

Mobile Entertainment in a Recession

Scenarios, Markets & Forecasts 2009-2013



Table of Contents

Glossary of Terms 7

Executive Summary

Introduction 9

Types of Mobile Entertainment..... 9

Mobile Entertainment: Revenue Opportunities and Economic Downturn Analysis..... 10

 Best Case Scenario..... 10

 Figure ES1: Total Revenues (\$m) from Mobile Entertainment. Best Case Scenario by Product 2007-2013. 11

 Table ES1: Total Revenues (\$m) from Mobile Entertainment. Product Forecast 2007-2013. .. 11

 Median Case Downturn Scenario 11

 Figure ES2: Total Revenues (\$m) from Mobile Entertainment. Median Case Downturn Scenario by Product 2007-2013. 12

 Table ES2: Total Revenues (\$m) from Mobile Entertainment. Median Case Downturn Scenario by Product 2007-2013..... 12

 Worst Case Scenario..... 12

 Figure ES3 Total Revenues (\$m) from Mobile Entertainment. Worst Case Scenario, By Product 2007-2013. 13

 Table ES3: Total Revenues (\$m) from Mobile Entertainment. Worst Case Scenario by Product 2007-2013..... 13

Market Constraints 13

 Table ES4: Hurdles to the Adoption of Mobile Entertainment Services 14

Future Mobile Awards 15

 Table ES6: Future Mobile Award Winners - 2009 15

I. Mobile Entertainment Market Development

I.1 Introduction..... 17

 Figure I.1 Mobile Entertainment Services: Time to Deployment 18

I.2 Types of Mobile Entertainment Service..... 18

 1.2.1 Mobile Gambling 19

 i. Casino Style Gambling 19

 ii. Lotteries..... 19

 iii. Sports Betting 20

 iv. Betting Exchanges 20

 Future Mobile Awards for Mobile Gambling 20

 GOLD AWARD – mfuse..... 20

 SILVER AWARD – Spin3 20

 1.2.2 Mobile Adult Content..... 20

 i. Text-based Adult Services 21

 ii. Images..... 21

 iii. Moantones..... 21

 iv. Erotic Games 21

 v. Video-Based Services 21

 Future Mobile Awards for Mobile Adult Services 22

 GOLD AWARD – DisplayBoy 22

 SILVER AWARD – Cherrysauce..... 22

 1.2.3 Mobile Games..... 22

 Table I.1: Games Genre and Examples (with Publisher)..... 24

 i. Action Games 24

 ii. Logic/Puzzle/Skill Games..... 24

 iii. Sports and Racing Games..... 24

 iv. Arcade Games 25

- v. Role Playing Games..... 25
- vi. Card and Casino Games 25
- vii. Movie Games..... 25
- viii. Adult Games..... 25
- ix. Lifestyle Games..... 25
- Future Mobile Awards for Mobile Games 26
 - GOLD AWARD – Apple 26
 - SILVER AWARD – Fishlabs 26
- 1.2.4 Mobile Music 26
 - Future Mobile Awards for Mobile Music 27
 - GOLD AWARD – Apple 27
 - SILVER AWARD – Shazam 27
- 1.2.5 Mobile TV 28
 - i. Mobile Streamed TV..... 28
 - ii. Mobile Broadcast TV 28
 - Future Mobile Awards for Mobile TV 29
 - GOLD AWARD – Telegent..... 29
 - SILVER AWARD – ROK TV 29
- 1.2.6 Mobile User Generated Content..... 29
 - Future Mobile Awards for Mobile UGC Services 30
 - GOLD AWARD – Twitter 30
 - SILVER AWARD – Mocospace 30
- 1.2.7 Mobile Infotainment..... 30
 - Table 1.2: Scope of Sport Leisure and Information Content and Services 30

