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Web Site : Mobiletoday.co.uk
Date : 31/01/2008
Security copy : 149538124.pdf


http://www.mobiletoday.co.uk/New_entrants_threaten_operators_revenues.html







## Guest bloggers

# New entrants threaten operators' revenues

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Because the mobile entertainment market is becoming more valuable, operators face competition from new players entering a space which, until recently, they dominated. This year will certainly bring more challenges for the industry and, in particular, the operators.

The mobile entertainment market is worth a lot more than most people think. It grosses over $30bn a year, making the mobile entertainment and content market four times larger than the 'user paid' internet content market. Of course, if you include the amount of money being generated through online advertising, the internet is a bigger dealÉ but will that last?

Mobile will become even more important when 'ad-funded' models start making an appearance this year. In a survey conducted with Mobile Entertainment Forum [MEF] members, mobile is expected to generate 20% of the total entertainment revenues by 2010.

Is Nokia a friend or foe?

Nokia is feeling pressure from its competitors, and it will not be able to maintain its market share so it has to find new revenue streams. Looking at the history of the company, it's obvious that the manufacturer is very good at changing strategy.

Nokia's initiatives, beyond Ovi and including its big push into advertising geographic information and music, makes it a serious competitor to operators' value-added services strategy. Its purchase of Navteq is significant, as the people that were expected to make revenue from location-based services were the operators. Nokia's deal with Universal music will provide consumers with the ability to access unlimited music on their mobile and, in turn, cut out the operator.

Apple's position is a unique one due to the ubiquity of iTunes and its dual position as a device manufacturer. This is the first time a handset manufacturer is getting a share of voice revenues.

An area to watch in 2008 is the pressure from consumers for the Apple iPhone to become open source, and the Android operating platform will see its first applications launch. I wouldn't be surprised if you continue to see the close collaboration between Apple and Google on this front. It would create a very powerful force for operators to reckon with. Google is already the most used application on the iPhone.

Operators are also getting squeezed by Google, Yahoo! and Microsoft for the advertising business. These

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companies are some of the biggest advertisers on the internet.

Mobile advertising is going to be a huge opportunity for the operators. They are in a position to monetise this in the same way that the broadcasters monetised their audiences. Operators have the visibility of what the users do which gives them a unique position in the market to understand a user's habits and preferences. Relevance and context are key to the success of mobile advertising, and operators have the power of delivering both.

Although it would seem that operators will be getting the squeeze from both sides, we must also acknowledge that their ownership of the customer is not likely to change radically and quickly. As long as Google stays away from the spectrum auctions, the operators will continue to be the gatekeepers and be in the best position to determine how to monetise their mobile audience.

Operators are getting the squeeze, but if they get the squeeze so much that they are out of business, the other guys are out of business too. We are going to see some interesting business models develop.