Going Direct to Mobile Consumers: Fish or Cut Bait

White Paper
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Executive Summary

As the world's mobile industry has grown, so interest from the tier one media companies has risen in lockstep. With more than 210 million subscribers in the U.S. and over 2 billion worldwide, media companies cannot afford to ignore the potential of the wireless and mobile industry. The largest mobile operators are now getting upwards of 10 percent of their revenues from data and content services – this indicates to many media companies that there are significant opportunities in the mobile space.

Based on the research conducted for this paper, *i*GR believes that there are two main categories of tier one media companies that will need to consider their mobile strategies:

- **Those that have decided not to enter the mobile market for various business reasons.** For example, some large media companies have decided that they will be in the mobile industry at some point but other strategies are taking priority at present.

  One of the main drivers of this type of decision is the investment required to significantly penetrate the mobile consumer base compared to the expected returns – for many, the current returns do not justify the expense. While this will undoubtedly change, at present mobile is viewed as a difficult market to enter.

  Some large media companies may also have pre-existing agreements with mobile operators that prevents the media company from offering content direct-to-consumer (D2C). These types of agreements are not uncommon and were usually signed prior to the growth of D2C mobile content and media.

  While current business situation and decisions prevent these companies from entering the mobile market with full force, it must be noted that these companies will become more involved as business conditions dictate. Exclusive agreements will lapse, the need to have a mobile strategy will move up the strategic priority list and the business model will become more clearly defined. These large media companies will then become more of a force in the mobile industry – they will just not be first.

- **Those that have decided to enter the mobile market or have already done so.** These companies have made the strategic decision to build a mobile business and have started to invest the necessary resources. While the returns may not be significant at present compared to their larger media portfolios, these companies realize that mobile offers significant future rewards and have decided to invest now.

  These companies have several goals for their mobile business:

  - Own the relationship with the mobile consumer - as opposed to selling content on an operator's media portal amongst hundreds of other offerings, D2C presents content providers and media companies the opportunity to sell and market directly to their target audience, capture a larger percentage of the revenues and own and control the relationship and messaging with the consumer.

  - Protect the core brand – this is a critical element of D2C mobile strategies. Strategies that risk tarnishing the parent brand will not be tolerated or are not sustainable.

- Grow the mobile revenues. Many tier one media companies taking this approach point to the smaller D2C content providers who have built profitable businesses as examples as to how to develop an D2C strategy.

- Grow the mobile media business such that it benefits the parent's overall business. Specifically, it will not be sufficient for the mobile business to just show some financial success or set up deals that simply show future promise.

The direct-to-consumer content business started to grow as soon as the mobile operators started to offer mobile content (such as ringtones and basic games) to their subscribers – at this point, independent content providers started to offer specific content not available through the carriers' portals. Some operators have since tried to limit access to direct-to-consumer content, while others have embraced the concept and openly allowed subscribers to access and download independent content.

Some mobile operators have realized that they cannot provide the range of content and media required to satisfy all market segments. Getting new media and content services to market faster is a major need of the mobile operators – the faster a new service or application can be offered, the more revenue is generated and profitability can be achieved sooner. For that reason, direct-to-consumer content providers who are already selling their products or services to mobile consumers through one or more operators make ideal partners. They can usually partner with additional operators fairly quickly. And while many mobile operators around the world have built extensive content and media portals of their own, most will freely admit that sourcing, designing and managing mobile content is not a core strength. Direct-to-consumer content is, therefore, appealing to many operators as it provides them fast and alternative revenues streams which overall are to their own on-deck media portals.

All of these factors are driving more operators to consider direct-to-consumer content vendors not as competitors but as partners. Even large operators that have traditionally shunned direct-to-consumer content strategies are now starting to embrace the approach. And of course, the large media companies with highly recognizable brands are attractive partners for the mobile operators.

Direct-to-consumer content is growing but still comprises a small percentage of the total amount of content downloaded. The opposite is true in Europe – for example, analysts estimate that despite Vodafone's investment in live!, 70 percent of the operator's data revenues come from direct-to-consumer sources. This trend indicates a likely scenario for North America in the coming years, where the majority of mobile content is from D2C sources.

