

The path to profiting from content

By Fiona Chau

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With Web-based user-generated content and social networking services like YouTube, Flickr, Bebo and MySpace gaining tremendous success, mobile operators around the world are also rushing into a new potential gold mine: Web 2.0 services.

The operators are bringing equivalent applications to their customers, either by partnering with established social networking Internet players or building their own social networking communities from scratch. Among the most notable examples is Vodafone Group, which in February struck a series of global relationships with key Internet brands including Yahoo, Microsoft (Windows Live Messenger), YouTube and MySpace in a bid to bring established Web-based UGC and social networking brands to the mobile world.

In the US Cingular (now AT&T Wireless), Sprint Nextel and Verizon formed partnerships with FaceBook to allow their users to post messages to their FaceBook profiles via SMS text messaging.

Asia deployment

In Asia, a handful of mobile operators are also testing the UGC and social networking waters by offering YouTube-like services to their mobile customers in a bid to build their own-brand communities. Singapore's M1, for instance, recently launched a user-generated video-sharing service, called MeTV, which allows M1 subscribers to upload their videos via MMS-enabled handsets for other users to view and download.

"Young people have become increasingly interested in expressing and sharing ideas, views or anything about themselves with their friends and peers," says Chua Swee Kiat, general manager of corporate communications at M1.

"Riding on this wave of mass consumer interest, we offered MeTV to customers as a self-expression platform to 'see-and-be-seen' by the community." Chua says what makes the service attractive is that it adopts a revenue-sharing model with end-users that allows them to make money with videos by earning S\$0.05 in cash every time someone downloads the video. The top earners have earned between S\$50-S\$100 (\$33-\$66) since the launch of the service in March, he says.

"Rewarding customers with cash payouts for their content is a unique selling point for MeTV, and it provides customers the incentive to submit more creative and innovative videos," Chua notes, adding that response has been good with more than 40,000 customers accessing the service since its launch.

At the same time, Taiwan Cellular introduced a similar service with the same revenue-sharing model in Taiwan in April, according to Arthur Chang, CEO of Green Tomato, which provided the user-generated video platform to Taiwan Cellular. The company has also jointly developed and hosted a mobile blogging portal with CSL in Hong Kong.

The free blog service allows customers of CSL's One2Free brand to upload and view photos and videos either via mobile phone or PC, according to Carol Wan, brand marketing general manager. Wan would not reveal subscriber numbers, but says the response has been "encouraging" since the service launched last September and traffic is growing. In April alone the company recorded nearly 3.4 million page views, according to Wan.

Meanwhile, PCCW in Hong Kong took a different approach by launching a Flickr-like photo and video community called "snaap," which comes with features such as allowing users on the Internet, mobile, broadband TV and residential fixed-line service to view photos and videos.

Monita Leung, PCCW's marketing director for broadband services, says snaap is the first of the company's quadruple-play service offerings. It is available to PCCW customers free of charge with 100MB of storage capacity. Customers can also choose to sign up a paid subscription plan (HK\$38 per month) to get 5GB storage capacity and 20 free photo prints every month, Leung says.

Mobile-only vendors like AirG and Jumbuck are also building their own forms of community that include activities such as dating, flirting, gaming and communicating.

Experimental stage

Many industry players expect that activities around mobile UGC and social networking services will intensify during the next year or two, as mobile operators across the region continue to rollout more services and interactive applications for the mobile Internet. "It's now really in experimental stages, and operators are trying to figure out what is the most viable business case by launching different initiatives," Chang of Green Tomato says.

Among them is Vodafone Australia, which is reviewing its overseas customer experience and conducting research in local markets to assess the possible rollout of Internet-based UGC and social network services to mobile users in Australia, says Keith O'Brien, the operator's head of content.

"Social networking and user-generated content is a fast-growing social trend, and we are exploring ways to deliver that experience on mobile, allowing customers to access Internet services away from their PC and on the move," he notes.

In addition to bringing Internet brands to its users, he says, Vodafone Australia offers a user-generated program called Street TV on the Vodafone live Mobile TV channel which gives customers the opportunity to vote on what is produced for the next week's program.

Better profit margins

The appeal of such services is understandable. For one thing, the potential number of consumers interested in mobile UGC and social networking is sizable, since more people own mobile phones than PCs. The ubiquity and personalized features of the mobile phone also makes it a major source for today's UGC and social networking sites.

According to ABI Research, there are nearly 50 million worldwide members of mobile social communities, of which 30 million are coming from Asia Pacific. By 2010, the figure is expected to reach 174 million worldwide and 99 million in Asia Pacific.

The brisk pace of mobile UGC and social community growth, say analysts, also presents a significant opportunity for mobile operators to monetize the growing trend. For one thing, they represent relatively small outlays compared to most other types of content services, says Ovum analyst Eden Zoller.

