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Aspiring US wholesale carrier LightSquared is having a bumpy ride to market, fending off accusations that its network will interfere with services offered by existing GPS players. And its new deployment deal with Sprint delivers a blow to Nokia Siemens Networks. Chinese vendor ZTE is looking to take its brand into the global handset market, while a new handset tie-up between Vodafone and Facebook forms part of a wider drive to take mobile services to the rural Indian market. UK tech startup Neul reckons that what the world needs is another network standard, one that can be used specifically to target the M2M market.

ESPN’s Tom Gleeson
Tom Gleeson, one-time publisher of cricketing almanac Wisden, is now responsible for all of sports broadcaster ESPN’s digital media outside of the US. Mobile is a key part of the firm’s play, he says, and is only going to get more important.

Case Study
In July, O2UK launched a location-based loyalty and retention scheme offering its customers discounts and deals from 30 partners from the fashion, leisure and retail sector. The launch builds on existing loyalty and location-marketing initiatives from O2, which is among the most advanced carriers in the world in terms of location.

Mobile Marketing
The hype and excitement generated by the advent of digital advertising a decade ago led to widespread speculation on the death of traditional media. But were those predictions very much exaggerated or just premature?

Viewpoint
At the recent Google Think event in London, mobile, digital and marketing specialists gathered to share their views of how their worlds are coinciding. We report back on the views of the Carphone Warehouse’s Charles Dunstone, Google’s Ian Carrington and Rory Sutherland of Ogilvy.

Faced with the Herculean (or should that be Heraclean) task of cleaning up its finances, Greece is looking to squeeze the country’s operators for cash once again.
The handset sector used to be a relatively stable environment, populated by companies that knew where they belonged. Not any more. Nokia’s market share has dropped below 25 per cent according to the latest analyst figures, and the descent has almost certainly not yet run its course.

Nokia’s downward spiral is a result of its failure to nail a platform strategy during a transitional period in the handset market where innovation from the likes of Apple and Google came at a blistering pace. There are parallels between Nokia’s situation and that of Canadian vendor Research In Motion, which has just released its latest operating system, Blackberry 7.

While Nokia opted for a multi-platform approach, with different operating systems for different market segments, RIM now has three of its own, with Blackberry 6, Blackberry 7 and the QNX platform it bought in April 2010 on which its Playbook tablet is based. This level of fragmentation could be difficult to manage. Apps for Blackberry 6 won’t work on Blackberry 7 and the new OS will not be available as an upgrade like Apple’s iOS4. If a user wants the new OS, they’ll need a new phone. But if they get a new phone, they’ll have to get all their apps again.

Lucky number 7?

Also like Nokia, RIM has gone a long time without bringing any new handsets to market in the high end. In early August it announced five new products, based on the new OS, including a full touch screen unit that illustrates how the firm is trying to evolve itself from a purveyor of enterprise-specialist, service based devices, into another player in the platform space.

The hardware is where the money is for the handset vendors and the services are the way the vendors sell them. But how keen are developers going to be to generate apps for a brand new OS that has no installed base? That remains to be seen.

Earlier this year RIM announced that it would be releasing two ‘app players’ that will enable Android apps to run on its Playbook tablet. The end game for RIM seems to be to migrate its smartphone portfolio to QNX, so perhaps RIM handsets will run Android apps in the future.

Depending on how long it takes the firm to produce QNX smartphones, Blackberry 7 might turn out to be a short lived platform, unless RIM is keen to stick to the kind of segmentation strategy that doesn’t seem to have worked for Nokia.

Mike Hibberd
Editor
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Wholesale Changes

US carrier LightSquared is having a bumpy ride to market. But while it seems to be deflecting attacks from aggrieved GPS players, it has dealt Nokia Siemens Network a serious blow of its own.

Incumbent users of GPS solutions in the US have been running tests over the past few months which suggest that at least one of LightSquared’s 10MHz spectrum blocks interferes with GPS receivers, sparking transport safety concerns, particularly among the aviation and public safety sectors. US regulator the FCC had originally granted the wholesaler the right to use satellite and terrestrial spectrum for its services, provided that it didn’t cause any major interference with GPS devices.

LightSquared’s response late in June, having secured a last-minute extension to a deadline requiring it to submit its own report on interference to the FCC, was an offer to switch spectrum bands to one that was “located further away from the GPS frequencies, greatly reducing the risk for interference.” If the firm had hoped that this would mollify its critics, it was to be sorely disappointed.

The firm’s offer was met with derision by the rather melodramatically named Coalition to Save our GPS, which counts Garmin, TomTom, FedEx and the Air Transport Association among its members. The group issued a statement referring to “this latest gambit by LightSquared” as “bordering on the bizarre.”

Responding to the proposals, the Coalition said that “LightSquared’s supposed solution is nothing but a ‘Hail Mary’ move,” adding that confining operations to the lower band “still interferes with many critical GPS receivers in addition to the precision receivers that even LightSquared concedes will be affected.” The Coalition accused LightSquared of “unilaterally delaying” the filing of a study into the interference, saying that government results submitted to date and a study group report have already confirmed the interference beyond doubt.

LightSquared embarked on a public relations offensive, pledging to upgrade US public safety equipment at no cost, and setting up the Empower Rural America initiative, which it said would ensure successful interworking of its services with GPS and improve safety levels in remote areas of the US.

The firm’s problems have not deterred its backers. In July it announced $265m in additional funding, drawn from unnamed investors, some existing, some new. The latest injection took the company’s total investment haul for the past year to more than $2.3bn. And prospective customers seem no more daunted than investors, as the company announced late in June that VoIP provider netTalk had joined Sprint, Best Buy and Leap Wireless as wholesale customers.

Amid the turmoil, though, LightSquared looks to have shunted some of its pain down the line to Nokia Siemens Networks through a reworking of its deployment strategy. A year ago LightSquared and Nokia Siemens were making much of their proposed partnership, which was valued at more than $7bn over eight years and involved NSN deploying and operating the new player’s entire network, combining terrestrial LTE and satellite technologies. LightSquared’s EVP Martin Harriman told MCI at the time that the deal was “vast and extraordinarily complex” in its scope and that it would cover all areas of the firm’s network operation. “It’s a big, big deal, both for us and for NSN,” he said.

The deal was announced hard on the heels of Nokia Siemens Networks’ decision to spend $1.2bn on the remnants of Motorola’s infrastructure business—and the two developments combined to show Nokia Siemens appearing to make a concerted push into the US market.

At the forefront of LTE deployments, the US is a key field of operations for infrastructure vendors. Market leader Ericsson has boosted its US presence dramatically in the last two years, helped by attrition in the infrastructure space in general, and the acquisition of Nortel’s CDMA business in particular. The firm now has 14,000 employees in the US, including its chief technology officer.

The LightSquared deal was the cornerstone of NSN’s response to Ericsson’s US land grab, both in terms of infrastructure supply and in terms of outsourcing; a strategic option gaining popularity in the US market.

But late in July LightSquared confirmed a partnership with US carrier Sprint Nextel that appeared to deal NSN’s US ambitions a severe blow. Under this new arrangement, LightSquared will pay Sprint up to $11bn over 11 years to deploy and operate a nationwide LTE network on its behalf, using L-band spectrum that belongs to the newcomer. Sprint will then become a customer of LightSquared’s, leasing capacity back from it in return. Sprint will make the decision as to which suppliers will win the business and the firm is closely aligned with Ericsson, through a 2009 managed service deal that saw Ericsson take on 6,000 Sprint employees.

Needless to say there was no announcement about the new arrangement from Nokia Siemens, although a spokesperson for the firm did confirm to MCI that it will no longer be involved in the running of the access network. The spokesperson said that the firm is still involved with LightSquared and has signed a new deal for the design, installation, testing and systems integration of the firm’s core network. “This means we will play a central role in LightSquared’s rollout of 4G-LTE,” she said. But no financial details were revealed and this cannot be seen as anything other than a big disappointment for NSN—and a setback in the US market where much of the learning about real world LTE will take place.
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In this capacity, it’s pretty much unheard of, especially outside of the industry. Yet all that is set to change.

Chinese manufacturer ZTE is best known for a disruptive presence in the network infrastructure space. The firm also makes handsets on a white label basis selling them to operators which will rebrand them as their own. In this capacity, it’s pretty much unheard of, especially outside of the industry. Yet all that is set to change.

In July, ZTE held a press conference in London to announce a UK version of its website and its intention to step out of the shadows and push its own handset brand out to the market. Through a deal with local distribution channel Brightpoint, ZTE will have its own-label handsets on UK shelves later this year.

To date, the company’s white label strategy has dovetailed with its adoption of the Android platform to result in ZTE becoming the world’s sixth largest provider of mobile devices during the first quarter of this year. According to statistics from analyst firm Gartner, ZTE just edged out HTC with 2.3 per cent market share in 1Q11 having shifted 9.8 million devices, compared to HTC’s 2.2 per cent or 9.3 million units. Now ZTE is hot on the heels of troubled Canadian firm RIM, which has three per cent market share, having shifted 13 million Blackberry devices during the first quarter.

It’s interesting that ZTE has just overtaken HTC, given that the Taiwanese handset firm, once dubbed ‘the hottest tech outfit you never heard of’, followed a similar arc in its development. The strategy worked out well for HTC, which also started out in the white label business, backed the Android OS and is now one of the most recognised smartphone brands on the market. So, with a focus on its own-brand smartphones, ZTE said it expects to ship more than 80 million handsets this year, up from 60 million units in 2010.

