up later where you left off. Maybe the structure of movie storytelling will evolve to account for this increase of consumption in multiple sittings."

The flip side for mobile carriers and others trying to find the right model for video on phones, Sanders says, is that people know



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conventional TV and are used to that experience – which makes it easy to market. Viewers know what time their favorite shows are on. But mere familiarity does not guarantee that this is how they will continue to use mobile TV in the longer term.

“To be fair, though, it is hard to build a business model on features such as start and stop. Just ask TiVo, the company whose brand name has become synonymous in the US with digital video recording, yet whose basic concept was easily cloned by cable, satellite and IPTV set-top makers around the world and given away to consumers as part of their service.”

**quote**

» **If it's a choice between big screen and small, big wins every time. «**

The other issue Sanders sees with just mimicking the traditional broadcast TV model is the actual times of day when programs are available. The most expensive, high-demand programs are aired during prime time, the name of which says it all.

“So, let's say I'm working at a loading dock and I've got 20 minutes of my lunchtime left. I might be very interested in catching the end of an episode of my favorite TV series that I missed last night, but if mobile TV only consists of real-time regular TV programming, last night's show isn't on at noon. In that case I would ask myself why I am paying for the service.

“I'm always amazed at how few people in the mobile-TV space have stopped to think about this.”

**Charging premium prices**

Sanders says it is crucial that studios and other production companies start tailoring content especially for mobile devices; otherwise they will not be able to charge premium prices for content.

“This is exacerbated as operators move into triple and quadruple play. They say, ‘hey, I bought your TV series to have it exclusively in my territory and I'll play it on any of the pipes I own.’ And users say, ‘I'm not paying you a premium to watch it on my mobile service if it's the same channel I've already bought once for my TV.’

If the content has been specially designed for mobile viewing, then users will pay extra for it. It is a matter of being able to differentiate and offer something unique.

“The cable TV industry started by repurposing movies and TV series before it began producing its own

original content, which has proven crucial to attracting new viewers. The same could apply to video on mobile devices.”

For cable operators today, the buzz is all about video on demand. But Sanders does not believe the goal should be to create one gigantic on-demand storefront.

“The uptake always looks good at first, the ‘kid in a candy store’ effect. But choosing all your own programming – and making an economic decision about each and everything you watch – starts to feel like too much effort. Usage tails off.”

He says that unless the video “shelves” are actively programmed, refreshed and promoted, scrolling through static, on-demand menus on a phone screen is “about as exciting as a trip to the library.”

**Turning broadcast media on its head**

Sanders is surprised at the rush towards DVB-H, DMB and the like, such as Verizon's launch of Qualcomm's MediaFLO in the US, which – like DVB-H – transmits video one way via a separate broadcast radio signal that does not use the carrier's cellular spectrum. They are all essentially technologies to send video efficiently from one to many as in traditional broadcast TV, not using the interactive capabilities of the mobile networks.

“It seems counterintuitive that they are parroting a 70-year-old business model when that very model is under tremendous pressure to change or perish.”

And neither do these broadcast-type TV-channel models leverage telephony's inherent two-way, community-building nature to capitalize on other popular internet phenomena such as social networking, Sanders says.

“Some of the most exciting new mobile applications I'm seeing, which aren't coming from either mobile operators or big media companies, turn the phone into a mobile web server publishing personal experiences, including live video from the handset's own camera directly to the web, PCs and other handsets in real time. Now that really turns the one-to-many top-down model of broadcasting on its head.”

Sanders says lack of information is a big problem for media companies. Operators do not deliver enough of the timely and qualitative data they need to fine-tune their programming or develop the right programs in the first place, and to prove their value to advertisers.

“We'd be comfortable with providing our mobile content at no cost to the consumer, as advertising revenues are a traditional and significant part of our TV network-delivered programming model.”

But aside from numerous trials, the small numbers of mobile viewers available and the lack of adequate reporting, plus the lack of consensus as to who shares the ad revenue, have all slowed the introduction of this business model.”

Sanders says TV-ratings research for





mobile video is needed, preferably from an independent third party. Sensing this opportunity, big players such as market-research company AC Nielsen are gearing up to enter the space.

The entertainment business is very US-centric and mobile operators will need content that is tailor-made for their audience's culture, tastes, and viewing and purchasing habits.

"The big media companies have been international for some time and they know a lot about how to adapt their products to local markets, including language dubbing, subtitling and marketing. What they are not familiar with is the economy of mobile distribution. Will the potential mobile audience in a given linguistic region support the cost of subtitling, for instance?"

Dubbing a TV show into a foreign language costs many times as much as the license to distribute it via the mobile.

"We are looking at how we can adapt content for much smaller audiences. This applies not just to languages but also different technical platforms, screen sizes, keyboard layouts and so on," Sanders says.

"How do we cater to the movie experience in Finland, for instance, where the audience gets two streams of subtitling, Finnish and Swedish, on top of the English voice track? It would be great to be able to overlay the subtitles as a separate data stream to let subscribers choose among subtitles (or even audio language

tracks) in several languages as is common on DVDs, but that capability doesn't exist yet."