The challenge for the media companies is to avoid many of the problems now being experienced with direct to consumer mobile sales in Europe and North America, such as:

- **Poor and inconsistent customer care** - if a consumer attempts to download content though their mobile phone but is unsuccessful, who do they call for assistance? Their first instinct is usually to call the mobile operator, who probably does not have visibility into the direct-to-consumer transaction but most likely has a superior customer support infrastructure to that of the content provider. However, at best, all that the mobile operator's customer care representative may be able to provide is contact information for the content provider. The consumer is therefore left to pursue their issue themselves as the content provider is unable to create a direct relationship with the consumer. A poor direct-to-consumer customer experience can easily reflect on the media company and mobile operator, since it is the operator that the consumer pays each month for service and the content was sourced from the media company.

- **Revenue leakage** – When a media company is not paid or in some cases is charged back for content legitimately consumed, there is revenue leakage. For example, if the dollar value of delivered content is refunded to the subscriber before pre-authorization, then revenue leakage occurs. Additional revenue issues arise from premium SMS fraud.

- **Use of D2C content to grow the total content market**, not simply replace existing operator content - the media companies want to promote their own brands and products and not simply cannibalize the existing mobile operator-sourced content businesses with D2C strategies. As more media companies introduce mobile content, the challenge is to provide unique, differentiated content, and provide flexible merchandising and promotional capabilities to increase user adoption.

While some in the mobile industry see market entry for the large media companies as inevitable, *i*GR does not believe this is the case. Rather, the media companies will enter the mobile market when there is a clear and sustainable business benefit to their brands. There are therefore several requirements for a direct-to-consumer mobile commerce solution from the media companies' perspective:

- **Ubiquitous connectivity** –the ability to reach all of the mobile operators' subscribers to present content in a consistent manner with a single solution.

- **Detailed reporting and visibility** – increased visibility and reporting for mobile operators and media companies alike will improve their ability to monitor their businesses and forecast future activity. This includes improved timeliness and accuracy of reporting as well as reconciliation.

- **Customer care and support tools** – sufficient customer care and support tools must be required to ensure that the end users questions are answered and issues resolved so as to enhance, and not diminish, the media company's brand image.

- **Scale** – the solution must provide the ability to scale as the media company's mobile business grows from a few thousand transactions to millions. This includes the ability to download and access content as well as bill and track each transaction.

- **Mobile marketing support** – to provide competitive differentiation and to enable the media companies to leverage their mobile investments, comprehensive support for mobile marketing and promotions campaigns will be required, including the ability to advertise on mobile handsets as technical solutions become available and offer flexible price points and discounts.

- **Accelerated settlement** – punctual and reliable financial settlement will improve the business care for the media companies and hence increase their level of activity.

- **Quality of service commitments** – the solution must reliably support the media company's business and meet the expectations of the mobile consumer. Service level agreements (SLAs) will be required to provide peace of mind for the media company.

- **Standardized and transparent business terms** – just as eBay offers the same standardized terms and conditions to each vendor and buyer wishing to use its service, increasing the efficiency and simplicity of the auction process, so standardized T&Cs should apply the direct-to-consumer content business to achieve the same goals .

- **Standardized acceptable use policy** – standardized use policy will also remove many of the gray areas from the mobile market and dramatically reduce the time and resources media companies currently spend navigating each operator's unique policies.

The danger for the mobile industry is that the majority of large media companies will not enter the mobile market for some time, waiting for the business environment to naturally evolve to their liking. By this point, end user expectations for mobile content may have seriously eroded to the point that a sustainable direct-to-consumer content business cannot be built by the tier one companies. In other words, *i*GR believes there is a finite window of opportunity for the mobile industry and the large media companies to build a significant D2C content business.

Direct-to-consumer Media Market Overview

The direct-to-consumer (D2C) content business started to grow as soon as the mobile operators started to offer mobile content (such as ringtones and basic games) to their subscribers – at this point, independent content providers and tier one media companies started to offer specific content not available through the carriers' portals. Some operators have since tried to limit access to direct-to-consumer content, while others have embraced the concept and openly allowed subscribers to access and download independent content.

