
Content Development for the Third Screen: The Business and Strategy of Mobile Content and Applications in the United States



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Next to television sets and computer monitors, today's mobile telephones offer a "third screen" that delivers information, entertainment, communication, and even transactional services to a growingly mobile society. In this study, the author examined the state of the mobile phone industry and assessed the strategies that established media firms have adopted in exploring this emerging platform. It was found that media conglomerates with strong brands have an advantage in this emerging content market.

It has been said that next to television sets and computer monitors, today's mobile telephones offer a "third screen" that delivers information, entertainment, multimedia content, and even financial or transactional services to the growingly mobile, content-hungry consumers (Gwinn, 2004; Ives, 2004). In fact, mobile phone subscribers totaled over 1.7 billion worldwide in 2004 (about 25% of the world's population), outpacing the growth rates for both fixed phone lines and Internet users. Not only has the number of mobile phone subscribers surpassed the wireline subscribers globally since 2002, mobile phones as a communication tool have moved from being simply a technical device to becoming a kind of "social object" in many aspects of people's daily lives (International Telecommunication Union, 2004; 3G Americas, 2004b). The global trend toward mobile communications is likely to continue as industry analysts optimistically projected a 2.5 billion mobile population by 2009 (Wheelock, 2004).

The United States has seen a dramatic increase in its mobile population in recent years, reaching a 60% (176 million) penetration benchmark in 2005. However, it is still relatively behind in the introduction of more advanced wireless platforms (Cellular Telecommunications & Internet Association, 2005). Although many Asian and European mobile phone users can now watch television programs and even shop via their mobile phones, the content variety available through the U.S. wireless services is

comparatively more limited. As the mobile market moves into its next phase of development, in which "content" is likely to be the main driver of growth, the topic of content is becoming the focus of financial investment and business strategies in this sector. Considering the fact that the United States is one of the world's most media-content rich countries with abundant content producers and popular media brands, a dynamic mobile content and application market might drive the necessary consumer demand that would elevate the United States to be among the world's leading mobile communications markets. Accordingly, this study will examine the mobile content strategies adopted by established media firms in entering this dynamic, emerging content market.

A Value Chain Analytical Framework

Although the mobile telephone industry has seen unprecedented growth rates worldwide in recent years, the content market for mobile networks is very much in its incipient stage. The development of future mobile communications is likely to be driven by content and Web-based applications as 3G networks continue to enable the deployment of new Web services with mobility features (Wu & Dixit, 2003). To better understand the process and activities through which a mobile content provider might develop competitive advantages, it is useful to evaluate its value-generating role in the context of all market participants, that is, in an industry value chain. The notion of "value chain" is closely related to the discussion of business models as the former examines the value that is added to a product or service in

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each stage of its acquisition, transformation, management, marketing, sale, and distribution (Picard, 2000). Value chain analysis allows a firm to understand the cost-value relationship for every stage of their operation and thus facilitate the implementation of appropriate strategies. Hitt, Ireland, and Hoskisson (2004) and Porter (1985) detailed that a firm's value chain includes primary activities (i.e., activities that create, sell, distribute, and service the product), such as inbound logistics, operations, outbound logistics, marketing and sales, and service and support activities (i.e., activities that provide the support needed to implement the primary activities), such as firm infrastructure, human resource management, technological development, and procurement. As a value chain shows how value is added from the raw-material stage to the final output, the key is to identify where the value resides and the value-creating opportunities for a particular product.

A firm's value chain is also embedded in a larger set of activities called the value system, where each channel member's output adds to the incremental value of the overall system (Porter, 1985). Developing competitive advantages depends on understanding both a firm's value chain and how the firm fits into the total value system. Adopting this value chain/system framework, I will examine the development of the mobile content business by analyzing the content providers' role in the mobile phone value system and further assess the strategies of these content providers in the context of an industry value chain.