Wu Sa, director of mobile device operations, ZTE UK, said: “ZTE made a commitment at the start of 2011 to alter its strategy from being a feature phone-centric supplier to producing much higher-end smartphones and delivering an enhanced user experience to the mass market. We are working closely with Brightpoint to launch smartphones into the UK market this year. We expect ZTE to become a household name, synonymous with high quality smartphones and tablets.”

The firm’s off to a good start. ZTE’s Blade touch-screen Android handset has already racked up sales in excess of two million, making it one of the best selling smartphones globally. The device, which was first sold in the UK in 2010 under the brand “San Francisco” by carrier Orange, is now sold in 30 regions, with ZTE saying it has “successfully penetrated Japan and Finland, the home markets of major ZTE competitors.” In fact, keen to further its credentials in the popularity stakes, ZTE claims that the Blade’s popularity “actually exceeded that of the iPhone 4 in the UK at one stage in early 2011,” adding that the device had been “promoted aggressively” through special offer pricing in Orange’s retail outlets over the Christmas holiday period. The strategy apparently paid off, with the device becoming Orange’s top seller during that time, aimed as it was at the more budget-conscious sector of the UK market.

ZTE also reported strong sales of the handset in Japan, where a last minute requirement from operator Softbank to ship the device, known locally as the “Softbank Venus”, with Android 2.2 is credited with its healthy performance in the market. Naturally, the Blade was also customised for the domestic market, where it is available on China Telecom’s CDMA EVDO network and China Mobile’s TD-SCDMA network.

Pushing its own brand might have knock on benefits for ZTE in terms of revenue generation. As the firm typically delivers operator-branded devices to its customers at wholesale cost, by reallocating its manufacturing resources for its own label units, the company could cause a shortfall in units available for its customers. In that case the carriers would be forced to stock the vendor branded devices at wholesale rates or buy them through the regular distribution channels at greater expense and rebrand them at their own cost. Whichever way it goes, it’s a win-win for ZTE.

“The European smartphone market is at its hottest now, and it will stay hot for several years to come,” said John Delaney, research director for Consumer Mobile with industry analyst IDC. “Between the start of 2011 and the end of 2015, we expect over 725 million smartphones to be purchased in Europe, while the focus in smartphones tends to be concentrated on the software platform, some of the Asian vendors are reminding the industry that the hardware brand, too, can still be a powerful driver for success in the smartphone market.

In fact, five of the top ten handset vendors are based in Asia: Samsung, LG, ZTE, HTC, and Huawei; or six if you count Japanese-Swedish venture Sony Ericsson.

At the top of the table, however, Apple continues its forward thrust. Figures from Strategy Analytics for the second quarter of 2011 show the iPhone vendor overtaking both Nokia and Samsung, shipping 20.3 million units. Nokia’s woes continue, meanwhile, with Strategy Analytics putting the firm’s market share at just 24.5 per cent.
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Community spirit

The Indian mobile operators began commercial activation of 3G services towards the end of 2010 and the start of 2011. Naturally, the focus began on the country’s urban and more densely populated areas, but with rural India experiencing strong growth, the operators are also focusing on the harder to reach markets with specially customised products.

There are some key challenges, but also some key opportunities, in serving the mobile long tail in India. For a start, there is the sheer size of the market—870 million people live in rural India and the rural economy is growing fast with earnings rising 14 per cent year on year (annual earnings are averaging $360 per capita).

Speaking at the Future of Wireless international conference, sponsored by Cambridge Wireless, in late June, R. Swaminathan, senior vice president at Indian carrier Reliance, highlighted the importance of the rural markets at a time when so much focus is on the heavy users of the urban centres. With the rural economy booming, Indian service providers have noticed rural inhabitants are adopting two products at an amazing rate and both are geared towards entertainment—the TV and the mobile phone. Around 43 per cent of households own a TV or radio and 33 per cent own a mobile.

Swaminathan attributed the strong growth in mobile adoption to several key factors. While there has been a major uplift in mobile usage in urban markets since 2001 when calling party pays was introduced—mobile penetration in the urban markets is around 151 per cent now—rural adoption is still lagging. The regulator also had a big part to play in coverage expansion by spreading its spectrum allocations. In 2000 there was only one operator, government-run BSNL. But by 2007 that number had risen to seven and by 2011 it had reached 15 operators. Since 2006, many of these operators have been making forays into the rural markets as competition became increasingly tough in urban areas. Due to the rising number of carriers, more affordable tariffs were available, with prices per minute dropping from about $0.20 in 2000 to around $0.01 in 2011.

The creation of a new obligation fund, where five per cent of each operator’s annual earnings are placed in a kitty dedicated to subsidising anyone who rolls out a rural network, has encouraged more players into rural markets.

In 2011 the creation of a new obligation fund, where five per cent of each operator’s annual earnings are placed in a kitty dedicated to subsidising anyone who rolls out a rural network, has encouraged more players into rural markets.

In August, Vodafone Essar sought to capitalize on this same community spirit with the launch of the world’s first ‘official’ Facebook phone targeted specifically at the prepay market. Upon activation, users are presented with the option to either sign up or sign into a Facebook account, after which the user’s Facebook friends list becomes integrated with the phonebook. Automatic updating is user definable at a granular level allowing users to keep costs down, which for Vodafone delivers an opportunity to cash in on data usage from a relatively untapped sector and for Facebook opens up the opportunity to increase its user base in rural, emerging markets where fixed line internet is nonexistent.

Kumar Ramanathan, chief marketing officer for Vodafone Essar, said he believes the offering will be an easy pitch for both urban and rural areas due to Facebook’s popularity in the Indian market. “We have 60 million mobile internet users in the country and around 40 per cent of those use Facebook on mobile. We have a huge number of young people and social networking will drive growth in the mobile space,” said Ramanathan.

“There is no local social network brand in India, so the decision to go with Facebook was quite easy. When we first launched 3G we allowed users to experience Facebook on the mobile for free and in one week doubled usage. Those numbers stayed up there.”

There is a huge youth market in India and more than 50 per cent of the population is self employed and living in small communities. “Most people in rural areas do not go beyond 50km,” said Ramanathan. “There is a connection with friends and community and social networking builds on this and is actually used to benefit livelihood by creating opportunities and enhancing productivity.”

The remaining potential for growth in India has not been lost on key international investors. Earlier this year Japanese incumbent NTT DoCoMo upped its investment in Tata Teleservices, while in July Vodafone increased its holding in Essar to 63 per cent, at a cost of $3.32bn.
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White Space Invaders

There’s no denying the currency of machine to machine communications as an industry hot topic. But does the hype justify the creation of an entirely new network technology to serve the space? UK startup Neul thinks it does.

A UK startup led by former executives from silicon vendor Cambridge Silicon Radio and UK regulator Ofcom’s one-time head of R&D has launched a new network technology which it says will “revolutionise” the M2M and local broadband sectors. Neul—the firm’s name derives from the Gaelic word for ‘cloud’—has created an entirely new standard, which it calls ‘Weightless’ that operates in the unused white space spectrum that surrounds TV transmissions.

The firm is banking on that standard being adopted by a range of silicon and kit vendors. It is offering the technology specification on an open source basis to any companies interested in developing M2M products, through membership of the Weightless Special Interest Group, which it has also set up.

The team behind Neul back Ericsson’s assessment that there will be 50 billion connected devices by 2020. CEO and founder James Collier said the firm was working on the assumption that, in the UK, ten connected devices per person is a realistic measure of the potential market. Announcing the firm’s plan to see the technology deployed globally, Collier said: “This is a new industry that could have a dollar value the same size as the entire cellular industry today.”

But questions remain over whether or not that cellular industry is in a position to adopt another standard, just as it is converging on a worldwide standard in LTE. The journey to a single standard has been long and arduous; why would an operator aligning itself with an ecosystem of global scale suddenly adopt an entirely new network technology?

Collier said that mobile operators are not in a position to divert existing or future cellular capacity to M2M projects as it is needed to meet ballooning demand for consumer and enterprise mobile data usage. Besides, he said, existing cellular technologies are unsuited to M2M applications. He described 3G as “absolutely hopeless for most M2M applications,” adding that LTE “couldn’t possibly” be used to connect things like smart meters in an efficient and effective manner.

In addition he played up the cost advantages of the new standard, suggesting that a network of six thousand cells could cover the UK at a deployment cost—not including site acquisition—of $50m.

The industry was unusually taciturn in its response to Collier’s claims and it stretches credibility to believe Vodafone, Orange and Teléfonica and the GSMA could not, between them, muster a single viewpoint on Neul’s proposition. They kept their counsel, though, which suggests that either they didn’t want to talk about it because they are currently assessing the firm’s ideas, or they think it’s a blind alley and they’re following grandmother’s advice that, if you can’t think of anything nice to say, you should say nothing at all. Or both.

Ex-Smartone CTO and founder of industry consultancy Northstream, Bengt Nordstrom was one person prepared to make a public judgement—and he didn’t pull his punches. “It’s highly unlikely that a start-up company will have its technology approved as a standard for white space usage, and this will ultimately prevent it from building any real volume and momentum with operators,” he said. “The road to recognised and approved radio access technology standards is paved with interesting but unsuccessful start-up company initiatives.”

While Neul will be keen to prove Nordstrom wrong, they’re not yet ready to do so. The firm has developed products that can be used for trials but commercial use of the white space spectrum they’re planning on inhabiting is not legal anywhere in the world. And while it is anticipated that this spectrum will remain unlicensed, it doesn’t take an Olympic leap of imagination to picture regulators realising that, if there’s a commercial model for spectrum use, then perhaps there ought to be a commercial prerequisite for its exploitation.

