



Mobile Market Insights

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Special Topic

- Mobile Search

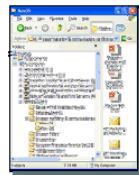
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Mobile search

Mobile Search is one of the next significant value creation opportunities for mobile operators around the world. This emerging ecosystem will greatly enhance the way people discover and purchase mobile content, physical goods, and local services. Searching on mobile devices follows in the footsteps of two significant wireless industry breakthroughs: SMS, which changed the way people communicate, and ringtones, which changed the way people think about personalizing their phone.

Although online veterans like Google, Yahoo, Amazon and eBay proved the Internet to be an extremely efficient sales and marketing channel, the mobile Internet is just beginning to demonstrate its potential. With more than 2 billion global mobile device users, poised to be the primary means of accessing information, mobile economies are expected to eclipse Internet economies.

- Mobile search revenues will surpass Internet search revenues;
- Mobile devices are always on, always available;
- Call completion connects consumers with marketers; and
- Mobile search couples subscriber profiles with immediate purchase intention as indicated by search activity.



Enhanced handset adoption is growing, allowing easier access to data services. And, increased data service usage is leading to a greater demand for quality mobile content and services. But as with the early Internet, the volume of

content will exceed the capability of directories to help users find the content they seek. Subscribers expect to be able to search for mobile information, products, and services. Subscribers will generate significant mobile search traffic, creating tremendous revenues through proven online search marketing models. Global search revenues are projected to generate \$11B by 2008 (Piper Jaffray.)

Source: Mobile Marketing Association, Ovum

Recommendations for Mobile Search Engine Companies

Go with the white-label approach. Mobile operators still favor the white-label search engine approaches due to their limited impact on operators' brands. Because mobile search initially focuses mainly on searching mobile operators' on-portal content, gaining access to mobile operators' WAP portal is a must. Startups should continue their white-label approaches and focus on establishing a win-win situation with mobile operators.

Make search personal. Mobile search has fundamentally different characteristics than internet search. In the mobile space, search engines have a better chance to implement personalization. The mobile network has a lot of contextual and demographic user information.

Implement personalization while upholding privacy. The biggest concern over personalization is end-user privacy issues. Mobile search companies need to implement personalization without violating users' privacy. Recording users' search histories has a great potential to invade users' privacy.

Create a focused mobile marketing campaign. Only targeted mobile marketing can generate high-value, sponsored advertisement revenue. Personalization creates opportunities for targeted marketing campaigns.

Source: Yankee Group

Vodafone extends music services with RealNetworks

Vodafone and RealNetworks have announced a multi-year global partnership to support Vodafone's music services across Europe. The agreement will make RealNetworks' mobile music services, including Internet radio-style streaming music and the ability to purchase and download full songs, available to Vodafone customers in Europe. These services are available today from Vodafone in Germany, Ireland, Italy, Greece, Portugal, Romania and the UK. The Internet radio-style streaming music service is available in France.

These services are currently

provided to Vodafone by Sony NetServices, a joint venture of Sony DADC and Sony Europe that was acquired today by RealNetworks.

The Vodafone partnership provides Real with a foundation to deliver its full portfolio of digital entertainment services to Vodafone customers. This includes the platform gained through today's acquisition of Sony NetServices, whose technology center and infrastructure in Salzburg, Austria, will continue to support delivery of music services to Vodafone customers, as well as the capabilities gained from its acquisition of WiderThan, a

global leader in providing digital music services that can be delivered to, and synchronized across, customers' mobile device and their PC.

With the addition of Vodafone as a customer, RealNetworks now has 12 music on demand customers with more than 196 million mobile subscribers in 11 countries. Real's Technology and Product Solutions division provides services on an ASP basis to more than 75 communications carriers in 37 countries worldwide.

Source: Cellular News



No such thing as a free download

It is difficult to grasp how successful the mobile phone industry has become. People think of it as a sideshow compared to the internet, yet in terms of revenues generated from content, it is already far bigger. Revenues from the web are about \$25bn (pounds 12.5bn) but the content on mobile networks is reckoned by Informa to be worth \$31bn - and that is before music and mobile TV take off in a big way.

