

Top Story

How the iPhone will revolutionise the mobile sector

Thursday, 31 July 2008

Last Updated: Thursday, 31 July 2008

By James Thomson

The iPhone will help triple the size of Australia's mobile content sector in the next five years. The challenge for business is to find the growth hotspots and ride the revolution.

When Apple launched its 3G iPhone on 11 July, it wasn't just tech heads and Apple diehards that were celebrating.

For most players in Australia's mobile content sector, the iPhone is seen as the device to transform the fledgling industry by encouraging Australia's 21 million mobile subscribers to use their phones for much more than making calls and sending text messages.

Alex Young, chief executive of mobile website publisher Mostyle, is a member of an emerging group of mobile content companies that have waited five to 10 years for the mobile data services sector to hit critical mass. "It's a little bit of a waiting game for the market to catch up – that's now."

He believes the iPhone hype will help transform the sector by "waking up" consumers to the potential of mobility. "It's a great mechanism to allow people to easily access mobile sites. It's about educating consumers."

Marisa Maio Mackay, director of research at mobile solutions company m.Net, says the sector is on the cusp of an extremely exciting 12 to 18 months. While she doesn't see the iPhone as the "killer application" for mobile technology, she does believe its sheer popularity it will help increase the use of mobile for web browsing and other mobile data services. "I think we have reached a point where you are going to go beyond a group of high level users to the masses.

The launch of the iPhone has already sparked a rush of companies launching specific mobile sites and applications. These include:

- News Limited, which has launched iPhone-optimised versions of its news and information website, News.com.au, its local business directory Truelocal.com.au, and its ticketing website Moshtix.com.au.
- ANZ, which launched an iPhone version of its internet banking site.
- Fairfax, which has an iPhone version of its domain.com.au real estate classifieds site.
- Lonely Planet, which launched 10 phrasebooks for iPhone users.
- Ninemsn, which launched versions of its news, sport and entertainment portals for the iPhone.
- Commsec, which launched an iPhone version of its trading platform.

Rapid growth

There's good reason for this rush. Warren Chaisatien, research director at communications industry research firm Telsyte, expects the iPhone will more than triple the amount Australian consumers spend on mobile content in the next



five years, with spending increasing from \$430 million in 2008 to \$1.4 billion in 2012. "Given Australian consumers [excluding business users] spend \$5.5 billion in total on mobile services, the proportion of spending on mobile content is tiny," Chaisatien says. "But it will grow from less than 10% of total mobile spending to almost 25% in the next five years."

Chaisatien sees three reasons for the growth. The first is the new generation of mobile devices, of which the iPhone is the market leader. "These devices with large and touch sensitive screens will help make the mobile phone much more user-friendly for regular users."

The second growth driver is the increasing availability of mobile content, as highlighted by the new mobile sites mentioned above. "You can now find the mobile versions of many news and entertainment sites very, very easily. I think we are going to see more of this type of content," he says.

The third reason the mobile content sector will enjoy explosive growth is the most simple; price. For many mobile phone users, the cost of web browsing has simply been too high, but the introduction last year of capped data plans by Hutchison subsidiary 3 Mobile has forced all Australian carriers to start lowering data costs. "Pricing is still very important and we have seen the carriers are starting to understand this in the last 12 months," Chaisatien says.

He sees a huge number of potential applications for smart phones, including everything from home automation (where the phone can be used as a remote control, and be used, for example, to turn on the heater before you get home) and electronic payments and identification.

What sort of content will be popular?

However the uptake of those applications is some time away. For the next two or three years, Chaisatien expects mobile content providers to concentrate on entertainment-related content.

Tony Marlow, associate research director at Nielsen Online, says the five most popular mobile data services highlight the sort of content that will be work into the future.

The most popular is downloading ringtones, screensavers and wallpapers (a \$50-million-a-year business in Australia), followed by email, news and weather, local search functions, and sports information. He nominates email services and maps and direction services as the two biggest growth areas.

The downloading of music and video content is also a big growth area for mobile data, as it has been in the online space. But Marlow says this is one area where content providers have been forced to change strategy in recent years. "Initially the industry thought it was all about live programming – that's what the telcos thought was going to be the golden ticket. But users really want short, sharp content, delivered on demand."

3 Mobile's head of internet and communication services, Jana Kotatko, agrees. "I think there's definitely some correlation between shorter programs and a mobile phone. We find that the average viewing time of our mobile TV channels is about eight minutes."

3 Mobile (which ironically doesn't carry the iPhone but does offer the BlackBerry) offers a broad range of mobile content, including television channels, news services, lotto results services and even eight different porn services. In its annual report for 2007, the company said 64% of customers paid for mobile data services, up from 56% in 2006. Customers "experienced" 120 million content events, 5.7 million music events and downloaded 1.65 million games during 2007. "I think the signs are that it's all growing, though some genres are growing faster, such as games and music," Kotatko says.