Direct-to-consumer Growth Drivers

Direct-to-consumer content is growing for several reasons:

- The need for the media companies to target new market segments. The large media companies need to develop mobile content strategies to target younger audiences, as well as those 'on the go'. Traditional print and TV/radio media are no longer sufficient – just as the Internet has changed media spending, so mobile will also provide an additional route to access audiences in new ways or at new times. In short, the large media companies know that they cannot afford *not* to be a part of the mobile industry, if not now then certainly in the future.

- Mobile content is viewed by the major media companies as complimentary to their exiting channels, not a replacement. While the mobile business model still needs to mature, there is no doubt that mobile content will become an important part of the media companies' business strategies.

- Despite the actions of some large mobile operators to limit access to direct-to-consumer content, the fact is that the media companies need the mobile operators and vice versa. Given the large media companies need to offer content to mobile subscribers, the participation of the mobile operators is required. Mobile technologies are not core strengths of media companies and there are many issues that need to be addressed. Mobile operators have expertise in these areas. For example, the mobile operator and media company will need some reciprocal agreement that allows them to provide customer service to mobile customers.

- Similarly, the mobile operators need the media companies in order to provide a full range of content to meet the needs of all subscriber segments. The mobile operators are realizing how expensive it can be to try and meet all segment needs – the media companies can do this while also addressing their own business requirements and growing the overall content volume.

The 4^{th} or 5^{th} screen

As recently as 1990, media companies were limited to three ways of reaching their audiences: TV (both cable and broadcast), radio and print. These media had been in existence for decades and the business models were well established.

With the advent of the Internet, things changed rapidly –audiences started to spend as much time, or in some cases more time, online as they did watching TV or listening to the radio. Media companies were required to shift their strategies to meet the audience's new media-consuming habits. The result was pop-up ads, banners, sponsored media (such as the Web movies BMW developed) and sponsored links from Web searches. Google and Yahoo! Showed clearly how much money could be made from Internet advertising. VCRs and DVDs allowed media companies to further expand their reach.

The next shift arguably occurred with the iPod and associated MP3 players, which allowed consumers to take content with them and review on their own schedule, rather than when the media companies decided to push the message out. Podcasting grew almost instantaneously and is now a respected form of mainstream media – iTunes lists thousands of podcasts in sixteen categories in a range of languages.

The rise of the mobile phone now presents a new highly-personal opportunity to reach audiences. Subscribers carry their mobile handsets just as they would their keys or wallet. Use of mobile handsets by younger subscribers is growing rapidly, the ideal target for many media companies. And the appeal of technical innovation is high for many media companies – the ability to deliver content directly to a subscriber's handset is still seen as 'cool' by many.

Media companies can also use the mobile handset as a link into other devices to enhance the appeal of the original media. For example, allowing a cable TV subscriber to control their TiVo from a mobile handset is more likely to result in the subscriber viewing a TV program later – without the link to the handset, the program would have been missed.

By working with the mobile industry, media companies will be able to access the mobile handset screen directly and enhance their existing services or channels. Mobile media delivery is not simple and external expertise will be required but the potential rewards are significant. Note that this does not mean that the mobile content need be delivered through the mobile operator, but rather that the media company must understand the technology, the requirements of the user, the lack of mobile standards and the complexity of the mobile environment. For example, help will be required with customer service that is best facilitated by an agreement between the mobile operator and media company.

Many trials and studies have been conducted on the potential of mobile TV over the past year. One interesting trend identified by Nokia was that those subscribers who watched mobile TV also watched more broadcast or cable TV – in other words, mobile TV programming drove demand for conventional broadcast content. This is an important data point as it indicates that mobile TV could be used by large media companies to increase the appeal of their traditional media. The point for the major media companies is that the mobile opportunity is not simply defined by the pay-per-download or subscription model – other business models that do not involve the mobile subscriber paying for content are viable and will be supported.

Brand promotion

One of the key drivers of mobile direct-to-consumer content for the media companies is their ability to promote their brands outside of their core or traditional channels. While the need to protect the brand is paramount, the ability to expand the brands appeal and reach through to the mobile handset is very appealing.