2. Mobile Entertainment: Market Forecasts & Downturn Impact Analysis

- 2.1 Forecast Definitions & Methodology..... 31**
 - 2.1.1 Forecast Definitions..... 31
 - 2.1.2 Forecast Methodology 32
 - Figure 2.1: Forecast Methodology. 33
- 2.2 The Global Market for Mobile Entertainment: Impact of the Economic Downturn 33**
 - 2.2.1 Global Volatility 33
 - 2.2.2 Guidance: Impact on 2008 Forecasts..... 33
- 2.3 Mobile Gambling 34**
 - 2.3.1 Key Market Forces..... 34
 - Table 2.1: Mobile Gambling – Impact of Key Market Forces 34
 - i. Reduced Frequency/Level of Bet Placed..... 34
 - ii. Reduced Discretionary Spend: Longer Handset Cycles..... 35
 - iii. Wagers Transferred from Physical to Remote Gambling as Customers stay at Home..... 35
 - 2.3.2 Market Forecast: Best and Worst Case Scenarios 35
 - i. Best Case Scenario..... 35
 - Figure 2.2: Total Wager (\$m) from Mobile Gambling Services. Best Case Scenario by Region 2007-2013 36
 - Table 2.2: Total Wager (\$m) from Mobile Gambling Services. Best Case Scenario by Region 2007-2013 36
 - Figure 2.3: Total Gross Win (\$m) from Mobile Gambling Services by Region, 2007-2013 37
 - Table 2.3: Total Gross Win (\$m) from Mobile Gambling Services by Region, 2007-2013 37
 - ii. Median/Worst Case Scenarios 37
 - Figure 2.4: Mobile Gambling Gross Win (\$m), Market Forecast (Best Case, Median Downturn; Worst Case) 2009-2013..... 38
 - Table 2.4: Mobile Gambling Gross Win (\$m), Market Forecast (Best Case, Median Downturn; Worst Case) 2009-2013 38
 - Figure 2.5: Mobile Gambling Gross Win (%), Market Forecast Growth Rate Comparison (Best Case, Median Downturn; Worst Case) 2009-2013..... 38
 - Table 2.5: Mobile Gambling Gross Win (%), Market Forecast Growth Rate Comparison (Best Case, Median Downturn; Worst Case) 2009-2013 39
- 2.4 Mobile Adult Services 39**
 - 2.4.1 Key Market Forces..... 39

