

# Cutting. edge



**C**onvergence is behind all delivery of all the new entertainment services, but mobile advertising is emerging as one of the ways to make money from them. In 2007, the mobile device could at last begin to fulfil its commercial potential and give rise to ambitious new trends, services and business models.

In recent months mobile operators have changed the way they deal with convergence, voice and the mobile Internet. In the last quarter of 2006, 3 launched its flagship X-Series, a device that showcases big brands in a cosy mobile portal environment, proof that lessons have finally been learnt and a new era of the mobile Internet is dawning. X-Series gives users the feeling of being let loose on the mobile Internet, but control remains with 3 which is able to provide an effective, but easy to use, mobile Internet experience.

Speculation surrounding a possible Google branded device with Orange is rife and, as mobile evolves, it's not surprising that operators are looking to Internet leaders to guide their mobile developments. This is not because operators cannot champion the mobile Internet themselves, rather that it is pragmatic and cost-effective to partner with companies that have a track record in key areas, such as search, to complement the operators' areas of expertise, leaving the carriers to concentrate on their killer service offering – voice.

And voice is still the killer service for mobile operators; successful home zone offerings across Europe prove it. Vodafone Zuhause in Germany already has more customers than Vodafone live! TIM's converged Famiglia service has also been very successful, despite fierce competition in the Italian market; whereas its mobile Internet services uptake remains lacklustre.

T-Mobile linked arms with Google to launch its Web 'n' walk services in 2005, but after 18 months had gained only 750,000 subscribers. Yet a year after launching its @home converged fixed/mobile offer in Germany, T-Mobile has over a million users.

## Convergence, entertainment business models and emerging trends are the overarching themes of this year's 3GSM.

The operator's @home strategy surpassed expectations because it is something people really want, whereas Web 'n' walk is a nice to have package which has done little to lift data average revenue per user (ARPU) or match the operator's hype.

Interestingly, Web 'n' walk was also an attempt by T-Mobile to re-brand. It failed. On the other hand 3 and probably Orange are going to promote and, they hope, strengthen, their brands with their innovative mobile Internet services. Instead of taking and replacing, operators are realising that they need to partner with big brands to be successful in data services.

Operators are becoming more savvy about channeling services and targeting segments. The Google or Yahoo! branded device will cater for one market segment, just as pay as you go or Vodafone Simply devices accommodate others. Certainly, there is room in the market for operator own-brand devices and search engines. The variations of own and other branding will be needed to offer greater consumer choice and appeal to more market segments.

Mobile operators must consider launching sub-portals for brands and services while also promoting their core digital content. For example, the navigation key

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within an operator-branded, white label search engine could link to trusted sites or featured partners from brands such as Google, Yahoo!, Orb or Skype. Again, this would give consumers the look and feel of the open Internet, but in a controlled and managed environment. This form of segmented mobile search engine and portal could be created by gurus such as Medio Systems and can trigger the success of operator-owned digital content.

The ease with which Google and Yahoo! have entered the mobile Internet is because of their core competences. The business model behind the branded search companies is not only about search and discovery; advertising is these companies' bread and butter. If operators plan to do battle with the branded search firms in the early stages of the incipient mobile advertising boom, they are likely to lose – just as so-called free voice or voice over the Internet Protocol (VoIP) offers from branded search engines have struggled to make an impact on the mobile market. In short, the key players in mobile need to stick to their knitting and hook up with partners who can make up for the deficiencies in their areas of expertise.

The Vodafone Yahoo! UK collaboration epitomises how operators and search engines can work together to improve the mobile Internet experience. Both parties are striving to offer free data services in return for consumers agreeing to view advertising. There is no guarantee it will work, but the right con-

tent to the right target segment could well make the mobile Internet an exciting proposition for parts of the market that have so far staunchly rejected the entire proposition.

In this light, Blyk – the mobile virtual network operator (MVNO) that says it will give away free voice calls to consumers in return for advertising – could be the biggest threat to mobile operators in 2007. It is true that so far MVNOs haven't been overwhelmingly successful and 'free voice' isn't much of a business model, nor did free calls on the fixed line triggered by advertising work either. Viewed from these points of view, Blyk could be a sinking ship.

Still, mobile is a very different proposition from fixed and no-one knows what consumer reaction will be; many of mobile's biggest, most innovative fans, young people, have limited disposable income and their mobile expenditure is rationed by the bill payers. They may well welcome advertising as a way to boost their mobile use, not the bill. Blyk represents an emerging trend and it won't be the first European deployment of its type.

Voice remains the stickiest mobile service proposition to date. Without voice, there is no convergence, entertainment or emerging trends. Operators must never lose sight of the fact that while other mobile fashions come and go, the importance of phone call revenue must never be forgotten nor voice services neglected.