She is also bullish about the impact smartphones will have on the mobile content sector, particularly as phone users embrace web browsing. "The big growth opportunities are around the open internet on the mobile. You are talking about handsets that are mini computers."

When and how should companies tackle the mobile content revolution?

It's one thing for media and specialist mobile publishing companies to ramp up their operations in the wake of the iPhone's launch, but should companies in other sectors rush out and build a mobile-specific site? Given it is going to cost you a minimum of \$10,000, it's not a question to be taken lightly.

Companies should certainly not panic about missing the boat.

The use of mobile data services is in its infancy, and the audience is still largely confined to early adopters. Neilsen's Tony Marlow points out that a recent survey by his firm found that while 60% of mobile users had web-enabled phones,

only 45% of those people had actually gone online. "That's much lower than the industry expected."

Until mobile data costs fall, that trend won't change markedly. Marisa Maio Mackay of m.Net says while pricing of data services has improved, it remains a long way from the unlimited mobile data packages offered in the US. "We still need the carriers to come on board with better data packages and unlimited data packages. That's what people are looking for," she says.

Paul Wallbank, SmartCompany blogger and owner of PC Rescue, believes the iPhone could actually create problems in relation to cost. He has already heard stories of customers exceeding the meager download limits attached to iPhone plans offered by Australian carriers and running up monthly bills into the thousands. The Australian Competition and Consumer Commission even took the extraordinary step of warning users about excess download charges, which would have scared some users.

It's also unlikely that the average company is going to be able to turn clicks into dollars. Outside of paying for mobile content such as games, ringtones and screensavers, Australians are completely uninterested in shopping on their phones. A recent survey by Unisys found that 78% of people would not use a mobile device to perform basic purchasing or financial functions. Only 7% said they would even consider it.

Maio Mackay isn't expecting an incredible rush of companies building mobile sites. "Companies took a while to get their online presence sorted out, and I think that made them more wary about the mobile space."

Of course, that might be a short-sighted view. Maio Mackay argues that savvy mobile data users will be drawn towards the brands and companies they know and trust. If a mobile user browses the web and can only access a clunky version of your site rather than a made-for-mobile version, your reputation could take a hit. "It doesn't necessarily mean you are going to make a lot of money in the short term, but people will expect that forward thinking brands or companies will have something in the mobile space."

What should your mobile site look like?

If you do decide to take the plunge and build a mobile site, start by thinking about how mobile customers use data services. "It's not the same behaviour as a web user," Maio Mackay says. "It's not about browsing; it's accessing specific information usually influenced by a single purpose."

Jana Kotatko from 3 Mobile also says it's important to think of the context that people use their phones in – on the train, at the bus stop, walking down the street – and tailor your mobile website accordingly. She gives the example of social networking site Facebook. While a user might use their mobile to change their status four times a day, they are likely to wait until they get home to spend an hour cruising the main website. "You've got to factor in the total experience. The mobile is about 'snacking'."

Maio Mackay says mobile websites should be simple and functional – many company sites will only have one or two pages. For example, the ANZ mobile website includes basic functions such as "contact us", "locate us" and the normal ANZ internet banking service (more functions will be added in coming months).

Also, think about offering features that differ from those that appear on your main website to give browsers a reason to visit the mobile site and to prevent cannibalisation of your website audience. "It's about innovation, not replication," Maio Mackay says.

Mobile advertising

The other way companies can potentially take advantage of the mobile content boom is via mobile advertising. Warren Chaisatien from Telsyte says the potential of this medium is huge, as mobile carriers have a huge amount of information about each user – particularly their location and what their preferences are – that marketers could use to tailor campaigns. "It will be a very powerful personalised marketing tool."

But that is some way off. A recent report from research firm Frost & Sullivan found the mobile advertising market in Australia is still very much in its infancy with total revenues reaching just \$2.5 million in 2007. This is expected to triple in 2008 thanks to the uptake of 3G data services and better pricing, but in general advertisers remain wary of the mobile advertising medium.

Darryl Nelson, Frost & Sullivan's senior research manager for digital media in Asia Pacific, says 2007 was a "watershed year in mobile advertising, with the medium achieving a successful proof-of-concept stage. Indeed, advertisers which have adopted mobile advertising show a clear propensity to increase their spend with the medium."

At present, mobile advertising remains the preserve of big companies in the media and entertainment, and banking,

financial services and insurance industries, which contributed more than 50% of revenues in 2007. “They are organisations which typically have large advertising budgets overall and have been wowed by the rich campaign return on investment metrics available from mobile. At the same time, they typically have a strong commitment to digital advertising and are now looking for even more sophisticated mobile inventory,” Nelson says.

For small and medium sized companies, it’s probably best to wait and see how the mobile sector content sector develops.

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