Table 2.6: Mobile Adult Services – Impact of Key Market Forces.....	39
i. Reduced Discretionary Spend: Longer Handset Cycles	39
ii. Reduced Discretionary Spend on Mobile Adult Services.....	39
2.4.2 Market Forecast: Best and Worst Case Scenarios.....	39
i. Best Case Scenario.....	39
Figure 2.6: Total Revenues (\$m) from Adult Mobile Services. Best Case Scenario by Region 2007-2013	40
Table 2.7: Total Revenues (\$m) from Adult Mobile Services. Best Case Scenario by Region 2007-2013.....	40
ii. Median/Worst Case Scenarios.....	41
Figure 2.7: Mobile Adult Services Revenues (\$m), Market Forecast (Best Case, Median Downturn; Worst Case) 2009-2013.....	41
Table 2.8: Mobile Adult Services Revenues (\$m), Market Forecast (Best Case, Median Downturn; Worst Case) 2009-2013	41
Figure 2.8: Mobile Adult Services (%), Market Forecast Growth Rate Comparison (Best Case, Median Downturn; Worst Case) 2009-2013	42
Table 2.9: Mobile Adult Services (%), Market Forecast Growth Rate Comparison (Best Case, Median Downturn; Worst Case) 2009-2013.....	42
2.5 Mobile Games.....	42
2.5.1 Key Market Forces	42
Table 2.10: Mobile Games – Impact of Key Market Forces.....	42
i. Reduced Discretionary Spend: Lower Frequency of Purchase	43
ii. Reduced Discretionary Spend: Longer Handset Cycles	43
iii. Lack of Business Financing	43
2.5.2 Market Forecast: Best and Worst Case Scenarios.....	43
i. Best Case Scenario.....	43
Figure 2.9: Total End-User Revenues (\$m) from Mobile Games by Region 2007-2013	44
Table 2.11: Total End-User Revenues (\$m) from Mobile Games by Region 2007-2013.....	44
ii. Median/Worst Case Scenarios.....	45
Figure 2.10: Mobile Games Revenues (\$m), Market Forecast (Best Case, Median Downturn; Worst Case) 2009-2013	45
Table 2.12: Mobile Games Revenues (\$m), Market Forecast (Best Case, Median Downturn; Worst Case) 2009-2013.....	45
Figure 2.11: Mobile Games (%), Market Forecast Growth Rate Comparison (Best Case, Median Downturn; Worst Case) 2009-2013.....	46
Table 2.13: Mobile Games (%), Market Forecast Growth Rate Comparison (Best Case, Median Downturn; Worst Case) 2009-2013	46
2.6 Mobile Music.....	46
2.6.1 Key Market Forces	46
Table 2.14: Mobile Music – Impact of Key Market Forces.....	46
i. Reduced Discretionary Spend: Lower Frequency of Purchase	47
ii. Reduced Discretionary Spend: Longer Handset Cycles	47
iii. Increase in User-created Ringtones.....	47
2.6.2 Market Forecast: Best and Worst Case Scenarios.....	47
i. Best/Media Case Scenario.....	47
Figure 2.12: Total End-user Generated Revenues (\$m) from Mobile Music (Ringtones, Ringback Tones, Paid-for Full Tracks, Subscription-based Full Track/Streamed Music Services and Music Videos) by 8 Key Regions 2007-2013	48
Table 2.15: Total End-user Generated Revenues (\$m) from Mobile Music (Ringtones, Ringback Tones, Paid-for Full Tracks, Subscription-based Full Track/Streamed Music Services and Music Videos). Best Case Scenario by 8 Key Regions 2007-2013.....	48
ii. Worst Case Scenario.....	49
Figure 2.13: Mobile Music Revenues (\$m), Market Forecast (Best Case, Median Downturn; Worst Case) 2009-2013	49
Table 2.16: Mobile Music Revenues (\$m), Market Forecast (Best Case, Median Downturn; Worst Case) 2009-2013.....	49
Figure 2.14: Mobile Music (%), Market Forecast Growth Rate Comparison (Best Case, Median Downturn; Worst Case) 2009-2013	50
Table 2.17: Mobile Music (%), Market Forecast Growth Rate Comparison (Best Case, Median Downturn; Worst Case) 2009-2013	50
2.7 Mobile TV.....	50