"The value chain for UGC is less crowded (at least for the moment), so there are fewer parties among which revenues must be split, unlike the value chain for mobile music where the margins left to operators are tiny," she notes, citing the SeeMeTV user-generated content service launched by 3 in the UK as an example.

"Of the 10 pence download charge for SeeMeTV, 3UK gives 1 pence to users and shares the remaining 9 pence with white-label partner YoSpace," she says.

Subscription fees

Such a cash-for-clips approach provides a strong incentive for end-users to use the services, driving traffic and downloads of user-generated content such as video clips.

Beyond traffic and data usage, early evidence indicates that mobile operators can profit from subscriptions. But, Zoller notes, to achieve this the pricing has to be very low.

3 UK's Kink Kommunity is an example of this approach. The company introduced the mobile community service in the spring of 2006. It provides picture and video posting chat features in a traditional social networking environment, charging people 1.49 pounds (\$3) per month. The company claims it had 52,000 paying users of Kink Kommunity by November 2006. Another example is in the US market, where Verizon Wireless and Cingular (now AT&T Wireless)

charge customers \$2.99 per month to access what is called the Rabble online community.

In Asia, the most notable example of an inexpensive mobile subscription networking service is CyWorld, created by SK Telecom. It now has an estimated 15 million members in South Korea, almost a third of the country's population.

While the examples of 3UK and CyWorld illustrate that an operator's own brand of community service is worth exploring, in Asia some operators see UGC as a valuable tool to enhance customer loyalty and for cross-selling opportunities with their content-oriented network. PCCW, for instance, is aiming to enhance the stickiness of all its customers with the introduction of its snaap service.

"We see a promising future of content sharing services, and we want our customers to make full use of our quadruple-play platforms to share their work to their friends and relatives," Leung says.

Cross-network connectivity

Many believe that another lucrative revenue opportunity in mobile networking is in advertising, which already has proven successfully on the Internet. But before that happens, analysts say mobile operators need to first address the issue of cross-network connectivity to build the sort of scale seen on the Internet.

"At the end of the day, consumers want to communicate with anyone, not just other subscribers on a particular network," says Ovum's Zoller. "This is very different from the big social networking sites on the Internet that really do have global reach. Anybody with Internet connection can take part in these social networks."

Indeed, this would be especially critical for operators trying to build their own mobile social communities. However, most operators at this point are not ready to open up their networks, and most, if not all, of the mobile social networking services are still confined to the same network.

Chang at Green Tomato says mobile operators are still reluctant to open up their networks to competitors because they don't want to share revenues with other operators. "It's more a business issue because technically it's easy to interconnect networks of different operators," he says.

Whether the lack of cross-network connectivity would constitute a significant barrier to scale may vary from market to market. In markets like Hong Kong, this is definitely a major problem. By contrast, it would be less of an issue in markets like China, where there are two mobile operators, Chang adds.

In China, he says, China Mobile alone is capable of building the necessary scale without the need to interconnect with China Unicom.

Flat-rate data tariffs

Cross-network connectivity aside, Zoller says mobile operators should also be cautious about pricing strategies when they introduce mobile UGC and social networking services. Metered services and browsing and downloading are expensive for consumers and a deterrent to social networking, she says. Operators, therefore, need to put in place flat-rate data tariffs in order for these services to take off. She points out that this is much more an issue in Europe than in Asia, where flat-rate data tariffs are already common.

Even so, some operators like CSL suggest that operators should take a step further by offering the service for free to encourage consumers to use the service. "Currently our freeBlog service is free of charge, because we strongly feel that we should build up the user habit first. We would like our customer to experience the convenience of using mobile to do some of the applications that one used to do on the PC," says Wan at CSL. "This in turn will stimulate the data usage of other kinds of mobile data services."

Partnering or going solo?

In tapping the UGC craze, mobile operators face a choice between trying to go it alone or seeking partnerships with the established online social network service providers. While both approaches have their strong points, analysts say the two camps should work together, instead of on their own.

For one thing, launching a mobile social networking space is not easy, and the lessons learned in the Internet environment will not all be relevant to the mobile environment. Meanwhile, the mobile operators should pursue partnerships with the existing Internet-based social networking vendors because these companies have a familiar

brand name, the trust of their members and more importantly, an existing network.

Indeed Vodafone's recent tie-ups with Yahoo, MySpace and others underscore the need for the two camps to work together. Gartner research director Sandy Shen says that mobile operators in the near-term tend to adopt both strategies to quickly build up the community and letting the market decide which strategic option is more viable.

Working with a big online social networking brand could enable mobile operators to tap into existing, popular social networks. The flipside is that it would also potentially dilute the mobile operators' own brand, says Ovum analyst Eden Zoller. There is also a danger such an alliance could turn operators into pipes for the online social networks, which means they could miss the chance of exploiting UGC and social networking to its fullest, she warns.