Value System in the Mobile Phone Market

The mobile phone value system in the United States involves six groups of firms that contribute to the final product via various intermediate activities (see Figure 1). The most visible channel members are the mobile service providers or operators like Verizon and Cingular that provide mobile services to the end users. With their network resources and access to consumers, they add the value of network infrastructure, consumer access, and consumer intelligence to the market system. Another group of channel members, content aggregators like MobiTV and RealNetwork, select, package, and market various mobile content and applications that might be attractive to the end users, adding to the system value of convenience, complementarity, efficiency, and variety. Content facilitators like m-commerce fulfillment, billing, and mobile virtual network operator (MVNO) specialists, on the other hand, facilitate the use of mobile content and applications, adding the value of convenience, efficiency, and customer acquisition to the final output. Content developers like ESPN and Sorrent design and produce the actual content and applications for the mobile platform, adding the value of personalization, communication, entertainment, information, and/or transaction to the market system. There are

also content platform enablers like Microsoft and Fandango that develop or distribute mobile enabling software, adding ease of use, integration, variety, and convenience value to the market. Finally, device manufacturers design and produce mobile handsets, providing the value of personalization, integration, aesthetics, and ease of use. Note that the device developers and their software counterpart, the platform enablers, do not actually occupy the far end of the upstream value chain as they also directly interact with mobile service providers. Overall, among the channel members, mobile operators, acting as gatekeepers to the market and the contact point to end users, are the most significant players at this stage of the industry development. Consequently, the competitive dynamics among these firms would have considerable implications on the other members of the market. Thus, I will now examine the state of competition in the mobile phone operator market.

The State of Competition in the Mobile Phone Operator Market

In the United States, the commercialization of mobile phone services began with a localized structure that encouraged the coexistence of multiple regional and national operators. As a result, the American mobile market has historically been competitive compared to other countries. In 2004, 97% of the U.S. population had access to three or more different mobile operators and almost 30% of them had seven or more providers in their markets (Federal Communications Commission [FCC], 2004). The U.S. mobile operators also have adopted three different technological standards.

As the growth of consumer demand slowed down, the American market began to consolidate. In 2000, Bell Atlantic and Vodafone combined their wireless operations in the United States to form Verizon Wireless, which later added GTE's U.S. wireless assets when Bell Atlantic bought GTE. In 2001, Deutsche Telekom acquired VoiceStream (including PowerTel) to form T-Mobile USA (*Hoover's Overview*, n.d.). In 2004, Cingular became the number one mobile phone operator in the United States with a combined market share of almost 30% after its \$41 billion acquisition of AT&T Wireless (see Table 1; *Hoover's Overview*, n.d.). As a prelude to the merger, AT&T partnered with Cingular in 2002 to launch mMode, a package of enhanced data services on its GSM networks. Nextel Communications also agreed to be acquired by Sprint Corporation in a \$35 billion cash and stock transaction. The new Sprint Nextel became the number three wireless operator in the United States with a total share of 23.7%, behind Cingular (29.2%) and Verizon (25.9%; *Hoover's Overview*, n.d.). With the addition of Nextel to Sprint, all the national mobile operators are owned by regional bell operating companies, leading global wireless corporations, or other leading wireline telecommunica-

