Mobile TV Insight Report Summary

New Ideas for the Future Success of Mobile TV

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Overview

On June 22nd, 2007 the Japan Electronics and Information Technology Industries Association (JEITA) announced that mobile TV (or One-seg) handset shipments in Japan nearly doubled in the 1st Quarter of 2007, with a total of 7.3 million handsets now deployed throughout Japan. And Nomura Institute has projected that this number will exceed 20 million units by 2009.

While such numbers are exciting, especially in light of the fact that One-Seg broadcasts were launched only in April of last year, they overlook the fact that a profitable business model to support One-seg mobile broadcasting has yet to be developed.

- "Providers are holding back because the service brings them no income for it is free to receivers. *They may even lose money if customers spend more time watching free TV than using paid services like e-mail and Web browsing*." -- Wataru Nakagawa and Shunsuke Tabeta, Nikkei Business Daily Friday Edition, March 3, 2006.
- "If users just watch TV programs, we will not be able to gain a profit, We hope users will visit sites related to the TV programs." -- NTT DoCoMo spokesman Kazunori Higuchi, Japan Times, April 1, 2006.

Operators have rolled out One-Seg as a fee-free service, hoping to recoup their significant investments through a number of avenues including:

- HOPE #1 - Increased Advertising revenues
- HOPE #2 - Increased data packet fees from incremental Mobile Internet usage
- HOPE #3 – Increased voice call and/or Email communications from an enhanced "need" to communicate
- HOPE #4 – Increased network loyalty from Mobile TV subscribers

This research report explored these hopes to see whether or not they are well-founded, and what the overall impact of MobileTV can or will have on the Japanese mobile market

- Specifically, we conducted research with more than 800 mobile phone subscribers in Japan in March 2007, looking at exactly how Mobile TV usage influenced their overall mobile behaviors.
- And while this analysis has dealt specifically with the Japanese market, we believe that these results offer important clues for mobile TV development and deployment in other markets around the world.

Key Lessons and Implications

Lesson #1 – Significant differences exist between Mobile TV (or One-Seg) users and non Mobile TV users in terms of Gender and Monthly Spending, but not Age, Network, or the amount of time a phone is "Within Arm's Reach".

Implications of Lesson #1

Together these results suggest potential problems exist related to the future success of Mobile TV.

- Mobile TV does not drive consumers to be "closer" to their mobile phones (i.e. Mobile TV subscribers do not spend more time with their mobile phone "within arm's reach" than non Mobile TV subscribers). MobileTV is currently a replacement for other uses of the mobile phone, and does not create incremental use situations.
- Consumers are making TV conform to their existing Mobile phone usage patterns, and Mobile phone usage is not being changed by the use of Mobile TV.

Lesson #2 – Although Mobile TV appeals to higher-spending consumers, it replaces the use of higher revenue services (including Voice and Email)

Implications of Lesson #2

- Mobile TV consumers are therefore an attractive (and different) target segment. Unlike those of other popular mobile content and service offerings, Mobile TV subscribers are typically high-spending Males.
- However, on the negative side, the hopes that Mobile Operators have placed in Mobile TV subscribers increasing their Voice and/or Mail usage are unfounded.
- In fact, Mobile TV may pose a significant risk to existing mobile service revenue models. Mobile Network operators must carefully monitor communications expenditures of Mobile TV subscribers, as significant ARPU declines will be difficult to regain through related data service usage.

Lesson #3 – Mobile TV Users are more likely to use advanced data services such as the Mobile Internet, Games and Music

Implication from Lesson #3

- These results show that Mobile TV does have the possibility to create incremental revenues for mobile operators, broadcasters and mobile content and service providers
- Specifically, opportunities exist for "interwoven" content or service offerings in which Mobile TV serves as the "hub" of a larger media experience

Lesson #4 – The Loyalty effect of Mobile TV varies by Network Operator

Implications from Lesson #4

- This diversity of loyalty results suggests that Mobile TV services are not a sure "win" in terms of gaining consumer trust. Instead, these results may indicate that loyalty gains from Mobile TV will emerge when an operators content strategy is closely aligned with "Entertainment"
- To ensure Mobile TV deployment success then, Mobile TV offerings must be integrated into a larger, more compelling mobile media strategy.

Lesson #5 – One-Seg in its current "mass broadcast" format does not create any new use scenarios for the mobile phone.

Implications for Lesson #5

- The contextual environment within which Mobile TV programming is consumed is an extremely important element that must not be overlooked.
- The most likely opportunity for sparking such uses will be the development of location and time-specific programming, with content, advertising and services bundled with Mobile TV programming to enhance the user's viewing experience from specific usage environments.

Lesson #6 – The absence of teen girls

Implications from Lesson #6

- Hit mobile services in Japan provide these girls the ability to modify or promote specific products and services based on their collective agreement. Mobile TV services should follow this trend.
- Integrating SNS and Web 2.0 capabilities into Mobile TV solutions may very well help Mobile TV "explode" in popularity.

Conclusions

In aggregate, these results provide strong evidence that the deployment of Mobile TV by itself will not be an instant success amongst mobile consumers. Instead, a passive deployment of Mobile TV runs the significant risk of lowering usage of the most profitable mobile phone services including Voice and Email.

However, these results also provide a number of insights which will hopefully spark new ideas for how Mobile TV can truly become the next "killer application" for the mobile platform. Television content delivered through the mobile channel may be the "glue" to pull together other advanced data service offerings such as Games, Music, Commerce, LBS and SNS. And doing so within a clearly focused strategy around "Entertainment" rather than just another "cool technology" may create true competitive advantage for those Operators, Broadcasters, content creators, Advertisers and Media Agencies who commit to such an approach.

About the Author

Dr. Sugai joined International University of Japan (IUJ) in 2002 where he teaches eMarketing, New Product Development, and Brand Management. He is the Founder and Director of the Mobile Consumer Lab @ IUJ, as well as the Associate Dean of the Graduate School of International Management.

He received his Doctoral degree from Waseda University's Graduate School of Global Information and Telecommunications Studies and his M.B.A. in Marketing and Operations Management from New York University's Stern School of Business. He has worked as a marketing executive at American Express, Muze, Inc., and Lightningcast, Inc., and as a marketing consultant for Advantage Marketing Information.

He is supported by more than 20 graduate students from 13 countries who work within the Mobile Consumer Lab for both research and consulting projects. Sponsors for such projects have included NTT Communications, Sony, KDDI, T-Mobile, Bouygues Telecom, Siemens Mobile, the Niigata Prefecture Government and many others.

About the Mobile Consumer Lab @ IUJ

Mobile Consumer Behavior.com (www.mocobe.com) was started to facilitate dialog, encourage new thinking in the fields of ubiquitous, mobile and wireless business and to provide a forum dedicated specifically to the exchange of information about consumer behavior on the mobile platform.

MoCoBe.com is managed from within the Mobile Consumer Lab at the International University of Japan (IUJ), the home of one of the region's leading business schools. At IUJ masters students from more than 45 countries can be found on campus, and with our alumni in over 80 countries around the world, we are able to approach our research from an extremely international perspective.