The end result

Many in the mobile industry expect that over the next few years, the ratio of mobile operator-supplied content to D2C content to shift to approximately 30:70 percent. At this point, approximately three quarters of the content consumed by mobile subscribers will be supplied by sources other than the mobile operator.

While many smaller content providers are offering mobile content (and others are expected to enter the market), it is the involvement of the large tier one media companies that is most anticipated. The major media brands of course have an advantage of name recognition and their ability to drive large volumes of mobile content will benefit both the mobile operators and the wireless industry as a whole. The bigger the pie, the better for all involved.

A good analogy of the D2C content model is that of independent films – the big studios continue to churn out multiple movies per year for the mass audience. But the needs of specialist audiences cannot be met by the large studios, hence the ability of small independent studios to attract an audience and maintain a profitable business. Just as the mobile operators can provide content for the main segments of the subscriber base, so D2C content providers can appeal to the specialist needs of the mobile user. Participation of the large media companies in the mobile industry will benefit everyone in the value chain.

Media Companies with No D2C Mobile Business

While the mobile opportunity is real, successfully building a mobile content business is not a simple matter for media companies – making mobile content available on the company's Web site will not lead to growth and profitability. Media companies that have not yet established a D2C mobile business must first develop a strategy as to how their current business will benefit from mobile and how the strategy will be executed.

While current business situation and decisions prevent these companies from entering the mobile market with full force, it must be noted that these companies will become more involved as business conditions dictate. Any current exclusive agreements with mobile operators will lapse, the need to have a mobile strategy will move up the strategic priority list and the business model will become more clearly defined. These large media companies will then become more of a force in the mobile industry – they will just not be first.

Challenges

A media company developing a direct-to-consumer mobile strategy for the first time faces several challenges:

- **Lack of mobile expertise** – just as the mobile operators do not consider content creation to be a core strength, so the media companies lack mobile expertise. The mistake of many media companies is to treat a mobile handset as they would a PC except with a smaller screen. It is not that easy.

- **Business returns and profitability** – another major problem with the mobile market for the media companies is the immature business model. Direct-to-consumer mobile content is still a relatively new industry and, for many, the business model is unclear, undefined, or unattractive. For many companies, the potential returns from mobile content are unattractive and the perceived risk to the brand is high. Hence, many simply choose not to enter the mobile market.

- **Customer management issues** – one of the biggest questions to be answered regards who provides customer care. Many tier one media companies do not provide live customer support through their Web sites and since the content was purchased D2C, the operator customer service may be unlikely to be able to willing to help.

- **Brand representation** – the biggest concern of large media companies with respect to direct-to-consumer mobile content is the risk to their brand image. Media companies are fiercely protective of their brands since this drives much of their business. Brand issues extend to the quality of the content provided (does it accurately and reliably reflect the brand image?) and the risk from customer support (will the association with the mobile operators risk the media brand image?). This is a serious concern that is not easily addressed – for example, a piece of content may function poorly on a particular network or handset model, or a particular mobile operator may not have sufficient customer care resources to provide adequate support.

- **Resource requirements** – while a direct-to-consumer mobile business reduces the need for relationships with the mobile operators, the media companies still need to have a business relationship. Mobile operators will provide much of the billing support and are likely to be involved in customer care. The media company must therefore ensure sufficient internal resources to support the business relationships with the operators.

- **Competitive differentiation** – this is a major issue for many companies. If all media companies are offering wallpapers, ringtones and games to mobile subscribers, how do you provide differentiation?

- **Promotions in the mobile channel** – media companies thrive on their ability to market and promote directly to their consumers through advertising, targeted promotions and by leveraging customer demographic information. But the mobile industry is immature in this regard – mobile advertising is almost non-existent and mobile marketing is in its infancy. How do the media companies leverage their mobile investments using their traditional skill-sets?

- **Quality and reliability** – one of the major issues is the fact that mobile content access and download is not completely reliable. Multiple problems can arise, from poor coverage to limited battery life, that compromise the consumer's ability to experience the mobile content as the media company expected.

*iG*R believes that as a result of these concerns, many tier one media companies are delaying entry into the mobile market.

