

## **Boom in Mobile Devices Brings Opportunities, Uncertainty**

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As people use mobile devices as more than a means for voice communication, content companies need to devise strategies to reach new users.

Industry executives however are aware they are in a market where a user wants instant access to information and entertainment even if it is not clear yet what kind of content will be successful.

The customer should not be underestimated is the simple way it was put by Bruce Gersh, senior vice president of business development for ABC Entertainment and Touchstone Television, during a panel discussion June 6 at the Digital Media Summit hosted by iHollywood Forum.

"When we went ahead and said that people would watch full episodes of 'Desperate Housewives' or 'Lost' on an iPod people probably thought we were crazy a year ago," Gersh said during a panel discussion June 6 at the Digital Media Summit hosted by iHollywood Forum. "I can't predict what they will watch. The customer is king and we are going to have to figure out how to service that customer."

Disney began offering the two hit television shows via iTunes in October and in the first three months had 1.5 million downloads.

When the same shows plus two others were made available via the ABC website starting in May there were 11 million streams in the first month, Gersh said.

More importantly for the Walt Disney Co.-owned network was that its advertisers came along and that research conducted by the company showed that viewers remembered who those advertisers were, Gersh said.

The strategic purpose of making content available is to drive viewers back to the network, he added.

"As we've seen over this year as we put content out over the Internet and over iTunes, people are watching more of our TV shows," Gersh continued. "Hopefully it has proven to be successful."

The numbers associated with mobile devices are staggering.

According to the Cellular Telecommunications and Internet Association, there were 207.9 million wireless subscribers by the close of 2005.

Wireless data revenues for 2005 were \$8.6 billion, a huge boost over the \$4.6 billion in revenues in 2004, the CTIA reported.

And according to Telephia, a provider of performance measurement information to the mobile industry, 50 percent of mobile users had adopted text messaging, access to the Internet or downloads by the fourth quarter of 2005, an increase of 7 percent from the first quarter.

Mobile game purchases alone for March hit 8.2 million downloads, an increase over more than 50 percent from January, Telephia reported.

THQ Wireless, a subsidiary of THQ Inc. based in Agoura Hills, has 1.8 percent share of all game downloads, according to Telephia.

But with video downloads still in their nascent stage and available only on phones that may be out of the price range of the average user, what drives growth is the ubiquitous ringtone and games.

"The most popular download is the ring tone, even from the early days, which was just four years ago, starting with the monophonic (tones) and then the polyphonic," said Jeff Yee, director of mCommerce and downloads for Cingular Wireless. "What we are selling now is the music tone, which is a 15 to 10-second clip from a song."

#### Reaching broad group

When Disney released the compact disc of its popular cable movie "High School Musical," included in the packaging was a pin code that could be used to access a free ringtone via the Internet and available on most major mobile carriers, said Ivan Lopez, a director of business development for the Walt Disney Internet Group, North American Mobile.

That move not only tapped into personalization but also aligned the company to reach the broadest demographic, Lopez said during a panel at the Digital Media Summit.

"High School Musical was something we went out there with that led into integrating the entire company and it really over-exceeded expectations," Lopez said.

Cingular is among the wireless carriers with a video service whose providers include NBC Mobile, Fox Sports, ESPN, Disney Mobile Studios, and Cartoon Network Mobile. Verizon Wireless launched in February 2005 its V CAST multimedia service of video, 3-D games, news, sports, and music videos.

ESPN has its own branded mobile service available through Sprint that provides video, scores and other sports related coverage.

#### U.S. lags behind

Despite those offerings, the U.S. still lags behind Europe and Asia in mobile content downloads.

Marty Shindler, an Encino-based management consultant on business issues for creative and technology companies, said he knew that South Korea was ahead of the U.S. technologically but did not know by how much until trips there in November 2005 and again in April.

Daegu, the country's third largest city, even has an area marked on a map called Cell Phone Alley where several blocks contain cell phone and service suppliers, Shindler said.

But what differentiates South Korea and Japan from the U.S is greater use of public transportation, Shindler said.

“As a rule they don’t drive, so they have time to do it,” Shindler said, in reference to South Korea. “Their subway system is set up to handle that. In cities with a lot of commuting, the mobile content is growing.”

The U.S. will eventually catch up especially as mobile devices become the one of choice for consumers. Then what will face content providers will be how to attract and retain users on a limited size screen.

“It’s got to be relatively short,” Shindler said. “We’re talking three to five minutes, with five being the upper limit. Twentieth Century Fox invented the word mobisode with its 1-minute clips of the show “24.”

At Disney, the strategy of attracting users is getting content derivative of existing shows – such as the “Lost Video Diaries” mobisodes based on the hit ABC series “Lost” – and original content made specifically for mobile devices.

The original made-for-mobile content is a whole different business not dissimilar to independent film but in a much shorter form, ABC Television’s Gersh said.

With the need for mobile content, when an idea for a show is pitched there are other outlets other than the network, Gersh said.

“We might say it’s not ready for television but it’s ready for ABC.com or for one of our partners,” Gersh said. “We would be able to explore all those opportunities.”