Neul’s CMO, Luke D’Arcy described the company at the firm’s launch event as “the Ericsson of White Space.” So what does Hans Vestberg CEO of the Ericsson of Everything Else think about the whole thing? After all, it is his company’s relentless marketing of its premise about the potential size of the global connected device market that has fuelled much of the enthusiasm for the sector.

Perhaps unsurprisingly, Vestberg is not convinced. “Operators have networks already. Today [those networks] cover 85 per cent of the world’s population and we will cover 90 per cent soon. “This means that the main opportunity for machine to machine is covered. I don’t see that there should be specific networks for M2M; and the operators in general see that they should use their existing networks for grabbing this opportunity,” Vestburg told MCI.

Then again, the operators didn’t seem to want to confirm that themselves. So perhaps there’s a chance that Neul does have it right—White Space, the final frontier.
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Sporting chances

Tom Gleeson, one-time publisher of cricketing almanac Wisden, is now responsible for all of ESPN’s digital media outside of the US, and mobile is a key part of the firm’s play.

Founded in 1979, the Entertainment and Sports Programming Network ESPN—is one of the biggest sports brands in the world. With six US cable television networks, the firm, which is majority owned by Disney, gets average viewer figures of up to 115 million each month. Outside of the US ESPN has 46 television networks internationally. Its international division, which includes those networks as well as a host of digital properties, has 350 million subscribers across 200 countries.

Tom Gleeson is the man in charge of driving strategy for the digital business for ESPN International—including the US—and that strategy is going to be heavily dependent on mobile technologies. In the US and beyond, ESPN’s mobile reach is already fairly well established. The firm estimates that it, “attracted nearly 70 per cent of users seeking sports on the mobile web in 2010, averaging 11.5 million unique visitors,” which was an increase of 37 per cent on the previous year, while its mobile apps across all platforms average 4.5 million unique users per month.

Mobile alerts were up 250 per cent year on year, with 2.5 billion delivered to fans and sign-ups for alerts rose by 546 per cent. The firm aired 950 live events, including all 64 FIFA World Cup matches, on its mobile TV service during the year. And the firm is eyeing continued growth. As Gleeson says: “We think mobile is critical now and it’s more than critical in the coming years.”

And for those within the mobile industry, the thinking behind this observation is familiar. In many instances in emerging markets—and ultimately Gleeson’s growth will come from the same places as everyone else’s—the mobile may well be the only way to reach the consumer. Sports fandom is not dependent on wealth or location, after all. Millions of Africans are passionate followers of football, while cricket is almost a religion on the Indian subcontinent.

With this in mind, ESPN Digital is focused on what the firm calls “the best available screen”. Says Gleeson: “The challenge for us is to deliver the best possible content to whatever screen that fan has available at a particular time. What we see going forward is that there are huge parts of the world where people are only ever likely to interact with our content, certainly on a digital level, on a mobile phone. And in markets like India, if we’re not providing a really good mobile offering then we aren’t going to be reaching a large part of the potential market.”

This doesn’t necessarily mean, however, that Gleeson’s team are focused on delivering ever richer content to mobile devices. “The content at a basic level is the same across all devices,” Gleeson says. “But on an iPad we can deliver a cricket score wrapped in stats and graphs and video, while to the consumer in the emerging market maybe we’ll just have a simple text that tells them the score.”

Gleeson argues that it is incumbent upon the content supplier, and not the network operator or the handset or platform providers, to ensure quality and consistency of content across different platforms. “Consumers don’t care about or understand our issues around rights, or anything else. They come to an ESPN branded app or site and expect, a good experience,” he says. “We can’t tell them that we can’t deliver that experience because of the handset supplier or the operator. The consumer is dealing with our brand.”

Of course there is a growing feeling among operators that, as the guardians of the successful delivery of all network traffic, there ought to be some level of compensation from the content providers that are filling the networks full of
data and pocketing all the proceeds. So what does Gleeson think about that?

"I can certainly see where they’re coming from, and with the explosion in usage of things like the [BBC’s] iPlayer, there is a cost to bandwidth," he says, following a conciliatory line. "We expect quite a lot of [mobile video] usage to be over wifi because, by and large, watching video over wifi is still a better experience than watching it over the cellular network."

In any case, Gleeson says, the firm’s flagship mobile apps ought not to consume huge amounts of bandwidth, meaning that ESPN won’t be beholden to the operator community. In the UK the firm is shortly to launch an app that will deliver video of every goal scored in the top tier Premier League to the handset; for free. It’s a proposition that will doubtless see very high downloads for the app, although Gleeson doesn’t believe that it will act as a substitute for the subscription TV services, run by Sky and ESPN, that own the UK TV rights to Premiership football.

"The benefit with the goals app is that you get the video of the goal within a couple of minutes of it happening," he says. "Usage on mobile devices is really targeted. It’s not about reading a three-thousand word analysis of a match, or sitting and watching a mobile device for three hours as you might a television."

There is a middle ground, though, which is the increasingly popular tablet form factor. Realistically a tablet could be used to view longer video content without a huge compromise on the quality of the user’s experience. But in the content community, in ESPN’s experience at least, there are ongoing discussions about how tablets should be qualified in terms of digital rights. In the case of the new Goals app, Gleeson does not have the rights to offer the content for consumption on tablets.

"It’s an area where the rights landscape is going to evolve,” he says. "It’s not just the iPad that we’re talking about because you can stick a 3G dongle in your laptop and access data. But my iPad is only wifi. Should that be classed as a mobile device? Is the 3G iPad a mobile device? It can’t make phone calls, so maybe it’s not. The distinction between the PC and the mobile is blurring. This will become more complex as the rights continue to be broken into different packages like that,” he says.

Offering premium content to the end user for no charge is clearly only sustainable if it is supported by advertising and sponsorship. Gleeson says there is no element of the mobile play that is intended to work specifically as an up-selling hook. At the time of writing, MCI understands, ESPN has secured a sponsor for the new Goals app in the shape of Bet365.

"As much as tailoring content, we’re also trying to tailor advertising opportunities,” Gleeson says. "So if we’re talking to an advertiser and we’re reaching someone on an iPad we can offer an advertising solution that is far richer than we can offer on the phone. Advertisers want to provide users with the best creative, and the richest media they possibly can, and that’s very much in our thinking when we’re talking about what experience we’re providing to the end user."

Some advertisers want to target only users of certain handsets, Gleeson explains, because they believe that those users will have more spending power. But ESPN’s appeal to advertisers is more about reach than it is about specifics,” he says. "We don’t have a lot of registration data, we’re not tracking that. We do a lot of research around who our fans are and how they’re accessing our content—and when an advertiser is trying to target men of a certain age, then we fit the bill. But I wouldn’t say that we have very detailed, in-depth individual data on our users."

That at least is one area where the operator community will be able to outdo the content provider. But content like video remains a hugely appealing medium for advertisers. The headline sponsor on the new Goals app will be given three-second video slots ahead of the footage of the goals themselves. ESPN is confident that this is enough to appeal to the media buyers.

It wasn’t too long ago that a lot of operators could be heard to proclaim that "Content is King"; but that was when they thought they would be the gateway to that content. That model was a failure, though, and now operators have to play in a world where the King doesn’t necessarily value them that highly.

Gleeson doesn’t pull his punches when asked about the position of the operator in the value chain. “With our current business model we don’t have much interaction with the operator, they are just the pipe, really,” he says. The nature of the business means that ESPN works far more closely with handset manufacturers and the application store owners, he says. "That’s the distribution model now; it’s all about the application stores and it doesn’t really matter about the operator."
Getting into position

Operators are renewing their enthusiasm for location as OTT players build their own means of accessing positional information on consumers. Marketing and advertising will be key, and success will be derived from expertise in context, content and customer relationship.

By Mike Hibberd
location was the Next Big Thing for a decade or more in the mobile industry. It was the cellular operators’ most unique asset; something that—at some undefined yet nearby point in the future—they would begin to monetise with great success. Of course that point never came and location was demoted from service to feature, and then from feature to function.

The problem was that operators almost always envisaged location as a service in its own right—something that subscribers would pay for; either on a per fix or subscription basis. Charging per location fix proved both cumbersome and complicated, while subscription models required that the customer commit to regular payments for something they had no idea how much they’d use. This is a problem not unique to location—it is common across all value-added services.

To be fair to the mobile operators, location rarely, if ever, crowned their to-do list. And against the backdrop of (necessary) carrier preoccupations in other areas of their business, location found an alternative route to market. Like so much else in the recent history of the mobile industry, it was the handset, platform and OTT players that worked out how to harness information on the whereabouts of mobile users and create services that were appealing to them.

This has owed much to the increasingly widespread inclusion of GPS chipsets in smartphone devices, which have allowed service developers to circumnavigate the network in deriving a network fix. Today, location is one of the most frequently adopted APIs for smartphone apps.

A year ago, mobile security firm Lookout announced a research programme that it called the App Genome Project. The project was designed to assess the security risks posed by different smartphone apps, and this was partly achieved by gauging which APIs different applications required access to. By February of this year Lookout had mapped more than half a million free applications from the Apple App Store and the Android Market. More than a third of free apps on iOS (34 per cent) access location information, with the number slightly lower for Android, at 28 per cent.

GPS is not the only means by which location fixes on smartphones are retrieved, and both Apple and Google are building and maintaining positioning databases, founded on the location of cell towers and wifi nodes, as well as GPS, which threaten to cut mobile operators out of the location play.