D2C Solution Requirements

Any D2C support solution must address these issues and hence enable tier one media companies to enter the mobile market with peace of mind. Hence, there are several requirements for a direct-to-consumer content management solution from the media companies' perspective:

- **Ubiquitous connectivity** – one of the universal comments heard from the media companies was the ability to reach all of the consumers, regardless of which mobile operator provides the handset or has the billing relationship, to present content in a consistent manner with a single solution. While standardization across the networks and handsets is unlikely, the ability to recognize the requirements of each network and handset model is currently available. Leveraging this capability for the major media companies is likely to go a long way to increase the attractiveness of the mobile market.

- **Detailed reporting and visibility** – increased visibility and reporting for mobile operators and media companies alike will provide the ability to monitor their businesses and forecast future activity. The ability to see the entire transaction will support detailed market intelligence reporting – this does not mean that all parties will have visibility into their partners or competitors businesses, but that sufficient information must be available to allow partners to accurately measure and forecast their direct-to-consumer mobile business.

- **Scale** – the solution must provide the ability to scale as the media company's mobile business grows from a few thousand transactions to millions. This includes the ability to download and access content as well as bill and track each transaction.

- **Mobile marketing support** – to provide competitive differentiation and to enable the media companies to leverage their mobile investments, comprehensive support for mobile marketing and promotions campaigns will be required, including the ability to advertise on mobile handsets as technical solutions become available and offer flexible price points and discounts.

- **Quality of service commitments** – the solution must reliably support the media company's business and meet the expectations of the mobile consumer. Service level agreements (SLAs) will be required to provide peace of mind for the media company.

- **Customer care and support tools** – the final major requirement for the media companies also results from increased visibility into the transaction – improved customer care and support tools. If a third party provides customer care on behalf of the media company, then visibility will be required into the entire value chain. Either way, sufficient customer care and support tools must be required to ensure that the end users questions are answered and issues resolved so as to enhance, and not diminish, the media company's brand image.

Media Companies with Established D2C Mobile Business

Of course, many large media companies have already started to offer mobile content direct to consumers and some have built viable businesses. To date, many support systems have been home-grown and most media companies will admit that their mobile businesses can be significantly improved – most media companies in this category consider their mobile businesses to be at a relatively early stage of development and to have significant growth potential. For these companies, the challenge is therefore develop their mobile investments into sustainable, profitable business units of their larger operations.

Challenges

Many of the challenges of the large media companies that have already entered the D2C mobile market are similar to those of the new market entrants discussed earlier. However, their perspectives on these issues differ slightly, since they are attempting to grow an existing business, not enter a new market:

- **Customer management issues** – one of the biggest questions to be answered regards who provides customer care. For example, consider a subscriber who purchases a piece of content directly from a major media company but then experiences problems with the download. The subscriber is naturally include to call their mobile operator to seek help (note that many tier one media companies do not provide live customer support through their web sites), but since the content was purchased D2C, the operator customer service is unlikely to be able to willing to help. In many cases, the mobile operator will provide as much assistance as possible, since they do not want to risk churning the subscriber.

  The ideal situation is for the media company and the mobile operator to mutually agree to provide customer service as required. Regardless of who provides customer care and support, transaction status and refund management must be transparent to both parties – this will allow the business relationship required, rather than have the partnership dictated by the limitations of the business support systems. The result should be that the subscriber is able to get their issues resolved satisfactorily.

- **Brand representation** – as with new D2C market entrants, the biggest concern of experienced large media companies with respect to direct-to-consumer mobile content is the risk to their brand image. Media companies are fiercely protective of their brands since this drives much of their business. As discussed previously, brand issues extend to the quality of the content provided and the risk from customer support. This is a serious concern that is not easily addressed – for example, a piece of content may function poorly on a particular network or handset model, or a particular mobile operator may not have sufficient customer care resources to provide adequate support.

- **Business returns and profitability** – another major problem with the mobile market for the media companies is the immature business model – an established mobile D2C business model does not necessarily indicate significant returns for the media company. If the returns from mobile content do not improve as the business develops and the perceived risk to the brand high, then many companies will simply choose not to expand their mobile business or, worse, to withdraw until the business model improves.