2.7.1 Key Market Forces.....	50
Table 2.18: Mobile TV – Impact of Key Market Forces.....	50
i. Reduced Discretionary Spend: Lower Subscription Rates and Reduction in ad hoc Purchases	51
ii. Reduced Discretionary Spend: Longer Handset Cycles.....	51
iii. Slower Network Deployments	51
iv. Lack of Business Financing.....	51
2.7.2 Market Forecast: Best and Worst Case Scenarios	51
i. Best Case Scenario.....	51
Figure 2.15: Total End-user Generated Revenues (\$m) from Mobile TV (Streamed and Broadcast Services). Best Case Scenario by 8 Key Regions 2007-2013	53
Table 2.19: Total End-user Generated Revenues (\$m) from Mobile TV (Streamed and Broadcast Services). Best Case Scenario by 8 Key Regions 2007-2013	53
ii. Median/Worst Case Scenarios	54
Figure 2.16: Mobile TV Revenues (\$m), Market Forecast (Best Case, Median Downturn; Worst Case) 2009-2013	54
Table 2.20: Mobile TV Revenues (\$m), Market Forecast (Best Case, Median Downturn; Worst Case) 2009-2013.....	55
Figure 2.17: Mobile TV (%), Market Forecast Growth Rate Comparison (Best Case, Median Downturn; Worst Case) 2009-2013	55
Table 2.21: Mobile TV (%), Market Forecast Growth Rate Comparison (Best Case, Median Downturn; Worst Case) 2009-2013	55
2.8 Mobile User Generated Content.....	55
2.8.1 Key Market Forces.....	55
Table 2.22: Mobile UGC – Impact of Key Market Forces	56
i. Reduced Discretionary Spend on Premium Events and Virtual Items	56
ii. Faster Migration to ad-funded Services	56
2.8.2 Market Forecast: Best and Worst Case Scenarios	56
i. Best Case Scenario.....	56
Figure 2.18: Total End-User Generated Revenues (\$m) from UGC. Best Case Scenario by 8 Key Regions, 2007-2013	57
Table 2.23: Total End-User Generated Revenues (\$m) from UGC. Best Case Scenario by 8 Key Regions 2007-2013.....	57
ii. Median/Worst Case Scenarios	57
Figure 2.19: Mobile UGC Revenues (\$m), Market Forecast (Best Case, Median Downturn; Worst Case) 2009-2013.....	58
Table 2.24: Mobile UGC Revenues (\$m), Market Forecast (Best Case, Median Downturn; Worst Case) 2009-2013	58
Figure 2.20: Mobile UGC (%), Market Forecast Growth Rate Comparison (Best Case, Median Downturn; Worst Case) 2009-2013	58
Table 2.25: Mobile UGC (%), Market Forecast Growth Rate Comparison (Best Case, Median Downturn; Worst Case) 2009-2013	59
2.9 Mobile Infotainment.....	59
2.9.1 Key Market Forces.....	59
Table 2.26: Mobile Infotainment – Impact of Key Market Forces.....	59
i. Reduced Discretionary Spend on Videoclips, Screensavers, Wallpapers and News Services.....	59
ii. Faster Migration to ad-funded Services	59
2.9.2 Market Forecast: Best and Worst Case Scenarios	59
i. Best Case/Median Case Scenarios	59
Figure 2.21: Mobile Infotainment Revenues (\$m). Best/Median Case Scenario by 8 Key Regions 2007 - 2013.	60
Table 2.27: Mobile Infotainment Revenues (\$m). Best/Median Case Scenario by 8 Key Regions 2007 - 2013.....	60
ii. Worst Case Scenario	61
Figure 2.22: Mobile Infotainment Revenues (\$m), Market Forecast (Best Case, Median Downturn; Worst Case) 2009-2013	61
Table 2.28: Mobile Infotainment Revenues (\$m), Market Forecast (Best Case, Median Downturn; Worst Case) 2009-2013.....	61
Figure 2.23: Mobile Infotainment (%), Market Forecast Growth Rate Comparison (Best Case, Median Downturn; Worst Case) 2009-2013	62
Table 2.29: Mobile Infotainment (%), Market Forecast Growth Rate Comparison (Best Case, Median Downturn; Worst Case) 2009-2013	62

2.10 The Global Market for Mobile Entertainment: Product Breakdown.....	62
2.10.1 Best Case Scenario	62
Figure 2.24: Total Revenues (\$m) from Mobile Entertainment. Best Case Scenario by Product 2007-2013.	63
Table 2.30: Total Revenues (\$m) from Mobile Entertainment. Product Forecast 2007-2013. .	63
2.10.2. Median Case Downturn Scenario	63
Figure 2.25 Total Revenues (\$m) from Mobile Entertainment. Median Case Downturn Scenario by Product 2007-2013.	64
Table 2.31 Total Revenues (\$m) from Mobile Entertainment. Median Case Downturn Scenario by Product 2007-2013.....	64
2.10.3 Worst Case Scenario	64
Figure 2.26 Total Revenues (\$m) from Mobile Entertainment. Worst Case Scenario, By Product 2007-2013.	65
Table 2.32 Total Revenues (\$m) from Mobile Entertainment. Worst Case Scenario, By Product 2007-2013.	65
Figure 2.27: Comparison of Negative Impact of the Global Economic Downturn, 2009-2010, By Product (Median Case vs. Worst Case).....	66
Table 2.33: Comparison of Negative Impact of the Global Economic Downturn, 2009-2013, By Product (Median Case vs. Worst Case).....	66