US firm Skyhook was one of the first players to begin compiling such a database, which is based predominantly on the position of wifi nodes. And the firm’s recent experiences illustrate the extent to which location information is being treated as a market necessity by OTT service providers. Until spring 2010, Skyhook was a provider of location information to Apple but the iPhone vendor decided that, from version 3.2 of its iOS onwards, it would be using its own location database, compiled in a similar fashion.

"DATABASES ARE DEFINITELY SEEN AS MORE OF A COMPETITIVE ADVANTAGE NOW," SAYS SKYHOOK’S DIRECTOR OF MARKETING, RONDA BILLINGS. "IT ADDS CREDIBILITY TO THE FACT THAT LOCATION IS HOT WHEN PEOPLE LIKE [APPLE AND GOOGLE] SEE ITS IMPORTANCE. OF COURSE WE’D LIKE TO SEE [APPLE’S] DATA COMING INTO OUR OWN DATABASE RATHER THAN THEIRS BUT IT IS WHAT IT IS, AND WE’RE STILL ON THEIR OLDER DEVICES."

Skyhook is also suing Google over an aborted deal that would have seen Skyhook technology used on Motorola Android handsets, instead of the Google location feed. The firm alleges that Google made Motorola an offer it couldn’t refuse, leading to a volte-face from the handset vendor and a scuppered deal for Skyhook. Still, the firm can bypass Google through the SDK that it makes available to Android developers, who are able to integrate Skyhook’s solution into their apps.

Such intense competition among the different players building location databases that don’t require a feed from the mobile network raises the question of whether or not that network is even necessary for location any more. Billings, as you’d expect, suggests not: 'The carriers have missed the boat on location and we were ahead of the curve. They may not have seen it as quite as important as it has become. Who would have thought, two years ago, that an idea like Foursquare would be as popular as it is now?'

But not everyone is so ready to write the mobile operators off. Simon Buckingham, CEO of content aggregator Mobile Streams, the Applitalism application store and Zoombak, a US tracking service provider, says the operators may be down, but they’re not out.

"THE OPERATORS REALISE THAT WITH MOBILE SEARCH THEY GAVE THE GAME AWAY," HE SAYS. "BY LETTING GOOGLE RUN THE SEARCH PORTAL, THEY LOSE TRAFFIC TO EXTERNAL SITES AND THEY LOST THE ABILITY TO CONTROL WHERE THE CUSTOMER EYEBALL WENT. I THINK THEY’VE LEARNED THAT LESSON AND MY EXPERIENCE HAS BEEN THAT THEY’VE REALISED THAT LOCATION IS THEIR GREATEST ASSET. I AGREE THAT THE OPERATORS MAY HAVE LOST THE FIRST ROUND, BUT THE FIGHT ISN’T OVER YET."

Buckingham argues, and he’s not alone, that one of the operators’ advantages is that solutions based on databases of cell towers and wifi nodes are simply technologically inferior to the level of information operators have at their disposal. His experience with Zoombak over the last five years, he says, is that "the only way to deliver the promise of highly accurate location is with network buy-in." The radio environment is dynamic and therefore unreliable, he says.

Jamie Moss, a senior analyst at Informa Telecoms & Media, agrees. "The big problem with using wifi is that net addresses change and routers get turned on and off. It’s really not a particularly efficient way of locating people—and there are coverage issues as well, because it’s reliant on wifi signals which don’t have great propagation characteristics. Plus they create a lot of cross channel interference between each other in the first place, so wifi location has never been that efficient."

Given the dependence of non-network location databases on the positions of cell towers, Moss says carriers could scramble or reallocate cell site IDs, impeding the performance of these databases, if they wished. That said, a
If there is one area in which mobile operators are going to be able to make headway as location services evolve, it is marketing and advertising.

he points out that they would risk a serious backlash in doing so.

Skyhook’s Billings says that the firm’s solution can deliver accuracy of ten to twenty metres, which she argues is more than enough for mobile applications. The operators, of course, think differently. Tim Sefton is director of new business development for O2 UK, which is one mobile operator that has been making recent inroads into the location space.

“Apple and Google are creating a proposition where the customers have to flag their whereabouts by switching on an app. So they’re not actually creating a real-time, continuous understanding of the other customers, they’re just pinpointing them at whatever time of day they switch on GPS. Whereas operators have the capability to know where the customers are at any point in the day.”

Nonetheless, Sefton’s latest location play, a loyalty scheme called Priority Moments (see case study, p18), uses a GPS-enabled application for owners of high end smartphones, and he concedes that different solutions suit different use cases. Perhaps the greatest benefit that operators have in the near term is the fact that they can locate everyone on their network, and not just the smartphone users with GPS chips in their pockets.

PlaceCast is a Silicon Valley startup that believes the key to location is scale. CEO Alistair Goodman says that the firm moved on from a strategy that relied on a GPS-enabled smartphone app after realising that, using the network, services could be delivered to everyone. The firm uses what it calls Geo Fences, designated polygons created from groups of cells within the network, to deliver geographically targeted marketing.

The firm has created these programmes for consumer brands in its native US but has decided that there is greater reward to be had through providing the solution to mobile operators, the emerging media divisions of which can then sell marketing opportunities to clients themselves. So far it has announced deals with O2 UK and AT&T in the US and Goodman says that it will go public with more partners later in the year.

In the PlaceCast model, when the (opted in) consumer crosses the boundary of one of these fences, they receive an SMS or MMS message. Stressing the benefits of scale, Goodman says that more than 90 per cent of text messages received in the UK and US are opened and read within three minutes or less. “When you’re a brand trying to break through the clutter and the noise, this is a terrific way of doing it,” he says.

And there is a degree of consensus that, if there is one area in which mobile operators are going to be able to make headway as location services evolve, it is marketing and advertising. For Simon Buckingham, operators should not be thinking about location per se, but about the targeting that location can enable.

“The more targeting you can do, the more money you can make,” he says. “For every targeting parameter that you add, you have a 10x multiple on CPM. If you have no targeting you’re talking about pennies per thousand. If you add location to the mix you start talking about $15 – 20 CPMs, that’s what I’m seeing with my advertisers.”

He continues: “Operators are going to make money by slicing and dicing the audience, building engagement and knowledge warehousing. And the single biggest value enhancer on mobile is location. It can take you from zero to hero in the advertising world.”

But not everyone agrees. KF Lai is the CEO of mobile advertising network Buzz City, based in Singapore. He suggests that mobile advertisers can be grouped into two sets; the national or regional brands, and the local, small businesses. The larger brands are likely to launch products across their markets and will only be concerned that users are in a particular country or city, he says. Location information could be more usefully exploited by the smaller, local businesses but the problem is that they will probably have very little money to spend on it.

In any case, he says, mobile advertising plays ought not to be based on spontaneous user behaviour. “I always thought that, with location, the industry got it wrong, because we always saw it in terms of serendipity. But the potential of location is around where the customer lives or works. Advertisers with offers relevant to that will succeed. My opinion is that they don’t need to know where you are, they just need to know where you’re going to be.”

PlaceCast CEO Alistair Goodman argues to the contrary. The movement of subscribers around the network offers huge opportunities for brands looking to reach new and existing customers, he says. With the PlaceCast solution operators’ media clients can be given an interface to their location marketing platform that allows them to dynamically update their geofences and the offers associated with them, based on information they can see about the movement of subscribers around their geographies.
So if a coffee shop chain sees that more of the subscribers who have signed up to alerts are in a particular area, it can adjust its promotion in real time to try and take advantage. If it’s a warm day in one part of a national market and not in another, that same coffee shop can change the special offer where it’s warm to a cold drink instead of a hot one. “It’s about being able to really understand all of what’s going to make that message to the user: relevant based on place, time and preference,” Goodman says.

‘Preference’ is a key word, here. In all of the old blue-sky location presentations that saw users being hit with special offers from every shop and restaurant they passed, one obvious question arose: At what point do these messages become a nuisance?

Obviously users have to opt into these services; unsolicited messages, no matter how valuable the carrier or brand might believe them to be, are little more than spam. And while O2’s Tim Sefton is part of the chorus voicing disapproval for any approach other than up front and opt in, the firm seems to be stretching definitions somewhat, as he explains in reference to the PlaceCast-based advertising service O2 offers.

“For customers who are upgrading or taking new contracts, we’re starting to opt them in automatically. As they go through the process there are points at which they can opt back out and on all the [advertising] messages that we send out, users are given a very simple means of stopping those messages being sent to them.”

The future could involve greater sophistication in terms of the preferences users are able to set. They might only want food offers during weekday lunch hours, or fashion offers in the evenings and on weekends. Alistair Goodman says that the numbers of messages that users are receiving is on the increase in PlaceCast’s UK and US deployments. In the UK, which has been running longer, early tracking showed consumers were receiving two to three messages a week. While he doesn’t want to share the numbers, he says they are moving up in response to users’ requests for more interaction.

Ultimately, he says, we will reach the point where different brands and providers will be able to bid for the ability to provide services to the end users, based on a pre-established set of thresholds, in real time. This remains a long way off he says, but such practices are now emerging in the online environment. In mobile, location will be the key vector, he says.

This belief, that location remains a key operator asset, clearly hasn’t faded. The difference is that operators are now beginning to focus on the kind of content and services they can offer to differentiate themselves in a world where positioning information is well on the way to becoming ubiquitous.