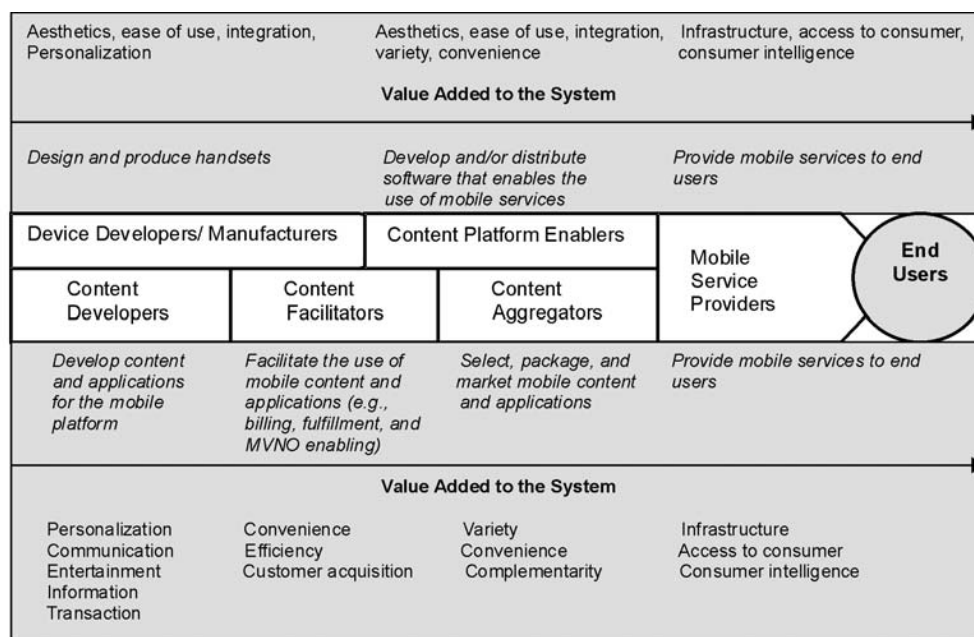


Figure 1. Value system in the mobile phone market. MVNO = mobile virtual network operator.

Table I. The Market of Mobile Phone Operators

| Company Name | Verizon | Cingular | Sprint PCS | AT&T | T-Mobile | Nextel |
|------------------------------------|--|------------------------------|--------------------|--------------------|---|----------------------|
| Owners | Verizon communications (55%) Vodafone (45%) | SBC (60%) BellSouth (40%) | Sprint Corp. | Merged to Cingular | Subsidiary of Deutsche Telekom's T-Mobile International | Merged to Sprint PCS |
| Tech used | CDMA EV-DO | 2.5G GPRS | CDMA EV-DO | EDGE | 2.5G GPRS | iDEN |
| Subscriber no. (million) | 42.1 | 25.7 | 23.2 | 21.7 | 16.3 | 15.3 |
| Revenues ^a (million \$) | 22,489 | 15,483 | 12,690 | 16,695 | 8,358 | 10,820 |
| Market share (%) | 26.0 | 15.8 | 14.3 | 13.4 | 10.1 | 9.4 |
| Brands | Get it now, V Cast | MEdia Net | Sprint PCS, Vision | None | MegaTones, t-zones | None |

Note. Data from *Standard & Poor's Industry Surveys* (Amobi, 2004) and *Hoover's Company Records* (www.Hoover.com).

^aAnnual revenues from 2003.

tions firms. After all the mergers and acquisitions, there appear to be two tiers of national competitors. The first tier operators, Cingular, Verizon, and Sprint Nextel, are two to three times bigger than the second tier T-Mobile in market shares. Smaller players like Alltel, Western Wireless, United States Cellular, and Dobson continue to operate in their regional markets.

In all, the FCC considers the mobile operator industry a competitive market (FCC, 2004). In fact, because of the slowing growth rates and consolidations, the mobile market has increased its ad spending. Verizon has been most aggressive, investing 9.4% of its sales revenues in advertising. Sprint, by comparison, is most conservative (1.9%; Wasserman, 2005). A 2004 survey also revealed that Nextel was the operator that achieved the highest rank in overall customer satisfaction, followed by Verizon, Cingular, T-Mobile, Sprint, and AT&T, respectively (Wheelock, 2004).

Although the market of mobile operators has consolidated to four dominant national carriers, the mobile content market is only in its incipient stage and filled with different kinds of providers from broadcast networks, cable networks, music studios, to game developers. I will now examine the recent development of the non-voice mobile content services in the United States.

The State of the Mobile Content Market

Although the implementation of 3G infrastructure had a slower start in the United States, the nonvoice mobile services are expected to grow substantially in the next few years. In 2003, wireless Internet usage in the United States grew by 145% from the previous year, signaling a faster adoption of mobile data services in the United States (3G Americas, 2004a). Mobile video services also managed to

generate \$32.7 million in revenue in 2004. It was further estimated that by 2009, 22.3 million Americans will be viewers of mobile video content, 31.1 million will use video messaging services, and 78.6 million will play games on their mobile phones (In Stat, 2004b; Wheelock, 2004). Nevertheless, industry estimates are sometimes dependent on the outlook of the general economic environment.

