

Making Music with Mobile

This whitepaper is an extract from:

Mobile Music Ringtones, Ringbacks, Full Tracks & Payment Models 2007-2012



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Introduction

For several years, music has been the main driver in mobile entertainment. Ringtones were the first mobile entertainment service to achieve mass adoption, while the introduction of realtones and ringback tones provided further impetus to the market. Now, with an increasing number of mobile handsets able to boast on-board memory in excess of 1GB, with others boosted by flash memory cards and memory sticks, with networks able to deliver data at high speed, and with operators beginning to lower data costs, mobile users are downloading or streaming full, original recordings in ever greater numbers.

Types of Mobile Music

Mobile music can have a number of meanings, depending on the definition of mobile. Mobile music as defined in this report, is about portable, personal music consumed on devices that are also mobile phones. It does not cover mobile music consumed via mobile devices which are not capable of connection to wireless networks, although this type of mobility is referenced. It is also about mobile phone personalisation products that use music content.

For the fourth edition of the Juniper Research mobile music report, we have restructured our categorisation of the mobile music market to reflect the growing interest in subscription-based music services, such as SK Telecom's MeLON and Vodafone's Music Station, wherein consumers effectively rent music rather than own the tracks outright. The categories of mobile music covered in the forecasts are:

- Ringtones (encompassing monophonic, polyphonic, realtones, video ringtones and karaoke ringtones);
- Ringback Tones (of all types);
- Paid-for Full Track (OTA) Music Downloads; and
- Subscription-based rental services and streamed radio.

The Hurdles to Greater Adoption of Mobile Music Services

While mobile music services are potentially lucrative, there are a number of hurdles which must be overcome before such services can either be deployed, or, once deployed, be delivered in such a way so as to maximise their revenue-earning potential. The following table lists a number of the more problematic hurdles, ranging from social and cultural issues to technological difficulties.

Table 1: Hurdles to the Adoption of Mobile Music Services

Issue	Why is it a challenge?
User Interface	Difficulty in discovering services and content; Difficulty in accessing services and content; Difficulty in navigating services and content; and, Difficulty in utilising multiple applications simultaneously
Handset Form, Capacity and Battery Life	<p>The capabilities of the mobile handset are clearly important with regards to music, from a number of perspectives:</p> <ul style="list-style-type: none"> ● Form factor – the handset must enhance the music experience; ● Capacity – the handset must have enough memory to store a number of tracks; and, ● Battery Life – Rich media applications impose greater demands on handset battery life. <p>The key concern over form factor is marrying the various needs of mobile users without comprising the core functionalities of the handset, which are to make voice calls and (in most cases) send text messages.</p> <p>Furthermore, music is merely one application which must jostle for position on the handset with games, TV, internet, and so on.</p>
Network speed and coverage	<p>Even in many developed markets, large rural areas remain without any 3G coverage, and even urban coverage can be patchy. Many would-be customers frequently meet only with the message “You are now outside the video service area”, thereby limiting the number of services they are able to access. Furthermore, there is often a significant degradation of coverage in-building.</p>
Service Pricing	<p>Given that polyphonic ringtones are amongst the most basic forms of mobile entertainment service, and that far more sophisticated music services are available at a fraction of the cost, it is perhaps remarkable that their retail price points have been sustained thus far. However, with an increasing number of DIY ringtone options available to consumers, and with subscription services offering bundles of tones at lower prices, Juniper Research does not believe that these premiums are sustainable in many markets.</p> <p>Furthermore, full-track downloads are also significantly overpriced in a number of markets.</p>
Cost of Data Services	<p>High cost of browsing and downloading services and content combined with opaque pricing structures continue to act as a disincentive to service adoption.</p>