The delivery of invasive or unwanted marketing messages is not the only user sensitivity issue around mobile location. Earlier this year, the discovery that some iPhones were storing data on the movements of their owners gave rise to concerns that companies could and might be collecting information on their customers’ movements.

Two UK academics discovered that, following the introduction of iOS4, iPhones and 3G iPads with the latest software were recording user positions and storing them in a hidden file on the device. “We’re not sure why Apple is gathering this data, but it’s clearly intentional, as the database is being restored across backups and even device migrations,” said Alasdair Allan and Pete Warden in a blog post.

In accepting Apple’s extensive terms and conditions, users had consented to the collection of the data, albeit unwittingly. Apple responded, explaining that this data collection was actually part of the positioning database it is building in order to be able to independently offer location services. The firm claimed that a software bug had led to a year’s worth of the cached, crowd-sourced data being stored on users phones, and issued a fix to restrict storage to data less than a week old.

While there was no evidence—and no serious accusation—that Apple was storing data for some nefarious reason (in any case, the firm said, the data was anonymised), the story raised genuine and legitimate concerns about what is happening to users’ location data.

Skyhook’s Ronda Billings says that all players involved in the location sector need to work together to ensure that they are above suspicion, for fear of regulatory intervention.

“Privacy is going to continue to be a hot button issue,” she says. “And it’s important that everyone in the industry keeps that as a priority because if we allow the Government (at least here in the US) to get involved by setting rules, then it’s going to create a problem for everyone.”
While location used to be viewed as the carrier asset most ripe for exploitation, the majority of mobile operators have done little to successfully harness it. Over the top players have proven themselves the more adept providers of appealing applications that have exploited data on subscriber whereabouts, while the carriers have sat back, focussed on other areas of their business.

O2UK is one of the more proactive operators in its approach to location, keen to use it to add value to its media business, which looks to create connections between brands and the carrier’s customer base. And according to O2’s director of new business development, Tim Sefton, services such as its You Are Here location-based marketing solution, launched in 2010, and a new offer called Priority Moments, can deliver benefits in terms of new revenue streams as well as customer retention and acquisition.

Priority Moments, launched in July, is an extension of the carrier’s existing Priority loyalty scheme. Over the past two years, O2 has become one of the UK’s largest vendors of tickets to popular music events, using its sponsorship of a stable of music venues—including the 23,000 capacity O2 Arena in East London—as a means of delivering discounts and exclusivity to its network customers. The firm has sold 600,000 tickets in 24 months and Priority Moments sees it moving into a number of other environments, including fashion, food and high street retail.

While Sefton, like most operator executives, stresses the superiority of network-based location solutions, the flagship, smartphone incarnation of Priority Moments harnesses handset-based GPS. (There is a WAP-based version of the service for non-smartphone users, based on geo-fencing technology from PlaceCast, as well.) When the subscriber fires up the app, they see a list of offers from O2’s partners, ranked by proximity. The offers might range from discounts on books to a free class of wine at an Italian restaurant chain. The user needs only to show the offer on the screen of their handset in order to redeem it at the partner's outlet.

The programme hit the market with 30 partners, among them high-end department store Harvey Nichols, newsagent and bookseller WHSmith, restaurant chain Zizzi and the Odeon cinema network. Sefton says that...
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CASE STUDY O2UK

Digitising the wallet

In June, O2, Vodafone and Everything Everywhere, the UK’s three largest operators (four if Everything Everywhere’s ownership of Orange and T-Mobile is taken into account) launched a standalone m-commerce joint venture designed to provide a single contact for advertisers, marketing partners, retailers and banks looking to reach the UK’s mobile subscribers.

Riding current industry enthusiasm for mobile wallet initiatives, the carriers said they will target companies and organisations that provide everything from credit, debit and loyalty cards to membership cards and transport tickets, allowing them to create secure mobile versions of their products.

Consumers will be able to use their mobiles to pay for goods, services and travel using NFC contactless technology, or online through mobile or desktop websites. Offers and coupons will be delivered directly to consumers’ phones, while companies will have a single touch point to book advertising space and create campaigns as well as provide these offers.

The joint venture is subject to competition clearance and is aiming to launch before the end of the year. The operators hope to maintain their place in the value chain by keeping the security element of the service on the SIM card, so it can be used regardless of which NFC-enabled mobile device, or mobile network the customer uses.

It’s all about building relationships between mobile operators and brands so that they’re placing more of their advertising on mobile.

some of the partners were existing customers of the firm’s media arm while others were approached for the first time with the new offering. “The beauty of Priority Moments is that it’s enabling us to build out the client base for our O2 Media business as well,” he says. Sefton plays his commercial cards close to his chest, unwilling to reveal detail about the specifics of the relationship between O2 and the Priority Moments partners. One of the key questions arising from the launch was whether or not there is any cost to the partners for involvement in the scheme—outside of the discounts that they offer—or whether O2 is in any way subsidising those discounts. It’s conceivable that both may be true, as Sefton says each deal is unique.

“The commercial models are confidential but at the high level, I can tell you that the partners are investing in the offer and we’re investing in the promotion of Priority Moments and creating that channel to our customers,” he says. “We’re exchanging reach to our customer base in exchange for them investing in exclusive offers for our customers.”

It’s certainly clear that the involvement of the partners that O2 paraded at the launch event is more than an idle dalliance. Sefton says that the top tier of partners have committed to involvement in the project for a minimum period of three years. The partners have to undertake to provide offers that are exclusively available to O2 customers, and those offers have to be the best that the partners are making available across all of their marketing channels.

Exclusivity is crucial with any scheme of this nature, especially if, as O2 clearly believes, its competitors will bring similar services to market in the wake of the Priority Moments launch. And that exclusivity works both ways. O2 has committed to Odeon as the only cinema partner for the scheme “for the foreseeable future,” Sefton says.

While carriers are pursuing exclusivity, however, they are also being forced into partnership. For any brand with products, marketing messages or services to sell to the end user, reach is the most important metric. In a market with five carriers and a healthy mass market MVNO, for example, one operator partner is only going to deliver a portion of the potential subscriber base the brand is chasing.

In June this year, the leading UK operators announced a collaboration to this precise end (see box)—but does Sefton not have concerns that the necessity for collaboration might threaten the very differentiation that a project like Priority Moments is designed to enable?

“The spin-off benefits around increasing the potential client base for O2 media will be great news for the joint venture we’ve got with Vodafone and Everything Everywhere,” he says. “It’s all about building relationships between mobile operators and brands so that they’re placing more of their advertising on mobile. We’re setting up the infrastructure and the capability for brands to do that. But on top of that there’s nothing to stop any of us competing on how we can create more differentiation for our respective customer bases.”

O2 does not want to give any indication of how it expects the number of partners in the programme to grow, but Sefton describes the 30-strong stable with which the firm went to market as “a small start”. New partners can be brought aboard within a few days of expressing interest, he says, and he expects the programme to attract new partners at a decent rate. “As soon as we start advertising, as soon »
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as the service breaks and we see the success of the various partners in the scheme, I think it’s going to be self-fulfilling, with others wanting to join. It’s going to get significantly bigger.”

If mobile operators are troubled by new players and platforms offering competitive products then it is interesting that two of O2’s Priority Moments launch partners, Odeon and WHSmith face similar issues. Both have products that are increasingly being consumed on other platforms, and provided by other players. And both had speakers at the launch event who said they really need to drive more footfall into their premises. “We need to get people coming back into cinemas,” said the gentleman from Odeon. “We’ve got to get people into these stores,” said his counterpart from WHSmith.

And footfall is probably going to be the first parameter by which the partners judge the success of their involvement in the scheme. O2 will also be supplying its partners with numbers around downloads of the Priority Moments app and levels of engagement, as a backup proof of performance.

For the operator, levels of engagement are everything. “We have a number of KPIs for this, but first and foremost it’s about engagement,” says Sefton. “It’s about the number of people that are using this app because this is about retention. The more customers using these products and services the better because that creates the relationship that we can then build on to sell them more products and services.”

So how many users does he expect to sign up? “Well we already have one million customers or more on our Priority ticketing programme and we expect to exceed that with Priority Moments. Clearly we’re talking about millions of users. We also need to understand the effects this proposition might have in enabling us to acquire customers from other networks. Because we’re seeing that the better our retention offers are, the more they attract customers from other networks that are not offering the same benefits.”

O2 claims to have the highest loyalty and the lowest churn in the UK industry. One of the metrics the firm uses to assess its appeal to potential customers is brand consideration. Customers of other networks are quizzed as to which network they would choose if they were to churn. O2 says that its existing Priority programme has increased the frequency of its selection as the first choice operator in this scenario by ten per cent over the past two years.

Whether O2 will continue to lead in this regard will depend as much on the strategies of its competitors as its own plays. And while the use of location for these kinds of schemes is still relatively restricted (although Sefton points out that it is more advanced in the USA and some Asian markets than it is in Europe) it seems likely that other carriers will follow suit; competing not only with one another but also with platform providers like Google and Apple.

“T2 think we’re in the vanguard of something that’s going to gather momentum,” Sefton says. “Obviously operators generally have lost some ground to the smartphone players. But I don’t think the game’s over. I think this is the beginnings of quite a significant push by the operators to reclaim some of the value in this world.”