Tomi Ahonen, a strategy consultant, points out that whereas porn and gambling drove revenues on the internet, five content groups are more successful than adult material on mobile phones: music, infotainment, images, videogames and web browsing. He reminds us that in 2005 one annoying ringtone, Crazy Frog, outsold all of iTunes. A key reason is that most content on the web is free whereas mobile phones arrived with a payment system pre-installed for calls, followed by a premium service for texting. If the web had had its own payment system it would have taken a different course.

But the payment regime for mobiles is now a big problem, not to say a scandal. If you download music from the web to a phone it could cost up pounds 24 because most operators charge by the amount

of data transferred. Andrew Bud, executive chairman of mBlox, a big mobile transactions company, likens this to a postal service in which you don't know whether the cost is nothing or pounds 24 until the letter arrives. Small wonder that most tracks are obtained by "sideloading" from a computer rather than being downloaded from web to phone.

In an ideal world, pricing information would be freely available and people would adjust their buying behaviour accordingly. But an mBlox survey found that 74% of respondents were not even aware of what simple downloads such as music tracks cost. They would be appalled to know that a "free" music track and even an unsolicited advert could prove costly. There is no such thing as a free download.

The obvious answer is to sign up for an "all you can eat" tariff available from the 3 network in the UK under which you pay a higher monthly amount and have (virtually) unlimited data downloads including music and TV. Bud says that although it will work for some people it isn't a viable solution because in the short term it can't be universally applied, thanks to the popularity of pre-paid phones on which it doesn't work; in any case, the operators can't force people on to such (more expensive) tariffs.

In the long term it wouldn't work either, he argues, because the mobile infrastructure, less resilient than the internet, would collapse under the weight of unlimited demand and a tariff structure that froze the prices operators charged while exposing them to unlimited increases in their costs. He doesn't think that Wi-Fi - under which you can bypass operators' charges by routing your calls for nothing through the internet by a wireless connection - is a long-term fix, either.

His solution is a system that has worked well (especially for operators!) in his own industry; where text messages are bought cheaply in bulk by intermediaries and the consumer doesn't get involved. Under this scenario, content providers would buy data in bulk to deliver services to the consumer. This would provide a service that appears to be free on delivery to the consumer and at the same time wouldn't shut out the entrepreneurial activities of small "bedroom" content generators.

Until someone finds a solution, consumers should ignore such open-ended services unless they have a Wi-Fi phone or are on an all-you-can-eat tariff. It may need the threat of a consumer strike to force the industry to find a solution.

Source: Cellular News



Yahoo expands mobile search offering

Yahoo Inc. opened its mobile oneSearch offering to anyone with a phone who can access the Internet. The service, which aims to offer more than a simple list of search results, was previously available as part of Yahoo Go for Mobile, a mobile phone-optimized content offering that is compatible with only certain handsets.

Yahoo isn't hiding which company represents its biggest competition. A button called "Dare to Compare" on the oneSearch Web site opens a 21-page document containing screen shots that compare the results of a Google Inc. mobile search with a Yahoo oneSearch mobile search.

Rather than displaying lists of links as search results, oneSearch pulls up a range of results, including news headlines, images, business listings and reviews. In the comparison document, a Yahoo oneSearch for "pizza" results in first an advertisement, then name, address and phone numbers of two nearby pizza restaurants followed by a list of categories such as "carry out and take out," "pizza," and "restaurant." Other information that follows falls under

categories including Flickr photos, news articles, Web images, products like pizza stones and movies.

The service is designed to make searching for and finding information as quick as possible, Yahoo said.

OneSearch offers more than competitive mobile search offerings, said one analyst. "It's very different and perhaps does give better search results than you'd see on Google," said Jill Aldort, an analyst with The Yankee Group. "But that said, it's hard to change the consumer mindset, which is so used to the dominant Google on the PC. I see it being a struggle for Yahoo to change that in mobile."

Aldort said she is finishing a consumer survey about mobile search. Among teenage respondents, Google has a "huge" lead over any other search provider on mobile phones, she said.

