

Monetising Adult Content on the Mobile

This whitepaper is an extract from:

Mobile Adult
Subscriptions, Downloads, Video Chat
& Text-Based Services 2008-2013
-Fifth Edition-



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Introduction

The global market for adult content is vast. It is estimated that, by 2006 (latest available data), this market – for books, magazines, strip clubs, toys, films, DVDs, telephony and online content – was close to \$100 billion. Indeed, whenever a visual (and in some cases audible) media began to establish itself, adult material was usually one of the most popular and lucrative products on offer, serving both as a key revenue driver and in some cases (this is certainly true of the Internet) as a means of popularising that particular medium per se.

This was certainly the case with mobile entertainment. While ringtones were the first service which generated substantial revenues, off-portal adult services – initially basic graphics and text-based services, followed by photographs and short videoclips delivered via MMS – were so successful in the markets where such content was legally available that the operators (at first severally and then in greater numbers) started to offer content on their portals, albeit managed by third-parties. And the content has become yet more sophisticated: the arrival of 3G has brought streamed video services and, most recently, one-to-one video chat.

Types of Mobile Adult Content

Much of the mobile content that is currently offered to subscribers can be modified in order to make it adult in nature. This has led to the emergence of a variety of forms of adult content that include SMS-based services such as jokes, dating and chatting, video streaming services, video chatting, video clips, pictures, moantones and games.

Text-based Adult Services

SMS chatting is a prominent adult service available across the world and two-way chatting has added to its lure. In SMS chatting, subscribers can chat with models and celebrities by sending a premium rate SMS to them. This is the least technically demanding of adult applications and can be accessed from most 2G phones. While such services are gradually being supplanted by more sophisticated offerings, there is still a substantial market for them, particularly in emerging countries where 2.5G and 3G adoption is lower. Even in developed markets such as the UK, numerous services are still available.

Images

Adult content package offered by mobile operators generally includes animated or plain images of porn stars and celebrities. These images are offered on themes such as tropical, retro, sports, lesbians, gays, costumes and fetish. Gay and lesbian themes have experienced a rise in demand in recent years, although by far the most popular genre is hard-core amateur content. As noted elsewhere in this report, whenever hard-core content is offered side-by-side with soft-core, hard-core generates far more downloads. Some significant providers of images across the globe are Playboy, Hustler and Vivid Entertainment. The images can be billed on a download or subscription basis depending on the business model adopted by the network operator or the content provider.

Moantones

Moantones are the erotic manifestations of ringtones involving screams, moans and groans of models. This is a sector which has evolved over time – for example, moantones are now available to the tune of popular songs (including Here Comes The Bride and Auld Lang Syne). Many of the leading adult studios now offer such services as part of their content portfolio, including Private, with major adult stars such as Jenna Jameson also offering personalised moantones.

Erotic Games

The games offered for adult services are generally derived from the already popular conventional games. For example, Private modified the first mobile game Snake to an adult game – Sexy Snake, where the graphics incorporate erotic content. Subsequently, adult-themed games can be found in most genres, including puzzle games, card games, platform games and role-playing games (and even first person shooters). A number of leading mainstream game publishers (notably Gameloft and Glu Mobile) now offer a substantial portfolio of adult games; at least one developer – the UK-based Midlex – now concentrates solely on the production of such games.

Video-Based Services

Video-based services have also developed quite dramatically in recent years. With higher-end 2.5G handsets able to receive short videoclips, clips with an adult theme began to become prevalent from 2002 onwards. Then, the launch of 3G networks and handsets enabled users to receive streamed video, with adult typically amongst the most popular content types. Adult streams are offered either on a standalone basis, or in some instance can be purchased as an add-on to a user's existing streamed mobile TV subscription. Similar adult channels can now also be seen on a number of mobile broadcast TV networks: for example, Playboy and Penthouse are available as premium channels on the DVB-H network of 3 Italia.

An increasingly popular and lucrative video service is video chat, wherein the consumer either engages in a one-to-one video conversation with the model of his choice or (more usually at the present time) sees the model on live video and simultaneously communicates via two-way text messaging.

The Hurdles to the Deployment and Adoption of Mobile Adult Services

While mobile adult services are potentially lucrative, there are a number of hurdles which must be overcome before such services can either be deployed, or, once deployed, be delivered in such a way so as to maximise their revenue-earning potential. The following table lists a number of the more problematic, ranging from social and cultural issues to technological difficulties.