Of course, the business model for media companies offering D2C mobile content will be further defined and improved as the industry matures over time. But rather than waiting for the market to naturally evolve, the mobile industry must take steps to increase the attractiveness to the large media companies. The current mobile commerce model lacks the most basics of any other established commerce environment, with issues such as high leakage and failure rate, low receivables, slow payment, complex and non-standard terms, all making it difficult to grow the market.

- **Lack of technical uniformity** – a significant issue for media companies that have already entered the mobile market is the wide range of technologies supported in the networks, handsets and applications. The various network technologies differ in the download speeds they offer (from dial-up equivalents to 700 Kbps) meaning that the content must be designed with a minimum expectation in mind to meet customer expectations. So use different technologies to access and download content (such as BREW and Java) which can vary between operators and handset OEMs. For example, implementations of Java vary from handset to handset. Handsets also have different size screens, speaker capabilities and user interfaces – all affect the experience on that particular handset and hence the level of satisfaction with a piece of content.

  Those with experience with the wireless industry will realize that this is nothing new and that the industry has always been – and probably always will be – diverse in the technology selected and deployed. But large media companies are frequently frustrated by the variances – remember that they are used to the relative uniformity of print, broadcast and cable TV and the Internet. From the outside looking in, wireless and mobile is a confusing mass of technologies and standards.

- **No line-item product information for care and repudiation** – since the mobile operator's customer care representatives are unable to see each direct-to-consumer content transaction, refunds may be given where they are not warranted and the customer care call tends to take longer, which significantly adds to the cost. This further impacts the media company's customer care image and may damage their brand's reputation.

- **No visibility between the charging event and download event** – with no link between what the consumer requested and what was actually delivered by the content provider, media companies may deliver content and then discover at a later date that it cannot be collected. This situation is compounded by the fact that the consumer may also have received a refund for the requested content. This revenue leakage was described in more detail in the *i*GR whitepaper *Mobile Content Revenue Leakage: There's a hole in my bucket* (September, 2005)

- **Lack of reporting and auditing** – the media company is unable to 'see into' the mobile operators' networks and build a balanced picture of activity. Decisions about which mobile operators provide the best returns and value are therefore subjective, rather than based on accurate financial data. Furthermore, executive management is unable to make informed decisions about investments in the direct-to-consumer content business.

- **No ability to report on product and/or partner basis** – rather than viewing each other as adversaries, many mobile operators and media companies are viewing the D2C content model as a partnership opportunity. In order to maximize the benefits of the partnership, each partner needs sufficient reporting on the product and activity across the entire value chain. Media companies need to see the level of purchases and sales activity from their properties for a particular operator partner and vice versa. Similarly, the partners need a mechanism to resolve disputes and report on the performance of particular partners. A model that may be applied to the D2C content business is that of eBay, where vendors and buyers report on each other and eBay collects and publishes the results for all to see.

- **Multiple business terms, conditions and policies** – just as voice roaming agreements are negotiated between carriers, so the media companies have reached separate agreements and policies with the various operators providing billing and connectivity. Supporting these agreements, terms and conditions and policies requires internal resources on the part of the media company, resources that could be used in business development activities.

- **Quality and reliability** – as already noted, one of the major issues is the fact that mobile content access and download is not completely reliable, even for an established business.

- **Lengthy settlement and payment terms** – just as terms and conditions vary between media companies and mobile operators, so the payment terms also range from 30 days to as high as 120 days. There may also be discrepancies between the expected and actual revenues due to higher error rates or low collection ratios. For media companies trying to develop a sustainable mobile business, cash flow is critical.

D2C Solution Requirements

To address these challenges, there are several requirements for a direct-to-consumer content management solution from the established mobile D2C media companies' perspective:

- **Accelerated settlement** – everyone wants to get paid what they are owed as quickly as possible. Large media companies are no exception and so if the media company is billing through the mobile operator, settlement should happen as quickly as possible and certainly in 30 days or less. Punctual and reliable financial settlement will improve the business care for the media companies and hence increase their level of activity.