The mobile search market has been heating up recently. Google, Yahoo and Microsoft Corp. have all begun offering search services tailored to mobile-phone users. "It's all about capitalizing on any

possible ad revenue they can get," Aldort said. With billions of mobile users around the world – far more than the number of PC users – the companies are hoping to reach a new audience with their mobile search offerings, she said.

The online giants are competing against handset makers, such as Nokia Corp., which often include their own search mechanisms in phones, as well as startups like Medio Systems Inc., which offers search services that mobile operators can self-brand. In some cases, they may also be competing against the mobile operators. While some operators have partnered with online search companies, others offer self-branded search mechanisms or prefer to try to control which sites users visit rather than enable them with search applications.

With the launch today, 85% of mobile phones on the market can use the service, Yahoo said. OneSearch is initially available to users in the U.S., and Yahoo plans to roll it out in additional languages and countries in the coming months.

Source: *Computer World*



Clear Channel launches mobile texting program

Clear Channel Communications Inc. launched a free mobile program that enables listeners to text-message radio stations from their cell phones to make song requests, get real-time traffic reports and access other information.

The launch follows a test in September of a \$2.99-per-month mobile program with Cingular Wireless that allowed listeners of Top 40 New York station, Z100, to stream live broadcasts, listen to podcasts of interviews, access playlists, get real-time traffic reports and send song requests to disc jockeys via text-messaging. But the leading radio operator said the test with Cingular, AT&T Inc.'s wireless unit that is being rebranded as AT&T, had been completed and was not going forward.

Clear Channel said it was now

focusing on a free model that does not involve any streamed broadcasts but instead focuses on text-messaging capabilities.

"Giving users an individualized, on-demand experience will strengthen listeners' connection with their favorite radio stations," said John Hogan, chief executive officer of Clear Channel Radio. Clear Channel's new mobile program launch involves five New York radio stations and it plans to launch similar programs on up to 100 more stations by the end of 2008, beginning with stations in Salt Lake City and St. Louis in the next 60 days.

The advertising-supported programs are available via most SMS carriers, while more advanced phones will be able to access the services via WAP (Wireless Application Protocol)

with rich graphics and an enhanced user interface. Hogan would not disclose specific terms of the advertising deals, but said it was a straightforward model.

"People will pay us for the number of people we are able to reach," he said. "This platform will add a level of accountability and credibility," he said.

Users can send text messages to studios, take part in contests, make requests and dedications, and view the last 10 songs played. They can also check current traffic conditions, test their knowledge with station specific trivia, and participate in opinion polls.

Source: *Reuters*



GPS beats mobile TV for Europeans

European consumers are more interested in location-based services than they are in watching mobile TV, according to new figures from Canalys. The U.K.-based market research firm said 51% of users in France, Germany, Italy, Spain and the United Kingdom expressed some interest in watching video on their phones. But 62% said they were interested in GPS-enabled phones, Canalys said, and consumers are more willing to accept mobile ads through location-aware offerings than through mobile TV.

"For advertising-supported services, the survey showed higher interest around vehicle and pedestrian navigation, mobile e-mail and IM than

for TV," said senior analyst Pete Cunningham. "It shouldn't come as a great surprise that mobile propositions with location or communication at their core resonate the strongest with consumers. Operators need to think carefully before prioritizing unproven content services over applications that consumers already accept are useful and have value."

And network operators looking to cash in on mobile TV must offer a broad range of content, Canalys warned. While 29% of potential viewers reported interest in watching live events such as athletics and reality shows, others preferred programming based on hobbies, user-

generated content or exactly the same broadcasts they could watch at home.

"When asked what types of mobile TV programming they would be interested in, consumers' preferences are quite diverse, and there is unlikely to be one type of killer content," said analyst Adrian Drozd. "This suggests many different content partnerships and charging models may be required, which will add complexity for users and for the operators developing such services."

Source: Factiva News

AT&T launches unlimited SMS tariff

AT&T has launched expanded messaging plans to include unlimited messaging packages for the first time. A new plan from AT&T called Messaging Unlimited will give customers the ability to send unlimited messages of any type, including text, picture, video and instant messages (IM), to any wireless phone in the USA for US\$19.99 a month. Additionally, AT&T customers who

send most of their messages to other AT&T subscribers can add unlimited mobile-to-mobile messaging to a messaging plan for just US\$5 more a month.