User Confidence	<p>The ringtone market is one of the more mature sectors of mobile entertainment, so users generally have a high degree of confidence in the product and its delivery mechanisms. However, user confidence can be fragile as has been seen with the Crazy Frog ringtone promotion in the UK in 2005, which had many youngsters unwittingly signing up for a subscription service when thinking they were downloading a single ringtone.</p> <p>Meanwhile, issues affecting customer confidence with OTA mobile music services are:</p> <ul style="list-style-type: none"> • Uncertainties over the right to use (eg on different platforms, handset upgrades etc) • Download quality and security (can it be as good as from a CD? What happens when the download is interrupted?) • Security and fairness of billing mechanisms.
Rights Management	<p>The primary issue of confidence for the music industry is the protection of digital rights and the ability to extract due payment from the revenue stream. Digital rights management is a complex area and mobile brings new nuances. The mobile music industry needs confidence in DRM applications.</p>
Industry Structure	<p>The level of control exerted by operators rankles with, and exasperates, the content providers, an environment not necessarily conducive for the introduction and mass adoption of innovative mobile services. Indeed, one corollary of this is that companies which specialise in a given area of content (be it music, games or adult content) are unconvinced as to the operators' efficacy in marketing their particular product, in that operators, after all, are mobile specialists and not specialists in music/games/adult content.</p>

Source: Juniper Research

The Opportunity for Mobile Music

Mobile music remains the key driver for mobile entertainment. While it was anticipated that the demand for ringtones would diminish, and that prices would soften considerably, that has – thus far least – proved not to be the case. Furthermore, improved form factor and greater handset memory have provided the basis for mobile handsets to become music storage devices and music players. There is an enormous opportunity for the mobile music market to continue to expand, and these are outlined in Table 2 below.

Table 2: Key Drivers for Mobile Music

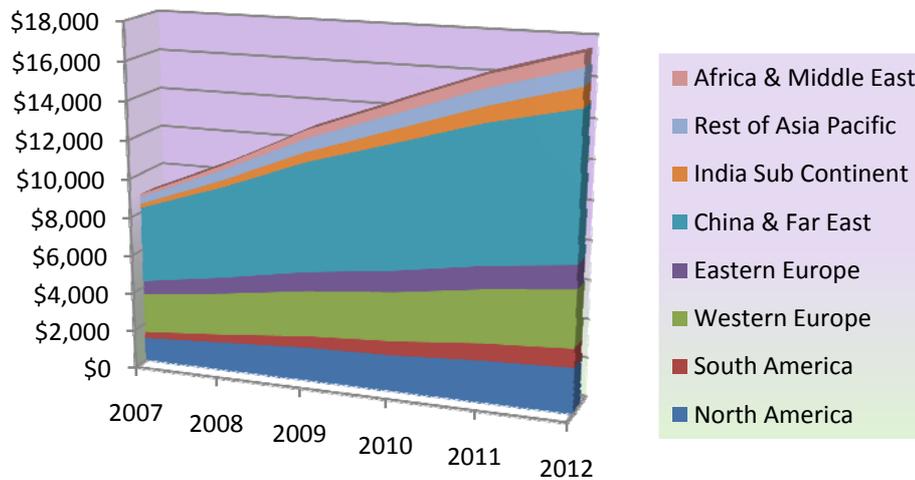
Driver	Why is it an opportunity?
Universality	Ringtones and ringback tones are personalisation products that use music and other sounds to say something about the user of the phone. There is no indication that the demand for such products is diminishing, in fact new geographic markets are still developing and as advanced networks and handsets are rolled out, more technology demanding personalisation products will become available to a wider audience.
Product Innovation	In addition to the development of new geographic markets, as developing mobile markets adopt mobile data services, the ringtone market has shown remarkable powers of rejuvenation through product innovation. This started with the introduction of polyphonic tones and has progressed through to real tones, video tones and “celebrity” voice ringtones, helping to sustain revenues throughout the forecast period.
Proven demand for personal mobile music enjoyment	The success of personal music consumption devices through the years from personal stereo radio/cassette players to iPods and MP3 players has shown the enduring demand for such devices, particularly among the teenage and twenties age groups. This demographic group is continuing to grow as global population swells, particularly in the large Asian developing markets and with the “30 somethings” proving to be an important sector of online digital music downloads, an element of this sector will also include the mobile channel in their digital music acquisition and use.
Single communications and entertainment device	With a proven demand for personal music consumption devices, the question is what proportion of consumers will continue to favour separate personal audio devices and what proportion will move to a single integrated communications and entertainment device. There will always be audiophiles that favour the optimised audio device and those that will never put “all their eggs in one basket”. However, as the capabilities of music and multimedia optimised handsets approaches those of MP3 players in terms of audio quality, storage capacity, and music management, Juniper Research believes that the tide will turn in favour of the single device. The handset manufacturers certainly have the bit between their teeth with increasing numbers of well specified music and multimedia phones being released in all regions..
New Delivery Channel	It is in the music industry’s interest to promote new channels to market. The industry has had difficult years with physical sales dropping off. The industry has now embraced digital music as the way to halt the decline and indeed that now appears to have happened. The next challenge is mobile, which is nowhere near such a big step, as the digital rights issues are similar to online music.