- **Standardized and transparent business terms** – just as eBay offers the same standardized terms and conditions to each vendor and buyer wishing to use its service, so the same should apply the direct-to-consumer content business. This is not to say that specific promotions and terms cannot be negotiated between some operators and media companies, but the same basic terms and conditions should be applied to all as a basic requirement. Standardized business terms drive efficiency and simplicity in the mobile commerce ecosystem.

- **Standardized acceptable use policy** – as with standard terms and conditions, standardized use policy will also remove many of the grey areas from the mobile market. For example, mobile operators have different policies regarding opt-in and opt-out, advertising and promotions, inappropriate content and parental controls, among others. By agreeing to standardized and accepted use policies, media companies will quickly earn the trust of the mobile operators, allowing both parties to focus on the end user experience.

- **Detailed reporting and visibility** – increased visibility and reporting for mobile operators and media companies alike will improve their ability to monitor their businesses and forecast future activity. The ability to see the entire transaction will support detailed market intelligence reporting – this does not mean that all parties will have visibility into their partners or competitors businesses, but that sufficient information must be available to allow partners to accurately measure and forecast their direct-to-consumer mobile business.

- **Scale** – the solution must provide the ability to scale as the media company's mobile business develops and becomes a major part of the media company's revenue source. This includes the ability to download and access content as well as billing and track each transaction.

- **Customer care and support tools** – the final major requirement for the media companies also results from increased visibility into the transaction – improved customer care and support tools. If a third party provides customer care on behalf of the media company, then visibility will be required into the entire value chain. Either way, sufficient customer care and support tools must be required to ensure that the end users questions are answered and issues resolved so as to enhance, and not diminish, the media company's brand image.

The table below shows how the requirements for the direct-to-consumer content management solution address the main challenges of a D2C business model for the media companies.

	D2C Content management solution requirements					
Challenge	Accelerated settlement	Standardized and transparent business terms	Standardized acceptable use policy	Detailed reporting and visibility	Scale	Customer care and support tools
Brand representation				√	√	√
Business returns and profitability	√	√	√	√		√
Lack of technical uniformity	To be addressed through mobile industry technical standards					
No line-item product information for care and repudiation				√		√
No visibility between the charging event and download event				√		√
Lack of reporting and auditing		√	√	√		

Challenge	D2C Content management solution requirements					
	Accelerated settlement	Standardized and transparent business terms	Standardized acceptable use policy	Detailed reporting and visibility	Scale	Customer care and support tools
No ability to report on product and/or partner basis				√		
Multiple business terms, conditions and policies		√	√			
Quality and reliability					√	
Lengthy settlement and payment terms	√					

Source: *i*GR, 2006

Summary

This paper has highlighted the issues that need to be addressed before more tier one media companies will start offering mobile content. While some in the mobile industry see market entry for the large media companies as inevitable, *i*GR does not believe this is the case. Rather, the media companies will enter the mobile market when there is a clear and sustainable business benefit to their brands.

The danger for the mobile industry is that if direct action is not taken, the media companies will not enter the mobile market for some time, waiting for the business environment to naturally evolve to their liking. By this point, end user expectations for mobile content may have seriously eroded to the point that a sustainable direct-to-consumer content business cannot be built by the tier one companies. In other words, *i*GR believes there is a finite window of opportunity for the mobile industry and the large media companies to build a significant D2C content business.

About *iG*R

*iG*R is a market strategy consultancy *focused* on the wireless and mobile communications industry. Founded by Iain Gillott, one of the wireless industry's leading analysts, we research and analyze the impact new wireless and mobile technologies will have on the industry, on vendors' competitive positioning, and on our clients' strategic business plans.

Our clients typically include service providers, equipment vendors, mobile Internet software providers, wireless ASPs, mobile commerce vendors, and billing, provisioning, and back office solution providers. We offer a range of services to help companies improve their position in the marketplace, clearly define their future direction, and, ultimately, improve their bottom line.

A more complete profile of the company can be found at www.iGR-Inc.com.

Methodology

To prepare this white paper, *iG*R first interviewed a number of tier one and two media companies in North America. The direct-to-consumer content business model is a sensitive issue and, as such, the comments of the companies interviewed cannot be attributed. However, their comments have been incorporated into this paper.

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