"Our customers are sending messages more than ever before, and we are committed to creating plans that accommodate all of their needs," said Cristy Swink, executive director of Messaging, AT&T wireless unit.

Source: Cellular News



Google introduces new mobile search service

Google has released a new mobile search engine designed to make it easier to find Web information using a handheld device. Launched on Tuesday, <http://www.google.com/m?uipref=3> can be accessed from a mobile browser and customized to feature pre-selected weather, news, stocks, and movies information, tailored to a specific geographic area. By using improved algorithms and factoring in a user's location, the new mobile search engine delivers a more relevant list of Web results than its previous version, said the Mountain View, California, company in an official blog posting.

The unveiling of the new mobile search service comes on the same day that rival Yahoo launched new mobile publishing services along with a mobile advertising network. Earlier this year, Yahoo also introduced a revamped mobile search engine called OneSearch.

Google and Yahoo are busy retooling their search engines for mobile

devices, recognizing that the needs of handset users are different from the needs of PC users. While Google has dominated the search engine PC market for years, leadership in the emerging mobile search space is up for grabs, as vendors experiment to develop useful layout designs and algorithms.

For example, because mobile devices' screens are smaller, keyboards more cramped and Internet connections often slower, the consensus is that search engines need to offer fewer but more targeted results, and collate, in a single window, results of various types, like local business listings, maps, photos, news, as well as general Web sites.

As mobile devices gain more powerful hardware and access to faster Internet connections, it is becoming more feasible to use them for online activities previously limited to PCs, including searching the Web, streaming videos, playing back songs and making e-commerce purchases.

This mobile Internet frontier opens up new opportunities, as well as challenges, for Internet and traditional media companies, which recognize that handheld devices will become eventually the preferred vehicle for accessing the Web.

Source: Info World



No future for paid video downloads

The paid video download market is a dead end, according to a new report by Forrester Research. While the report focuses explicitly on PC and landline based downloads - there are likely to be some synergies with mobile video downloads.

Forrester estimates that paid video downloads will peak in 2007, generating US\$279 million in revenue, up from US\$98 million last year. Instead, advertising models will drive the online video market. In the past year, companies such as Apple, Amazon, Microsoft, and Wal-Mart have begun offering consumers the ability to download television programs and movies to own or rent. But a recent Forrester survey showed that only nine percent

of online adults have ever paid to download a movie or TV show. Furthermore, an analysis of these consumers showed they are a niche of media junkies willing to spend heavily on such content; they do not represent the vanguard of a rush by mainstream consumers. Without mainstream viewers joining the party, the video download market will not grow fast enough to support the ambitions of all the companies involved.

"The paid video download market in its current evolutionary state will soon become extinct, despite the fast growth and the millions being spent today," said Forrester Research Principal Analyst James McQuivey. "Television

and cable networks will shift the bulk of paid downloading to ad-supported streams where they have control of ads and effective audience measurement. The movie studios, whose content only makes up a fraction of today's paid downloads, will put their weight behind subscription models that imitate premium cable channel services."

"To attract mainstream viewers, media strategy executives must develop new business models and delivery mechanisms to make video downloading ad-supported and geek-free," says McQuivey.

Source: Cellular News



Japan tries 'cell phone diet'

In the United States, some restaurants could give you a calorie count. In Japan, you might take a picture of it with your cell phone and ask an expert.

With cell phones ubiquitous in Japan and rising concern over expanding waistlines, health care providers have put two-and-two together to help the weight-conscious send photos of their meals to nutritionists for analysis. The concept is only on a test run for now, and one little drawback is that dieters have to wait three days to find out how much damage they did by eating the meal they just photographed. Public health insurance offices in the Osaka region in western Japan have launched the service on a trial basis. About 100 heart patients signed up in the first year, followed by diabetes and obesity patients in the second.