Source: Juniper Research

The Market for Mobile Music

While other forms of mobile entertainment such as games and mobile TV have started to generate significant revenues, mobile music, initially driven by ringtones but subsequently bolstered by the introduction of ringback tone and full-track revenues, has blossomed. Pulling together the revenues from the various categories of mobile music (ringtone, ringback tone, OTA (Over the Air) full-track purchases and full-track subscription services) gives a total of nearly \$17.6 billion by 2012.

Figure 1: Total End-user Generated Revenues (\$m) from Mobile Music (Ringtones, Ringback Tones, Paid-for Full Tracks and Subscription-based Full Track/Streamed Music Services). Regional Forecast 2007-2012.



Source: Juniper Research

At the present time, the largest share of revenues hails the China & Far East region, and indeed this region will continue to be the largest contributor to overall revenues throughout the forecast period. Furthermore, its market share over that period will remain broadly constant, thanks primarily to the introduction of takeup of full track download services within China as 3G services are rolled out in that market. Western Europe and North America will remain respectively the second and third largest markets.

Order Full Report

Mobile Music: Ringtones, Ringbacks, Full Tracks & Payment Models - 2007 - 2012

This whitepaper is taken from the fourth edition of Juniper Research's report entitled "Mobile Music: Ringtones, Ringbacks, Full Tracks & Payment Models - 2007 - 2012".

This fourth edition of the mobile music report provides a complete analysis of the market opportunity for mobile music services up until 2012. Through an examination of the current mobile music market and in-depth qualitative research in the form of one-on-one interviews with leading members of the mobile music value chain, this focused study offers market projections for each category of mobile music service: ringtones; ringback tones; OTA full track downloads; and subscription based rental services & streamed radio. The report also presents market projections for mobile music user numbers and revenues between 2007 - 2012 split by eight key regions of the world. In addition, this extensive analysis of the mobile music market provides a vital analysis of the growing interest in subscription-based rental services.

Key questions the report answers:

- What strategies should operators, vendors and aggregators employ to maximise their respective returns in the mobile music sector?
- What are the prospects for the rental music market?
- Are there further opportunities for growth in the ringtone market?
- To what extent are current music content retail prices sustainable?
- What impact has 3G had on the mobile music market?
- What are the major hurdles to greater adoption of mobile music?
- How has the mobile music value chain developed?
- Who are the major players in the mobile music market?
- Will advertising provide a viable primary revenue stream for content providers?
- What is the total value of the mobile music market?

For more details on this report visit the website www.juniperresearch.com or phone +44 (0)1256 830002.

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About the Author

Dr Windsor Holden is Principal Analyst with Juniper Research. He is responsible for developing Juniper Research's report portfolio and designing a forthcoming range of market intelligence services focusing on the mobile content market. He is also the author of a number of recent reports including: Mobile Gambling: Casinos, Lotteries and Betting (4th Edition); Mobile TV: Opportunities for Streamed & Broadcast Services (3rd Edition) and Mobile User Generated Content: Dating, Social Networking and Personal Content Delivery.

Previously with Analysys, Dr Holden has written extensively on mobile content, emerging telecoms markets and digital TV. He is also a regular conference speaker and a former Research Fellow of the Institute of Communication Studies, University of Leeds.

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