Overall, the nonvoice mobile content and applications available in the United States can be grouped into four categories depending on their main functionality: communications, information and entertainment, transactions, and marketing and promotion (see Figure 2). Communications-related services include older functions like e-mail and simple text messaging and newer video messaging and video phone systems. Information and entertainment services include the popular personalization functions like icons and ringtones, Web-based news, sports, and weather information, movie clips, packaged clips of highlights of television programs/events, either through streaming or downloading methods, interactive 3D games, location-based services (LBS) like navigational systems, and the newer digital media broadcasting systems. Transaction-related services range from mobile commerce/banking to electronic wallet and identification functions. Finally, marketing and promotion services offer personalized advertising options, loyalty building programs, fan clubs development, and many other merchandising and marketing opportunities.

Currently, Verizon offers a 3G wireless broadband multimedia service, V Cast, that includes wireless Internet access, streaming information and entertainment video clips (e.g., Super Bowl and Grammy Awards highlights), interactive games, and music videos from content sources such as record companies like Warner Music Group, broadcasters like ABC and NBC, cablecasters like CNN, E! Network, and ESPN, and Internet-based content providers

like AccuWeather and MarketWatch.com. Cingular offers a multimedia service under the brand name MEDIA that includes ringtones, games, text/multimedia messaging, instant messaging, and wireless Internet access. A live television network that provides a combination of live television and Video On Demand (VOD) clips service, MobiTV, is also available on Cingular Wireless, Sprint PCS, and Midwest Wireless. For less than \$10 a month, MobiTV subscribers are able to watch live news, sports, and entertainment programming on 22 channels, including many cable channels like MSNBC, CNBC, Discovery, and The Learning Channel, and broadcast networks like ABC and NBC. The new 3G operator, Sprint, using the "PCS Vision" brand name, offers wireless Web, Sprint TV, music, games, comics, chat, text/multimedia messaging, personalization, and other business applications.

As for the demand of specific mobile content and applications, the top nonvoice mobile services used in 2004 were text messaging (27%), ringtones (27%), games (16%), e-mail (14%), instant messaging (13%), Internet access (11%), and information services (7%). Text messaging (62%) and ringtone downloads (49%) were especially popular among young adults 18 to 24 (Brier, 2004). In fact, ringtone sales in the United States reached \$146 million in 2004 (Brier, 2004). A recent survey also found that two-thirds of the American teens already used some form of mobile data services and 41% of them expressed interest in having online gaming capabilities on their next mobile device (Meyers, 2004). An industry survey showed that 13.2% of the wireless subscribers are extremely or very interested in purchasing video services for their mobile phones, higher than for other prospective mobile multimedia services like gaming and music services (Wheelock, 2004).

Mobile Strategies of the Media Content Providers

As indicated earlier, the United States has one of the richest media content environments and many popular media brands that could translate to an array of attractive video services for the mobile market. Nevertheless, the bandwidth of the mobile platform is still comparably inferior to wireline broadband at this point and mobile devices have their inherent small screen and input limitations. In addition, the core benefits (e.g., mobility) and social functions (e.g., messaging anytime to friends and family) delivered by the wired and wireless broadband are dissimilar. It is logical that existing media content suppliers would approach this market differently. To this end, I examined the market activities of the leading media content suppliers in the United States, namely, the top media conglomerates such as Time Warner, Viacom, Disney, NBC Universal, Sony, and News Corp. I also reviewed the market conduct of the leading mobile operators and broad-