To avoid complicating the market further, the industry, including content providers and mobile-phone operators, should agree to common formats and standards.

"The mobile industry is so fragmented. It's a big problem from the media companies' point of view. Needing to produce content to meet so many individual requirements from operators devolves into being able to satisfy nobody thoroughly, because compromises are made to keep costs contained."

#### **Still not trusting the internet**

Size and technical sophistication are one thing. The other is business models, how to charge for mobile content: pre-paid versus post-paid, subscription versus pay-per-view, bundled services versus à la carte. The feeling is, Sanders says, that the telecom industry still largely distrusts the internet business model, or finds it difficult to accept.

"Operators see mobile data like a health-club membership: they want you to pay your monthly fee but not show up too often. Show me a Broadway producer who is told, 'we don't want your play to be too popular or the theater might collapse.'"

Post-paid being the norm in the US, it is difficult for the media



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industry to find the right programming for a country such as Italy, where pre-paid dominates. Which content works in a “put the coin in the jukebox” environment? Many people still pay by the minute or number of bits used.

“Now it’s the producer being told: we’re going to charge the theatergoers again on their way out, depending on how long they stayed. Oh, and by the way, we’re not giving any of that added revenue to you – that goes to us for keeping the heating and lighting on.

“So now the theatergoer is fidgeting in his seat during a slow first act, wondering if this show will get any better or if he should just cut his losses now before he pays even more. It is hardly a strong incentive for the media companies to use this as a method of distributing their content.”

### **The fear of becoming dumb pipes**

Sanders is pleased that there have been signs of change, with some carriers launching subscription plans with generous or unlimited data usage. One notable example is Hutchison’s launch of the X-Series from 3, a flat-rate mobile broadband offering being rolled out across 3’s operating territories.

“It is a daring move because they’re bundling mobile applications in the handsets to encourage traditional big-pipe internet usage models via the phone: Google, Yahoo, eBay, even Skype and Slingbox. They cap the cost of usage, so no more roulette when you open your bill to find a USD 1000 total, thanks to your teenage son’s new passion for mobile entertainment.”

But what hampers the dialog with operators is their great fear of becoming “dumb pipes.”

“That might be the outcome if they get it wrong. But I would like them to think they could become ‘smart pipes,’ smart like a probe or robotic lander that continues to send back data about its environment, what is being consumed and so on.”

There is so much to do to ensure seamless access to different media and formats: tying together all the access technologies in both wireline and wireless; integrating set-top boxes with mobile TV menus, e-mail and text messages, and home voicemail; storing and updating content around the clock; billing, collecting and intelligently evaluating usage and demographic data to optimize the content and greatly increase its value to advertisers.

Because media companies are used to tracking ticket sales, overnight TV ratings and print circulation reports from traditional one-way media, Sanders asks why they should expect any less from content-displaying devices that are inherently networked and two-way. Making it all work is not trivial. Content providers cannot do this, but operators must. Sanders concludes that operators should worry less about content and dedicate their resources to what they do best.

Looking at unsuccessful mobile media launches, there is one market insight that Sanders says may not have sunk deeply enough into the mobile operator psyche: the importance of marketing.

“With thousands of channels, home video, games and every flavor of internet-delivered entertainment now competing for consumers’ time and attention, no US network today would dare

rely solely on its own on-air promotion to gain and retain viewers. On the movie side, studios have long since grown accustomed to spending as much or more on the marketing of a film as on its production.”

### **It has value even if it’s free**

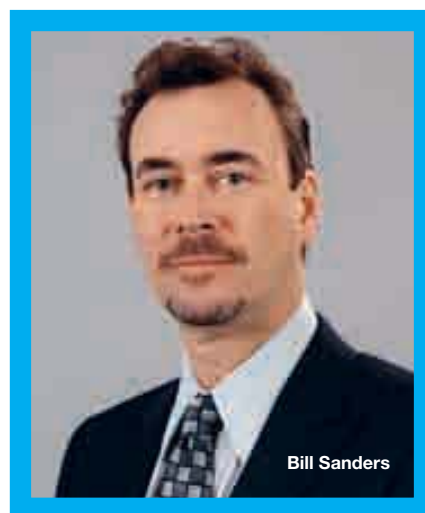
Sanders says this is hardly a level playing field on which to judge consumer behavior. Insufficient marketing, poor deck placement, over-pricing or lack of transparency in pricing and poor user experiences all take a heavy toll, so it is not all the fault of the content itself or of the mobile phone as a platform, he contends.

“Nobody in commercial television considers the content to be of no value just because the consumer gets it free over the air. We’d love to apply the ad-supported model to the mobile ecosystem. Perhaps accurate measurement, internet-style, targeted ad-serving and a less short-term approach from all parties will allow it to take root.”

Getting back to those late-in-life new parents: “Maybe they didn’t get together for the loftiest of reasons, maybe they were driven more by fear than by a shared vision, but whatever their motivation, it’s equally possible that their years of experience will bring wisdom and judgment that will greatly benefit their new creation.”

## **quote**

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Bill Sanders