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**CASE STUDY O2UK**

O2UK’s marketing and consumer director, Sally Cowdry, said that with offers from the 30 brands participating in Priority Moments at launch, end users could save as much as £105 in a single month. Here’s how:

- **Two trips to Odeon cinema:** £9.70 saving (based on standard adult ticket price)
- **One free canvas Tote bag from Harvey Nichols:** £25 value (£25 or more must be spent to qualify)
- **One trip between London and Edinburgh on National Express coaches:** £36.90 saving.
- **One haircut at Toni & Guy hairdressing chain:** £11.40 saving (based on mid-range stylist cost of £57)
- **One meal at Zizzi restaurant:** £6.10 saving (based on combined starter and main course)
- **One book purchased at WH Smith:** £4 saving (based on average paperback price)
- **One pair Nike Running shoes bought at JJB Sports retail chain:** £12 saving based on £59.99 shoes.
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It’s seen a number of false dawns, but with the activation of every new smartphone or tablet, the world’s digital media advertising inventory gets a little bit bigger. Today, mobile is still a small if fast growing part of the advertisers’ arsenal. But forecast figures from Informa Telecoms & Media predict that annual revenues generated by mobile internet display advertising will grow strongly over the next four years, from $779.4m in 2009 to $7.54bn in 2015, at a CAGR of around 46 per cent. So towards the latter end of the forecast range, the future gazers can finally herald the ‘year of mobile advertising’ with confidence.

Will King, head of product development at Unanimis, joined the internet and mobile advertising network when it was four years old, which was five years before it was acquired by France Telecom in 2009. Unanimis now incorporates Orange’s UK network and Orange Mobile Portals, which in turn incorporates the Blyk-powered Orange Shots initiative, into its own ad network offering.

“When you consider the (traditional) web versus the mobile, it’s clear that mobile is still nascent,” he says. “There’s a certain nervousness with advertisers, because you have an advertising schedule that makes use of established channels and brands. But look at mobile and you need some convincing. At this stage in the market we need to do a good job of explaining these benefits to brands, by helping them to understand what the channel looks like for them and how we can help them extend their digital activity. Mobile is a very natural extension of the web and brands are very comfortable online now.”

Rather than digitalisation swallowing up other advertising budgets as expected, brands now appear to want to play the strengths of different channels against the audiences they want to communicate with.

“Mobile advertising is growing very quickly but it’s still at a very early stage,” says Rob Jonas, VP & managing director for Europe & Middle East at mobile ad network InMobi. “The core advertising business in mobile is still around relatively straightforward text and display advertising and maybe a bit of search. Advertisers are still understanding how to make this work for them at scale in order to harness the power of the mobile device.”

Jonas picks up on the often referenced blue skies advertising techniques portrayed in the likes of the film Minority Report and calls it out as just that—science fiction. “Everything around location-based targeting, timeshifting and the multi screen advertising experiencing are all really interesting discussions, but it’s still too early for advertisers to have an appetite for this. They are still learning the basics,” he says.

Even the hype about in-app advertising needs some tempering. InMobi claims the second placed spot in terms of mobile display advertising network size behind Google, with almost 105 billion ad requests during the second quarter of 2011, up 23 per cent sequentially. Although smartphones and tablets were the driving force behind this increase, delivering 39 billion requests, in-app advertising, while growing quickly, still only represents 17 per cent of all ads. By and large, mobile web browser advertising is still the favoured medium and WAP-based web browsing is still going strong.

“Browser-based ads are still the global, high-level leader versus in-app ads. And we still see a clear distinction between the mobile web and traditional web. Publishers may not have a mobile app strategy but they may well have a mobile web strategy as the mobile web gives you freedom across more platforms,” Jonas adds.

But that’s not to say adverts aren’t evolving beyond basic buttons and banners, with location enablement at the forefront of that evolution. Jonathan Milne, general manager
of Europe at Celtra, a web-based platform for creating and tracking mobile ads, believes that location has the opportunity to be seen as “the most important thing in rich media advertising, its purpose is to make the ad relevant to the consumer.” Milne identifies the biggest problem with most advertisements as the lack of relevancy to the viewer, and as a result claims that his business is seeing unbridled appetite and demand for location capabilities. “We get involved in around 50 per cent of campaigns created on our platform and use our own tools for embedding store finders and dealer locators and we’re seeing growing interest in check-in functionality too.

“In the future, most ads will be location aware in some sense, either by GPS or through triangulation of the user’s location. We can look inside the advert and add location services like a map to find your nearest store or check in services like Foursquare. The big questions are ‘where am I right now and what can I do here?’ Or ‘how can I get there?’” Milne says. In another example, he highlights the popularity of location sensitive content, in that ads are dynamic and able to show different content based on location, such as an automotive advertisement for a car with an image gallery that shows a user in California a cabriolet but a user in Alaska a 4x4.

Due to the increasing digitalisation of parts of the market, video makes for an obvious companion to marketing and is another content channel experiencing explosive growth—

**WHAT THE BRANDS SAY...**

*Jay Altschuler,*
Director of global media innovation, Unilever

We are at the start of a new digital era. The next stage shouldn’t be called Web 3.0 as it’s not about the ‘web’ anymore. Mobility is the heart of this new era and people spend more time in apps than they do on the web. There are very deep layers of personalisation in mobile apps that can aggregate all the activity that you and your friends are involved in, this gives us functionality that can predict user behaviour.

At Unilever, we’ve adopted in-app advertising via iAds and AdMob, because we need to test these small screens to see how powerful and emotive they can be at storytelling, compared to TV. We’ve built a billion dollar business on the back of television advertising, now the next stage is mobility. This is the bridge between the online and offline worlds.

The only way to grow the digital part of our market is to connect on the mobile, using the power of operating systems on which the user can tap and swipe, and are GPS aware. Active engagement on these devices can be anywhere from 60 seconds to two minutes. We’ve never seen this before.

Apps tend to hold the biggest promise but come with the biggest risk. They are the most personal, dynamic and responsive. But there’s no room in the app world for good or very good, it has to be amazing, and fortune only favours the brave.
WHAT THE BRANDS SAY...

Rob Define
Director of product strategy, Ebookers.com

People are already booking big ticket items on the mobile phone, such as holiday packages, for example. Consider that 50 per cent of hotel bookings made via the mobile are made one day or less in advance. While 40 per cent of air travel booked via mobile is a one day trip or one way flight which is significantly higher than on the PC platform. You can see that we are meeting a whole new set of needs.

Around 96 per cent of our mobile business comes from Android and Apple, but our mobile web site brings in more business than apps. A sister company of ours in the US called Orbit launched both a website and an app but saw the majority of traffic come from mobile web.

So there are two sides to our strategy—transactional and branding—and you do need to have both mobile web and apps. The website m.ebookers.com launched in January 2011 along with a mobile transactional app which is the same product as we had on the desktop with a similar experience. We then launched an Ebookers Explorer iPad app in April, to create a travel magazine for our customers which integrates with a hotels API and builds brand awareness and inspiration.

Organic search and paid search are the biggest drivers to a site but you need two different advertising strategies for PC and mobile. With the PC you can get a decent CTR but with mobile if you’re ranked third you’re bottom of the pile. So you have to have a completely different bidding strategy for buying mobile ads versus the PC.

WHAT THE BRANDS SAY...

Fiona Hall,
Innovation manager, Waitrose (UK supermarket)

We very much wanted to understand the role of mobile prior to establishing a strategy, so we commissioned customer research into mobile to better understand users and their shopping behaviour and found a focus on m-commerce, in-store recipes and content.

We also found three categories of mobile users: People who don’t get it; people warming to it; then people who cannot do without it. They have very different needs but also some common ground. So in July last year we launched a mobile site and an app focusing on recipes and branch information offers on the iPhone and Android. We also allowed customers to interact with the main campaign, which focused on a TV ad featuring a QR code used throughout the campaign.

One in three scans of the QR code resulted in download of the app and we had half a million downloads, which contributed to one of our most successful years ever. Apps are definitely part of our strategy going forward and now we see our customers are hungry for e-commerce too.

just look at YouTube. “Stuff like VOD (video on demand) set the agenda for digital marketing around video, and now we’re starting to see it grow,” says King from Orange’s Unanimis.

In July, Orange announced an exclusive partnership with online video provider Dailymotion to deliver integrated display functionality allowing advertisers to target specific audiences with localised content on Dailymotion’s platform. With 20,000 videos added daily to the site, the Orange advertising network will have the exclusivity to monetise Dailymotion’s video advertising inventory across the UK, Spain, Poland and Latin America.

“Video inventory is finite and the situation is maturing and developing to include new kinds of marketing. Dailymotion gives us a strong window into selling video display advertising to video advertisers against Dailymotion content, and gives us the opportunity to distribute content,” says King. “Brands are using the web to seed and distribute good content globally to their consumers as well as using the traditional ‘user interruption’ model. Dailymotion encourages user generated content and virilisation. It’s how advertisers have embraced the social environment to distribute their content. It’s part of their schedule.”

Indeed, larger brand advertisers are doing more cross-platform campaigns, using the PC, the web, offline and increasingly, mobile as well. It’s not uncommon for brand performance campaigns to have multi channel capability. And while there are experiments with NFC and Bluetooth-enabled advertising schemes, the high spend today in terms of mobile is about using the scale of the channel to deliver compelling ad formats, according to InMobi’s Jonas. “Smartphones increase the intensity with which users browse the web and give us the ability to serve more rich media capable advertising to consumers, such as the market’s first 3D advertising campaign we did for Samsung with CoolIris.”

As Celtra’s Milne adds, on a wider scale, the greater use of smartphone capabilities are around messaging, so advertisers can craft a call to action to the local culture, making for more effective and efficient ads. Unless brands can specifically target the right content relevant to each market, it’s like dropping a needle into a haystack. But as the guys who sell the ad inventory concede, the ad-buying market is only just getting to that point.