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|--|---|
| <p>Communications</p> <ul style="list-style-type: none"> • Email • Tele-conferencing • Simple Text Messaging • Multimedia/video Messaging • Video Telephony • Chat/IM | <p>Transactions</p> <ul style="list-style-type: none"> • M-commerce • Identify management (electronic wallet and ID system) • M-banking • E-lottery |
| <p>Information and Entertainment</p> <ul style="list-style-type: none"> • News, sports, weather, traffic • Music download/streaming • Video download/streaming • Digital Media Broadcasting (terrestrial and satellite) • Interactive Gaming and cross-service multi-player gaming • Phone personalization (Icons/wallpaper/ringtones) • Personal Video • In-car navigation system and other LBS services | <p>Marketing and Promotion</p> <ul style="list-style-type: none"> • Targeted advertising • Localized promotion • Community/loyalty building • E-coupons • Voting • Celebrity Fan Clubs • Merchandising and multimedia marketing |

Figure 2. Types and comparison of mobile content and applications. ID = identity; IM = instant messaging; LBS = location-based services.

band service providers to assess partnership-related corporate strategies, content marketing strategies, and intermodal media competitive activities. Following are the strategic behaviors exhibited in the mobile industry concerning mobile content and applications.

Market Segmentation

Although the strategy of market segmentation has been a critical customer acquisition tool for many mobile firms around the globe, the U.S. operators have only adopted such practices recently. Industry reports have pointed out that the current U.S. wireless Internet users skewed male (72%) and younger (53% are younger than age 35) and Asian and Hispanic Americans are more likely to use nonvoice mobile services (Greenspan, 2002; In Stat, 2004a; National Internet Development Agency of Korea, 2004). The very nature of personalization for mobile phones and the differential consumer demand for nonvoice products mean that market segmentation is fundamental for the mobile content business. For instance, mobile content providers like Warner Music Groups (WMG) have targeted the youth market for their music contents. Offering through Verizon's V Cast, WMG makes its music video catalog of artists available for download to wireless consumers. Nickelodeon has designed targeted mobile content and applications for their mobile-phone-using tweens ("Nickelodeon offers wireless services," 2004). Aiming at business travelers, Time Warner, the parent company of MapQuest, launched a LBS mobile brand, Send to Phone, to deliver color maps and driving directions to mobile users (MapQuest, 2005). With the acquisition of Nextel, a popular wireless choice for business users, Sprint plans to aggressively target this market segment with various wireless business applications.

Multimedia Marketing

This is perhaps the strategy that is most frequently adopted by existing media content firms. Integrating the mobile platform into their multimedia marketing campaigns, many media firms attempt to capitalize on the personal and mobile characteristics of this medium. For example, ABC is providing short clips of show recaps, sneak previews, and talent interviews for its popular programs like *Desperate Housewives* (La Monica, 2006). Viacom's Showtime has also launched a mobile initiative that includes short message service (SMS) campaigns, chats, and live on-air polling as well as ringtone sales for their popular series (Wireless News, 2005). Universal Studio even stated that the mobile market is an increasingly important part of its overall marketing strategy for movie and television titles. Cingular's recent alliance deal with HBO entails extensive joint-marketing efforts (Roberts, 2005). Media conglomerates such as Disney, Viacom, and Time

Warner have aggressively utilized the mobile platform to promote their brands (e.g., Disney, ESPN, Star Trek, Rug Rats, Mission Impossible, and Mighty Mouse) through mobile content such as interactive games, ringtones, and graphics (Kuchinskas, 2002).

The mobile device can also be used to nurture a media brand by offering a community and/or communication mechanism such as fan clubs and polling that increases audience involvement with a content or some elements in that content. For instance, Verizon and Telemundo have set up a vote casting system for Telemundo's reality series. Cingular customers may vote for *American Idol* (www.cingular.com) with text message, join the fan club, and do text chats (there is a TXT-n-Win sweepstakes, trivia, and ringtones of songs performed by the contestants). A&E is using mobile phones to connect with fans via SMS. Members of the A&E fan clubs receive weekly messages from the stars and special offers. There are even content facilitators that specialize in managing celebrity text chat services that enable fans to send and receive messages from their favorite celebrities at any time. The growing popularity of such mobile communities gives sponsors an avenue to market directly and contextually to a loyal group of consumers (e.g., send coupons and special incentives directly to their mobile subscribers).