Table 1: Selected Hurdles to the Adoption of Mobile Adult Services

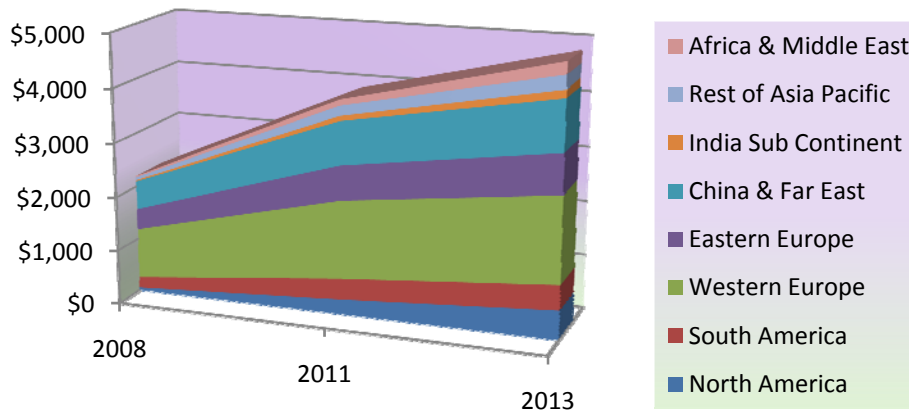
| Issue | Why is it a challenge? |
|--|--|
| Regulatory Constraints | While adult content is a potentially lucrative opportunity for service providers, the scope for deployments is limited by legislation which, depending upon the territory in question, either imposes severe restrictions upon the services which can be offered or in some instances prohibits such services entirely, often with severe penalties for those who (either wittingly or unwittingly) might offer, or receive, those services. |
| Localisation | For adult service provider to maximise their sales in a given market, they must (a) provide content that appeals to the end-user in a given market and (b) provide it within a linguistic framework that the end-user can understand. With regards to (a) this is perhaps more difficult than it sounds, as while erotica is universal, what constitutes the erotic is not: individual tastes notwithstanding, different countries have differing dominant perceptions. This is partly, but not wholly, itself dependent upon historical social, religious and political taboos that have impacted upon a nation's sexual psyche: thus, certain types of material are more popular in some markets than others. And while this can be addressed by offering a wide range of content genres on site, it is clearly incumbent upon site managers to address their content to the prevalent peccadilloes of a local market. |
| Understanding the consumer | Perhaps the key hurdle to ensuring mass adoption of adult services is in ensuring that content is made available which customers want to buy. However, it is clear that in many markets, the customer is not getting what might be termed optimal content. |
| Much Adult Content is Freely Available | As consumers become more adept at surfing the Internet via their mobile handset, they will become aware that a considerable amount of content is available without charge: many sites provide extensive daily updates of such content, categorised by genre. These pages, known as Tube Sites are usually teasers for commercial sites which require credit card billing, with supplementary revenues provided by advertising. However, the conversion rates for such sites are very low indeed (0.4% or less). Thus, most people who visit these sites are content to browse the free content. Furthermore, a number of sites simply offer, on an illegal basis, copyrighted material free of charge. Given that R-rated content is freely available in this way, it is difficult to see why a large proportion of customers would continue to pay for content unless such content can be personalised. |
| Service Pricing | While users of adult services are traditionally less price sensitive than purchasers of other entertainment services, service providers must exercise a fine level of judgement in seeking to ascertain precisely what that premium represents if overall revenues are to be maximised. Furthermore, while there is clearly a market for adult services, users may desist from accessing paid-for adult content from the mobile if they either fail to receive the content that they have requested, or if, when they seek to unsubscribe to a particular service, they find that they are unable to do so. In addition, many companies offering subscription services do not clearly advertise the price of content, leading to "bill shock" for the customer |

Source: Juniper Research

The Opportunity for Mobile Adult Services

Juniper Research anticipates that revenues from all mobile adult services will rise from \$2.2 billion in 2008 to \$4.9 billion by 2013, representing substantial growth in a regulation constrained market.

Figure 1: Total Revenues from Adult Mobile Services (\$m) by 8 Key Regions 2007-2013



Source: Juniper Research

In terms of regional revenues, Western Europe will remain the largest source of revenues throughout the forecast period, although its share will fall from 42% in 2008 to 32% in 2013, due to strong growth in North America (2% of revenues in 2008; 11% in 2013) and Africa & Middle East (1% in 2008; 5% in 2013).

Order Full Report

Mobile Adult: Subscriptions, Downloads, Video Chat & Text-Based Services 2008-2013 (Fifth Edition)

This highly anticipated fifth edition mobile adult report explores the key drivers to the market including increases in mobile internet adoption and digital distribution, improved handset UI (user interfaces) and more favourable operator attitudes to adult content.

The report includes six year regional forecasts on text based mobile adult services, as well as one off downloads of mobile adult content, subscription services to mobile adult content and mobile adult video chat services. Each forecast is split by user numbers, levels of usage, average service pricing and total service revenue.

The report also includes an analysis of billing models e.g. credit card billing and operator billing and features case studies of portal based adult services as well as a number of key hurdles to

deployment and monetisation including service localisation and the issue of freely available online adult content.

Key questions the report answers:

- What are the key drivers of mobile adult services?
- What are the prospects for video chat services on the mobile?
- In which markets have mobile adult services been most successful thus far?
- Which players in the mobile adult value chain generate the largest shares of revenue?
- Who are the leading players in the mobile adult industry?
- How much are mobile adult services worth in 2008, and how much will they be worth in 2013?
- Which billing methods and business models are most prevalent in the mobile adult industry?
- How have operator attitudes to mobile adult content changed in recent years?

For more details on this report visit the website www.juniperresearch.com or phone +44(0)1256 830002

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Publication Details

Publication date: December 2008

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