"Japanese have been getting fatter, especially men in their 20s and 30s, and there is concern over what they learned about nutrition when they were younger," Osaka official Satomi Onishi said. "We're hoping that this program can help us to get a handle on the problem." Osaka is using a system

developed by Asahi Kasei Corp., a Tokyo-based chemical and medical equipment manufacturer. The system is operating at about 150 health care providers and local governments around the country, company official Naoki Yoshimura said.

Nutritionists can work with photos from one day's meals to several weeks' worth, he said. Results come back in three days. Participants also can log onto a Web site to get more dietary information and upload photos from digital cameras.

Dr. Yutaka Kimura developed a similar system at Kansai Medical University's Hirakata Hospital, also in Osaka prefecture. Five patients participate in the program, which costs the equivalent of \$37 to join and \$21 a month thereafter. Patients photograph meals over three to seven days, and a nutritionist e-mails back analysis and advice.

"Patients used to fill out meal logs, but people tend to forget things or underestimate their portions," Kimura said.

"Photographing meals and e-mailing them in is easier and gets more accurate results."

The battle of the bulge is a growing obsession in Japan, a country that is slowly losing its reputation for low-fat fish-and-rice diets and slim waistlines. As Japanese have turned to bigger portions and more meat and fried foods, obesity and related illnesses such as high blood pressure have become a rising concern.

The Health Ministry estimated last year that more than half of Japanese men and about one in five women between 40 and 70 years of age - nearly 20 million people - were at risk of metabolic syndrome, a term for a cluster of conditions associated with obesity, high cholesterol and increased risk of heart disease and type 2 diabetes.

With the Health Ministry hoping to reduce by 25 percent the number of people at risk of metabolic syndrome by 2015, Osaka officials hope the cell phone program will help.

"Cell phones are everywhere here," Onishi said. "We're hoping they can now make it easier for people to get help improving their diet."

Source: AP News



Mobile search growing as off-portal interest

Personalized search will enable operators and content providers to most effectively generate value and monetize the long tail of hit-and-miss content, according to the latest report from Informa Telecoms & Media. "While search is clearly critical to monetizing content, operators and content providers shouldn't short change themselves - or their users - by merely retrofitting Web search solutions for the mobile Internet," notes Peggy Anne Salz, author of the report. "Search paired with personalization, which involves matching the right content to the right users, and recommendation is a much more powerful combination." Basic mobile search places the burden on users to know what they want and grapple with handset limitations such as screen size. However, personalized search will ensure that content matches based on information such as users profiles, preferences, click history, time of day and location, will encourage users to explore the content at their finger tips and discover content they didn't know they wanted in the first place, thus driving additional data revenues. "Mobile search is indisputably a potent way to generate value," adds Salz. "Consumers find what they want, and marketers gain traffic by providing relevant offers and advertising and mobile operators and service providers capture more revenue from increased mobile content purchases."

However, operators increasingly fear disintermediation because of the aggressive moves of major search engine companies to own the end-user relationship. The report urges operators to consider white-label solutions, or schemes that allow them to own the end-customer relationship.

"By owning search, operators will likely be positioned to retain direct advertising revenues generated by pay-per-click and pay-per-call schemes and thus protect themselves from the disintermediation that will occur when branded search engine companies move to control the click-stream," Salz says.

Against this backdrop, an increasing number of companies - as well as search engine providers - are harnessing so-called recommendation engines to match the right content to the right users. This technology - modeled on the approach of online bookseller Amazon - suggests content on the basis of the individual user's past preferences or on the basis of what a user's peers consumed, or both.

The sheer variety of personalization and recommendation solutions enables a multiplicity of business models the mobile industry is only beginning to explore. Moving forward, personalization and recommendation will be must-have features of mobile content services.

It's clearly in operators' interests to deliver effective and targeted commerce experiences to their customers. This means delivering the right content to the right users. "Recommendations based on customer information such as page views and downloads will be an important part of this strategy," Salz says. "But it may well be the recommendations from the tight-knit communities users know and trust that clinch the sale."

Salz suggests search and discovery will be about more than finding content according to key words and concepts such as music or sports. "It's going to have to help users express themselves, their interests and connect around content," Salz says. "Finding and sharing content with people who have mutual interests will be the next killer app."

Source: Cellular News



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