“We have the capability to do hyperlocalisation, but we’re led by advertisers and they’re not there yet,” says Jonas. “The most granular level of targeting is the major metropolitan area. Urban residents behave differently to non-urban residents and that’s about as granular as we get today. Yes, we have conversations about being able to target a male in a certain postcode who’s done these three things on their phone in the last six months. This is all theoretically possible, but it’s not really the reality for where the majority of advertising spend is going today.”

Orange’s King is in agreement: “As the market matures, we will see a mobilisation of
peoples’ digital activity overall and there are very specific benefits that mobile can bring around hyperlocalisation, next generation services and point of sale. But today it’s about educating people about how mobile can be used so it can become a natural and obvious channel for digital marketing.”

There are of course, exciting opportunities involving the oft mentioned treasure trove of subscriber information the operators have access to, with regards to more granular targeting of adverts. “Operators have a very rich amount of information that could be layered into the advertising network to help with targeting, but historically they’ve been reluctant to allow access to this,” says Jonas. “Although there does seem to have been a change and we’ve seen more movement in that direction over the last six months. It’s an observation that appears in several conversations beyond the advertising sector operators are simply coming to terms with the fact that they need to work with third parties. “Effectively the operator is a media owner so they have inventory and, depending on how effective they are on selling that inventory, there’s potential to work with them. We’re seeing this move in markets in the Middle East and Asia where operators are more open to third parties,” Jonas adds.

But some operators, like France Telecom, are keen to keep their advertising initiatives in house through the acquisition of specific skill sets, as was the case with Unanimis, perhaps giving them more control over the very careful steps that must be taken through the minefield that is user privacy.

“The key thing with localisation is that mobile is personal and localisation is key to advertising growth, but there is also the question around users opting in to these services,” says King. “You have to bear in mind what it is appropriate for advertisers to know about users. Hyperlocalisation is a capability unique to mobile, but it needs tempering. In the web space we are in the middle of a process of legislation around privacy, about what can and can’t be used to deliver an advertising message. So a similar code of conduct should be expected for advertisers in the mobile space,” he says.

Several acquisitions, including Google’s $750m purchase of AdMob, appear to have validated the case for the mobile ad industry, but the case for more granular targeting of adverts through localisation and hyperlocalisation is still yet to be proved. “Location is still a small part of the market today but it has huge potential for the future,” says Jonas. “It’s just that you can’t force a new advertising format on a market that is not ready for it. You need to wait to introduce it at an appropriate time or in an appropriate way.”

**WHAT THE BRANDS SAY...**

**Breon Corcoran, COO, Paddy Power**

We’re a very transactional business, so our mobile strategy is all about transactions. We have about 30 per cent of the transactional betting market in the UK, which has doubled in the last year.

Around 60 per cent of our revenues are digital and 75 per cent of our profits are digital and a significant and growing part of that is mobile. Our audience is men in their 20s and 30s and we thought the margins on mobile would be smaller and impulse purchases would be harder to deliver, along with cross selling, but the buy in from consumers was so strong that we just had to be there. Our frustration was that we had to start all over again to get mobile capability. We thought we were digital but realised we were just internet and some of the mobile staff we hired we wouldn’t have hired for more traditional digital roles.

But brand is important in this market and churn is lower. We see around 30 per cent of all mobile transactions through the iPhone, 15 per cent through the iPad and Android is catching up to Apple. App users are more mass market than mobile internet users. Mobile internet consumers spend more per transaction, but because of the brand awareness of apps, we have to be in both places at once.
As the 1990s came around, UK entrepreneur Charles Dunstone had recently started selling ‘car phones’ from his flat in London’s Marylebone. Two decades later and Carphone Warehouse is one of the UK’s great success stories, established as a major high street brand with overseas expansion in place through Europe to the USA.

But Dunstone, who remains co-founder and CEO of Carphone Warehouse, is humble about the firm’s origins and maintains that “generally what happens in the mobile business is anything that wasn’t anticipated.”

“To understand the mobile industry you have to understand the history of it,” he says. “I didn’t really have any insight when I first started out in the business, I was really just stumbling around trying to make a living.” And if Dunstone is saying that his success was sheer fluke, he shares a similar attitude to other ‘accidentally’ successful players in the business.

“All through the history of mobile, everyone has failed to understand its potential and then they’ve failed to capitalise on it,” he says. “Yet the mobile business has succeeded in spite of the incompetence of the people running it.”

Going back to the early days of Carphone Warehouse and the arrival of his first business opportunity, Dunstone highlights Vodafone predecessor Racal, one of the UK’s first mobile licensees. “When the first mobile licences were awarded, Racal said it anticipated that one day there would be around 600,000 mobile phone users in the UK. Even the government thought they were being recklessly optimistic.” Today that number is close to 80 million, at nearly 130 per cent penetration.

The next thing to astonish was the success of SMS. It’s an oft-quoted story that the original spec for GSM was designed by engineers who thought it would be useful for the networks to be able to communicate with their customers. SMS fit the bill in this instance. “But one of the senior guys at Nokia revealed to me that when they first made a GSM phone they could not conceive of why anyone would ever use SMS,” Dunstone says. “But the engineers couldn’t decide whether the inclusion of the technology was optional, or a mandatory part of the spec, so they included it anyway just to be safe. So text messaging is 100 per cent accidental.

It’s unbelievable that SMS is so light in usage of the network, yet operators can charge so much for it. SMS was the start point for data pricing.” And again, the industry failed to capitalise on it until much later. “The success of the Blackberry is a great reflection of this. People couldn’t use data until a company came along and said ‘look here’s a device that lets you do email really well from a handheld’.” Yet Dunstone finds that this model is becoming increasingly challenged. He likens devices that are good at one thing to the Wang of the PC market. When the PC first arrived on the scent it couldn’t do word processing, so Wang filled the gap with an electronic word processor. As the PC evolved users moved away from devices that did just one thing really well and gravitated towards multi purpose gadgets.

“There’s been a transformation in the last three to four years. Fundamentally the incumbent players in the market have squandered their opportunity to such an extent that there’s a whole new tier of people that are now the most influential in the market. It’s the people who develop the operating systems, not those who operate the networks or provide the hardware,” says Dunstone, citing the impact of Apple and Google. “It’s a sad reflection on everyone else that it’s taken these new entrants to come in and show everyone else how to sell mobile data.”

The use of the mobile as a payment mechanism is a battle Dunstone believes the operators should be able to win as they are used to thousands of micro transactions. “But Apple has shown that if you can let people spend money so easily that they barely notice they’re doing it, they can pick your pocket £1 at a time. Whoever can consolidate on some kind of one click transaction, whether it’s Amazon or Apple or whoever is winning an enormous prize.”

And he believes more change is to come: “Fundamentally, mobile-only platforms feel like they’ve had their day. Today people want to use their phone to get to the service they want and the days of the mobile operator being able to force people to do things their way has been very much discredited.

“Users of smartphones are not just users of phones, they are users of every other type of technology too. We’ve found that 52 per cent of people calling into a call centre are already browsing the site of the company they are calling on another screen. So you have to understand that when someone’s talking to you they’re also checking your site and your competitors’ sites at the same time. And we all have inconsistencies in the way we present information via different channels,” he says.

“Mobile is complementary to the desktop internet experience and it’s commonly used by savvy and high tech users. You get very targeted responses from people because they are not just browsing, they are looking for something specific. So conversions over the mobile more valuable than those from desktop. The only way to succeed in this industry is via experimentation—and fortune favours the brave.”

Fortune favours the brave

Charles Dunstone, CEO of Carphone Warehouse spoke at the Google Think Mobile event about accidental origins.
A mobile future

To have a future strategy, means to have a mobile strategy, says Ian Carrington, mobile advertising sales director at Google.

There’s no denying the impact Google has had on the mobile industry in the last few years. The web giant has its fingers in many pies that at one point constituted large parts of the operators’ lunch. At Google’s second annual Think Mobile event, held in London in June, Ian Carrington, mobile advertising sales director at Google, talked us through present and future opportunities the firm sees in the mobile space.

Carrington opened with a quip originally made by Eric Schmidt, then Google’s CEO, who said: “If you don’t have a mobile strategy, you don’t have a future strategy.” Although Carrington said this is not absolutely true of every single business, it is true for most of them, as the future is using mobile to engage with your brand.

“Lots of people are failing to capitalise on mobile, and the mobile market is succeeding in spite of itself. There are still lots of opportunities left to capture,” he said. Carrington highlighted the famous prediction, made in the first quarter of 2010, by Mary Meeker—tech futurist, venture capitalist and ex-Wall Street securities analyst, known to many as “Queen of the Net”. Meeker predicted that in two years’ time, the first quarter of 2012, mobile phone sales would surpass PC sales. The surprise wasn’t in the prediction itself, which came to pass, the surprise was in how far out Meeker’s forecast was in terms of timeline. Mobile phone sales surpassed PC sales for the first time in the fourth quarter of 2010, just nine months after Meeker made her statement.

“This epitomises the pace of change. Very soon over 50 per cent of UK users will have a smartphone,” said Carrington. “And this is something they have with them, and use constantly. The vast majority of mobile usage is incremental. Mobile usage peaks in the morning then at lunch then in the evening.”

Carrington highlighted Google’s own UK research, which found that 44 per cent of UK users go to bed with mobile phone at their side and 53 per cent are ‘dual screening’ at home—using a mobile device and watching TV at the same time. This phenomenon lends credence to Carrington’s recommendation that advertisers have an integrated campaign across all forms of media.