Lifestyle Brands and MVNOs

It was proposed that brands are key elements for differentiation when there are abundant opportunities to consume content (Macinnes, Moneta, Caraballo, & Sarni, 2002). As the mobile market matures, brand marketing is likely to become more critical. Most recently, the power of brands in the mobile industry has materialized in the form of MVNOs. MVNOs, although not owning their own networks, partner with an existing wireless operator to lease its network and resell access to the network under their own brands. For example, Virgin Mobile rents Sprint's network to target teenagers. ESPN and MTV are coming out with their own mobile services aiming at sports enthusiasts and a young lifestyle group. The resellers can be viewed as a mobile service provider, excluding the infrastructure value-adding capabilities. They are likely to come from content aggregators or content developers with a strong brand name recognition or special market segmentation expertise. Through the MVNO business arrangement, media brands like AOL, ESPN, and Disney can put their stamps on mobile phone services, targeting loyal customer bases to harvest their brand equity through a line extension corporate strategy. As a response to this development, another group of content facilitators was formed. Mobile virtual network enablers like Visage Mobile are a third-party group that coordinates and hosts these rebranded services (Schwartz, 2002).

The MVNO strategy gives the established media firms a less costly way to provide content to and connect with

their customers via multiple platforms. It also offers the firms additional means of multimedia marketing for their products. Most important, this arrangement may shift the supremacy of owning wireless access to end users, the consumers, from the operators to media firms. The best candidates for MVNO are those that have acquired significant brand equity like many in the cable programming industry. Lifestyle brands that have strong associations with certain demographics or lifestyle images (e.g., MTV) also have a better chance of attracting subscribers. Mobile operators might also be induced to explore such an arrangement after the hefty investment in upgrading their infrastructures and the rising cost of subscriber acquisition costs (the MVNOs would assume the cost; Schwartz, 2002; "Vision, meet reality," 2004). Nevertheless, it is likely that mobile operators that have strong brands would want to market their own services whereas others might become wholesalers. Sprint has had a business model of renting its networks to MVNOs. In all, media content firms that have established popular brands may become more important when MVNOs prove to be an effective operational strategy. In fact, media conglomerates with multiple lifestyle brands would be in an excellent position to become MVNOs.

Personalizable, Mobile, and Modular Content

It has been suggested that the mobile phone has become the most intimate aspect of a user's personal sphere of objects, such as his or her wallet or keys (International Telecommunication Union, 2004). The personal nature of mobile devices has significant implications on the design of their contents. A wireless content or application should not simply be the wireless version of a wireline broadband content or application, it should be tailored to take into account the location and personal preferences of individual mobile users. Industry surveys found that mobile consumers want to get specific, targeted, and relevant information immediately with little scrolling or key input; they also prefer short clips of mobile television or music sessions of about 8 to 15 min (so-called TV snacking; "Mobile TV," 2004; Steiner, 2001). In other words, the elements of "ease of use," "device friendliness," "personalization," and "spontaneity" (use on short notice and short time intervals) have to be present in mobile content offerings. To accomplish this, there has been a closer relationship between content developers, content platform enablers, and device developers. For example, Motorola and Viacom's MTV have formed a 3 year \$75 million partnership to develop and market new mobile content worldwide. Nokia and Universal Music have allied to develop technologies and distribution models that allow people to download music on their mobile phones ("Music for whose ears," 2003).

The content developers have also responded to this new platform with video programs called *mobisodes*, short clips of serial dramas for mobile devices, either as an extension to existing television programs or an original production. Fox Entertainment Group has produced 24 serialized original, live-action mobisodes of popular series 24 (Wildstrom, 2005) for Verizon Wireless V Cast service. These mobisodes, produced and distributed exclusively for Verizon's customers, last about 60 sec and have different characters from those on the broadcast television series. News Corp.'s Twentieth Television is also producing several 1 min original mobisodes of the serial dramas *Love and Hate* and *The Sunset Hotel* (26 mobisodes for each series; www.verizonwireless.com) specifically for V Cast, in addition to dedicated promotional spots for each series as well as a mobisode about the making of these programs (PR Newswire, 2005).