3. Mobile Entertainment: Market Drivers & Constraints

3.1 The Opportunity for Mobile Entertainment.....	67
Figure 3.1: Monthly Voice ARPU (\$), Selected Countries (France, Germany, Italy, Netherlands, Spain, UK, US), 2003-2007	68
3.2 Market Drivers	69
3.2.1 Ubiquity	69
3.2.2 Technological Advances - Networks.....	69
3.2.3 Technological Advances – Handsets.....	69
3.2.4 Data Charges Are Being Reduced.	69
3.2.5... and Mobile Internet Adoption is Increasing	70
3.2.6 The iPhone Has Arrived.....	70
3.3 Market Constraints	70
3.3.1 Macro Economic Issues	70
3.3.2 The User Interface	71
i. Difficulty in Discovering Services and Content.....	71
ii. Difficulty in Accessing Services and Content.....	72
iii. Difficulty in Navigating Services and Content.....	74
iv. Difficulty in Utilising Multiple Applications Simultaneously.....	74
3.3.3 Handset Form, Capacity and Battery Life.....	74
3.3.4 Network Speed and Coverage	75
3.3.5 Cost of Data Services	76
Table 3.1: UK Operator Data Prices (\$) 2008.....	77

4. Regulation and Controls

4.1 Introduction	79
4.2 Regulatory Environments	79
4.2.1 Pan European.....	79
i. The EU Mobile Sweep.....	80
ii. Human Rights Act.....	80
iii. EU Directives.....	80
a. Directive 95/46/EC: Processing Personal Data and the Protection of Privacy.....	80
b. The E-Commerce Sector Data Protection Directive (2002/58/EC).....	81
c. The Distance Selling Directive (97/7/EC).....	81
d. The E-money Directive.....	81
4.2.2 National Legislation.....	81
i. Australia – the Australian Communications and Media Authority (ACMA).....	81
ii. South Africa – ICASA, FPB, WASPA.....	82
a. ICASA	82

- b. FPB (Film and Publications Board) 83
- c. Wireless Application Service Providers’ Association (WASPA) of South Africa..... 83
- ii. UK - PhonepayPlus..... 84
- 4.3 Self Regulation 87**
- 4.3.1 UK Operator Self Regulation Approach 87
- 4.3.2 Independent Mobile Classification Body (IMCB)..... 88
- 4.4 Digital Rights Protection 89**
- 4.4.1. Open Mobile Alliance (OMA)..... 89
- i. OMA-DRM 89
- ii. Case Study: The French Anti-piracy Law 90

5. Players in Mobile Entertainment

- 5.1 Introduction..... 91**
- 5.1.1 Selected Operators..... 91
- i. ‘3’ UK 91
- ii. China Mobile 93
- a. Company Background..... 93
- b. Products and Services..... 93
- Music Services..... 93
- Other Content Services 93
- iii. KDDI..... 94
- iv. SK Telecom 95
- v. Sprint Nextel 95
- vi. Vodafone 96
- 5.1.2 Some Other Mobile Entertainment Value Chain Players 97
- i. Apple..... 97
- a. Recent Financial Performance 97
- Table 5.1: Apple Revenue and Net Income Growth 2003-2008 (\$m, FYE September 30) 97
- ii. Products and Services..... 98
- a. iPhone..... 98
- Figure 5.1: Apple iPhone..... 99
- b. iPhone 3G..... 99
- iii. Bango..... 100
- a. Company Background..... 100
- b. Products and Services..... 100
- Figure 5.2: Co-existence of On and Off-Portal Models..... 101
- Bango Analytics 101
- iv. Jamba/Jamster 102
- v. mBlox..... 103
- vi. Mobile Entertainment Forum..... 104
- vii. Nokia..... 105
- a. Comes With Music..... 105
- viii. Sony Ericsson..... 106
- a. Sony Ericsson Walkman range..... 106
- Figure 5.3: Sony Ericsson W902 Walkman..... 107