“Google sees 12 per cent of all its search queries coming from the mobile phone, and there is some great data that can be gleaned from Adwords or Google Analytics about what’s happening, but few people are looking at this data,” he said.

“A mobile optimised site removes a big barrier on one enabling device between you and users. So develop and integrate you mobile strategy, incorporating both apps and the web. Often the big disconnect is that there is no mobile optimised website. Brands need to make it easy to by stuff.”

Google’s research shows the green shoots of opportunity in this space. According to the firm, 28 per cent of UK mobile phone owners have used the mobile to buy goods or service, while 13 per cent of all mobile search queries are retail related.

“Google, of course, has made a big splash in this area, unveiling in May a plan for NFC mobile payments via the handset. Google Wallet is in the field trial phase and won’t become a commercial reality until later in the summer, but at that point is supported by the Nexus S 4G (WiMAX) handset on the Sprint network in the US, with the 3G version of the Nexus S, also sporting an NFC chip, expected to follow soon after.

Citi, MasterCard and First Data are the launch partners, supporting two payment solutions: a PayPass eligible Citi MasterCard and a virtual Google Prepaid card. The retail side will be based on the MasterCard PayPass network—a merchant point of sale service covering more than 124,000 PayPass-enabled merchants nationally and more than 311,000 globally. The first Google Wallet field tests are focused in New York and San Francisco, where many retailers, Coca-Cola vending machines and even taxis are PayPass-enabled, including major outlets such as CVS, Jack in the Box, Sports Authority and Sunoco.

Google, naturally, will also be involved in the delivery of relevant deals, promotions and loyalty rewards as it steps up its presence in the buoyant coupons and vouchers space. “We’re seeing an eight per cent year on year increase in the usage of mobile coupons,” Carrington added.

At present, entertainment is the biggest vertical the web giant deals with on the mobile. Over 40 per cent of all tweets are made via mobile and there are 200 million mobile views on YouTube every day, accounting for 10 per cent of the site’s total traffic. Meanwhile, travel is the fastest growth sector. Around 65 per cent of UK respondents use a mobile phone to aid them on their journey while travelling.

But does an integrated marketing strategy mean apps, mobile web, or both? According to Carrington, people using apps and the mobile web for different things. Brands should be using apps to drive customer retention and loyalty: consider that Apple App Store downloads have rocketed to 14 billion from five billion last year. While Android has gone to 4.5 billion downloads, a four fold increase in 12 months. “The last billion took 60 days, the first billion took four months,” Carrington said of Android. “But the mobile web, via a mobile optimised site, is all about customer acquisition and commerce,” he said.
Rory Sutherland began his career in advertising and marketing at Ogilvy in 1990, working on a then obscure US brand called Microsoft. In the 21 years since he’s risen to the position of vice president of Ogilvy Group and creative director of UK arm OgilvyOne and has seen a lot of change come about through the rapid adoption of technology.

Sutherland doesn’t refer to what he does as marketing or advertising, instead he calls it the application of behavioural economics across the marketing media and tech industries—a discipline which has led him to champion the mobile phone as the single biggest tool for inciting behavioural change. “Mobile and digital media are very good at lots of things, which caused people to think that digital media and the web would destroy all traditional media and advertising,” he says, adding that this outcome would indeed have been likely if the marketing industry didn’t understand the idea of comparative advantage.

Comparative advantage, in Sutherland’s example, takes two islands: one island better at growing corn and even better at making bicycles than the other. Yet the best way to maximise the commercial value of the whole ecosystem is for the one island that is substantially better at making bicycles to do so, while the other country grows corn. The philosophy being that they should focus not just on what they are good at, but what they are remarkably good at. Even if one island is more efficient in the production of all goods, it can still gain by trading with a less-efficient island, as long as they have different relative efficiencies.

“We should ask how each media available to us can play to its own strengths as in to its comparative advantage, not just everything its good at. We are only just realising that TV still has the advantage of certain qualities in that it has emotional reach and the ability to create fame and buzz,” Sutherland says. “Mobile on the other hand is quite different. Its context is timeliness, the ability to engage people in sophisticated dialogue. Its advantage may actually be closer to customer service than advertising. You can’t substitute reach in one place with an equal amount of reach elsewhere. Different media are complimentary.”

Sutherland expands on the importance of context, with the notion that the value of something, while subjective, is also contextual. “The decision you make on any issue depends on when you make that decision. Such as your decision to book a [city hire bicycle] depends on when you make that booking. If you do it in advance your attention is on high minded things like exercise, but if you make it at the last minute your attention is on low minded things like how late you are and whether it’s raining,” he says. “So you need a pricing scheme that caters to both.”

The same application of behavioural economics could be used to leverage yield management to a company’s advantage, an airline for example. “If you told customers which of ten flights to New York was the emptiest perhaps they could be tempted to pay extra,” Sutherland says. “The key is you’re generating value not through the requirement of extra resources, but through the better understanding of individual human preference. Better understanding people can help you deliver more incremental value without changing the material thing you offer.”

We all like to think that we follow through on our high minded intentions—all those charitable donations should we win the lottery, but the decision we make and the way we compare things depends where we are and at what point in the decision making process we are in. Humans can only concentrate on one thing at a time, we focus on one arbitrary metric, and make the decision on that. For years the one comparative metric for digital cameras was how many megapixels it had. It was an accessible numerical value. But we’ve recently hit the wall where ten megapixels or so is probably enough for most people, forcing the camera manufacturers to re-evaluate their situation.

“Someone might decide to move 20 miles out of town to get an extra bedroom on their house, because the attraction of an extra bedroom is very high in their consciousness at this time. But once you move, the extra room loses its novelty very quickly while the pain of the longer commute is experienced every day.

“This is how human attention distorts decision making,” Sutherland explains. “Advertisers don’t just have target audiences, they also have target moments. It’s the context in which I can persuade someone to take a bicycle rather than a car or the train. It’s one way in which mobile enjoys a significant strength, due to the fact that it is such a timely tool for communication and context.

“If you provide people with the means, then the attitudes will follow,” he says. “The mobile is the single most potent way of creating behavioural change over the next 20 to 30 years, yet our adoption of technology has already leapt ahead of our understanding of it. “Over the next ten to 15 years we will see a slowdown in technological progress.”

Sutherland disagrees that all things technological progress at an exponential rate and claims instead there are bursts of change punctuated by periods of relative stability, with perhaps small levels of incremental improvement. “What I’d like to see is the discussion move away from what is technologically possible now and towards what is the proper human use to be derived from these technologies,” he says.
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A Greek tragedy

Faced with the Herculean task of cleaning up its finances, Greece is looking to the country’s operators.

The cash strapped Greek government has not only set a record for the pricing of its 2G spectrum licence renewals but is also risking the ire of the country’s operators by going down the controversial route of an auction process for the soon to expire spectrum licenses.

Second and third placed operators Vodafone and Wind Hellas have actually been put at risk of losing their 900MHz spectrum, the licences for which expire next year. While most European regulators have renewed licences to the existing licensees based on pricing precedents set by other EU nations, the EETT, like ancient king Midas, seems infatuated with the prospect of some quick and easy cash to offset its mountainous debt pile.

At more than double the European average, a reserve price of €46.6m for each 5MHz block in the 900MHz GSM frequency band was labelled “excessive” by Nassos Zarkalis, chairman and CEO of Wind, while another person close to the situation told the Informer there are machinations at work to ensure ex-state owned incumbent Cosmote—seen as the only nationalistic choice by Greek citizens whose alternatives are Vodafone and Weather owned Wind—gets its hands on some valuable 900MHz spectrum.

As it stands, Cosmote only owns 25MHz of 1800MHz spectrum, while Vodafone and Wind hold 30MHz and 20MHz respectively of 900MHz spectrum. It is this 900MHz spectrum that will go under the hammer first to be reallocated on a technology neutral basis, giving operators the opportunity to deploy 3G or any other technology in the 900 band.

It has been suggested by Stefan Zehle, CEO of spectrum auction specialist Coleago Consulting, that the operators could boycott the auction and choose not to bid in order to protest against the pricing. A similar situation arose during the French 3G allocation in 2001 when, the government fixed the price at a controversially high level, based on the amounts that were paid for 3G licences in the UK and Germany. While SFR and France Telecom bought a 3G licence, Bouygues Telecom refused. As the government wanted to preserve at least three operators in France, it was forced to substantially reduce the price of the 3G spectrum licence. In this case Bouygues won the game of Chicken.

But the situation in Greece is not so clear cut as some of the 900MHz licenses expire at a later date—Vodafone has a 900MHz swathe due to expire in 2016—presumably giving the government another opportunity for re-auctioning the spectrum. Moreover, as the only operator without 900MHz spectrum, Cosmote has everything to play for, while one of the other carriers could lose out substantially depending on how big their war chests are in order to keep hold of the spectrum they’ve already got. Wind is in the most precarious position here as all its spectrum in the 900MHz band is up for grabs, potentially putting its entire business at risk, and all six operators—after creditors and investors acquired the struggling company from Egyptian businessman Naguib Sawiris—will also be able to use all its bandwidth.

The most concerning element, as Midas discovered, is that there is also the potential for new entrants to come into play during the auction process, although the state of the country’s economy should be enough of a deterrent. However, the most concerning element, as Midas discovered, is that there is also the potential for the ruling body to completely destabilise the Greek market in its quest for short term gain.
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