Multifunctional Gaming

Mobile gaming is another area of applications that tends to attract younger users. Three aspects of gaming in this platform are worth noting. First, mobile gaming is often used as part of a multimedia marketing campaign for promoting a media content product. It is especially effective for branded sports-related and theatrical-content brands like ESPN and movies such as *Spider-Man* and *War of the Worlds* (e.g., Sony Pictures Mobile provides Verizon Wireless customers a three-dimensional Spider-Man Game via Verizon's 3G service; www.verizonwireless.com). In this context, mobile games also offer merchandising opportunities and sometimes serve as an m-commerce platform. Lastly, to provide the function of community building, mobile games are also moving toward an interoperable gaming environment in which a game community is formed regardless of the participants' carrier affiliations. Another group of mobile facilitators has evolved to coordinate and integrate such interoperable gaming systems (PR Newswire, 2004a). This might mean more efficiency and coverage for the media marketers who decide to include mobile phones in their multimedia campaigns.

Internet-Mobile Relevancy

As indicated in previous literature, there is a succinct connection between the demand for Internet and mobile communications. People who use both the Internet and mobile phones have similar characteristics with those who use only mobile phones. The Internet competency of a media firm is likely to benefit its mobile ventures. For example, a local television station, WRAL, started providing its viewers wireless access to up-to-the-minute news, traffic, and weather via Sprint PCS. Not only was WRAL the first local television station to offer such content, it was also one of the first television stations in the country to offer news via the Web.

Many media conglomerates have delegated the responsibility of mobile initiatives to their Internet divisions. For example, WMG's Internet Strategy and Business Development Division is in charge of its mobile music video download service on V Cast through Verizon Wireless. The connection between online and mobile content and applications is evident in that AOL has long established a wireless division, AOL Mobile, to deliver its Internet features and services such as instant messaging and mail services to the subscribers of all leading mobile operators (Time Warner, 2003). AOL even set up an AOL Mobile Download Store that offers an online library of ringtones, icons, and screensavers for mobile personalization.

Although the content-rich characteristic of the Internet is a positive association for mobile content in developing wireless Internet services, it is, however, important to differentiate the marketing of mobile content from that of the online world. Mobile content providers have been very careful in cultivating the value of content in its mobile form, wanting to avoid the "free content" mentality of the Internet users that plagued the Internet content business.

Multilateral (Quadruple) Competition

From a corporate strategy perspective, the mobile platform presents a missing piece of the puzzles for cablecasters in today's multilateral competition environment. Although wireline telephone companies (telcos) such as BellSouth are expanding to the wireless arena through their mobile property ownership (e.g., Cingular) and the video market via broadband VOD ventures, multiple cable system operators like Comcast Cable are aggressively exploring ways to engage the telcos in all three voice, video, and data markets through the introduction of Voice Over Internet Protocol and cable modem. For instance, Time Warner has been working with Sprint to test a wireless offering that could be bundled with its television, Internet, and phone services ("Verizon wants to compete," 2004). The quadruple competition via telephone, broadband, video, and mobile systems might become a norm for telcos and their cable counterpart. Today, the battle is progressing to include the wireless platform. In fact, the strategic move into wireless is growingly critical for the leading Multiple System Operators such as Comcast, Time Warner, and Cox, the number one, two, and five broadband providers in the United States, as their broadband counterparts from the Digital Subscriber Line sector, SBC and Verizon (number three and four broadband providers), are all strong contenders in the mobile market.

Strategic Partnerships

As in other emerging, fluid markets, alliances are a preferred strategy that offer the benefits of resource sharing

and risk reduction. Various strategic partnerships have been formed between different members in the mobile value chain systems, especially among content developers and mobile operators, device manufacturers, and content aggregators.

Verizon, as the leader in advanced 3G mobile services, has been very active in developing partnerships with content developers to beef up its video offerings. NBC and ABC have agreed to provide news-related contents for V Cast, and Verizon and Sony BMG have entered joint marketing agreements to utilize Sony's music products with ringtones and clips of real music (PR Newswire, 2004b). Sprint and HBO entered a partnership to bring ringtones, actual song clips in the show, static and animated screen saves, logo, and even images of the cast for the popular series *Sex and the City* (www.timewarner.com). Most recently, Cingular negotiated with HBO to become the premiere television content provider on Cingular's 3G mobile network using a similar business model as that of the cable and satellite providers (i.e., splitting monthly subscription fees; Roberts, 2005). TBS and Sprint have jointly created original productions for TBS's Cartoon Network in their effort to develop mobile micronetworks geared toward personal tastes. Such strategic relations can also be global. Warner Bros. Online (WB) and Vodafone entered a distribution agreement that brings WB's entertainment brands to Vodafone services worldwide. The services include games, screensavers, and other content based on WB's popular brands (Time Warner, 2004).

To increase efficiency of their offerings and gain access to a larger number of end users, many content developers are working closely with established content aggregators like Vindigo and Sorrent. Time Warner has partnered with Vindigo in its effort to offer LBS service through its MapQuest products (Time Warner, 2005). News Corp.'s Twentieth Century Fox has allied with Sorrent to develop mobile games and contents for upcoming Fox feature film releases (CCN Newswire, 2005). MobiTV has partnered with many video brands in both the broadcast and cable sectors.

To ensure an attractive, easy-to-use platform, content developers are also working directly with device manufacturers. Motorola and MTV's multiyear venture offers branding, product distribution, and even production opportunities. Nokia and Universal Music's alliance aims to ascertain the best technologies and distribution models for music that take into account both the technical and consumer aspects of music consumption on the go.

Discussion and Conclusion

Most industry reports suggest that American consumers will spend more for mobile content than wireline online content in a few years (Roest, 2004). In fact, without content, the wireless pipeline could only provide the more

traditional communication functions, risking differentiations by prices alone, thus reducing profitability (Goddard, 2003) and running the risks of commoditization. Although the mobile content market is still in its incipient stage, it offers great potentials for established media companies, especially those with strong brands that are familiar and attractive to mobile subscribers. Specifically, mobile content and applications present not only an additional video revenue source for branded media content firms, they also offer synergistic opportunities for developing cross-platform marketing, loyalty programs, and even ad sales packages. In essence, the value of established media brands can be greatly harvested in this new content market, thus potentially elevating these media firms' competitive position in the emerging mobile industry. The growing popularity of another mobile device, iPod, and its expanding video capabilities also translate to an increasing consumer comfort level and appetite toward mobile video consumption.

There are, however, many challenges ahead for a smooth transition from a wired to a wireless content business. There is still a lack of standards for delivering, displaying, or charging for mobile media (Kuchinskas, 2002), a lack of speed currently in the United States, limitations in input, navigation, and readability, and missing business models that satisfy the revenue sharing preferences of both the content providers and service operators (i.e., phone companies want greater traffic whereas content providers want sales of their content products). The issues of digital right management and interoperability are some other important areas to contemplate if mobile distribution of media content products is to become a mainstream business opportunity.

As the mobile market moves toward the next stage of development, the variety and amount of mobile content products are likely to multiply. In fact, the expansion of video services might place mobile phone operators in a position similar to that of a cable system operator, thus demanding a video packaging strategy and even a revised regulatory framework that takes into account the issues of content editing, open access to networks, and intermodal competition. Strategywise, the key to success for mobile firms in the next stage would be the implementation of business plans that take advantage of the core benefits of mobile communications, ones that offer mobility, respond to shortened attention span of the consumers, enable user interaction and control, utilize market segmentation techniques, bundle products to improve value, utilize content as a marketing, loyalty, and added-value tool, and develop a good profit-sharing arrangement between content providers and other parties in the value system (Goddard, 2003; Roest, 2004). It is also important to package and price mobile content in a way that transcends value, avoiding the "free" content mentality that has plagued the Internet content market. Finally,

as consumers are faced with abundant opportunities to consume contents from multiple wired and wireless sources, the effective use of established media brands and engagement of multilateral competition are likely to differentiate the winners from the losers in the growingly integrated telecommunications-media environment.

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