

Pushing Growth and Adoption of Mobile Data Services

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Americans want more from their mobile phones, and I don't mean just more minutes. According to a recent Harris Interactive consumer survey, more than 80% of U.S. adults own a cell phone, but a combination of factors — including lack of relevant content, slow download speeds, confusing menu options, and poor graphics — prevents them from using their phones to access online information services, much to the dismay of U.S. carriers, which would like to boost their revenues through new and lucrative data services amidst ever-shrinking voice-based margins.

It's no secret that data revenue as a percentage of total consumer revenue is significantly higher in Europe and in key Asian markets than it is in the United States today. According to a 2005 Jupiter Research survey, wireless carriers in Japan and Korea derive upward of 20-25% of their revenues from data services. And in Europe this figure is more than 15%, with aggressive carriers such as O2 now also realizing close to 25% of their revenues from data services. In the United States, however, 95% of revenue stems from voice services only.

Availability of 3G networks, with speeds ranging up to 1-2 Mbps, has, in part, driven the growth and adoption of mobile data services in the Asian and European markets. NTT DoCoMo, one of the world's leading mobile communications companies, first launched 3G services in Japan in late 2001 and claims to have nearly 100% coverage of the Japanese market as of spring 2005. The number of subscribers on its 3G service alone reached the 10 million mark in early 2005.

In comparison, Verizon Wireless offers 3G service in 30 U.S. markets that represent 75 million people as of early 2005. Verizon plans to double its coverage in 2005, while Cingular has plans to roll out its own 3G service to 20 markets within the next 12 months, followed by Sprint and T-Mobile, which are developing 3G services for 2006 and 2007, respectively.

Fast data speeds, however, are only part of the equation that leads to the growth and adoption of mobile data services. The key to success, as the results of the Harris Interactive survey implies, lies in the delivery of a better user experience. Mobile customers not only want to download and view content more quickly, they also want to be able to easily discover and use rich and relevant next-generation data services. According to Harris Interactive, accessing online information services is among the least common uses among U.S. adult cell phone owners today, not only because connecting to network-based services is too slow, but also because menu options are not user friendly and the quality of graphics is too poor.

However, even though revenues from messaging and premium data services have not matched the levels seen in Asia and Europe today, U.S. wireless carriers have reason to be optimistic. According to Jupiter Research, revenues from premium content (including ringtones, mobile games, and so on) are accelerating at a pace not matched in Europe and are expected to continue to show strong growth throughout 2006. U.S. carriers have already spent billions on 3G networks and are marketing new data-capable handsets and content more aggressively. Service bundles and lower pricing are also expected to help spur that growth, in combination with better and faster network infrastructures. Already, carriers with aggressive pricing, such as Sprint/Nextel and T-Mobile, have captured a higher percentage of premium data users than Cingular and Verizon as the mobile market evolves into a way for all of us to connect to our world in a very personal way — through ringtones, wallpapers, screen savers, and customized content.

Macromedia believes that the user experience in this market will evolve in much the same way as it did on the Internet, and everyone at Macromedia is focused on leading this evolution. To catalyze this change, Macromedia offers solutions for three key parts of the mobile value chain. For operators, we offer complete solutions for delivering interactive branded data services that improve their subscribers' experience. For device manufacturers, we provide a mobile version of the Macromedia Flash Player,

the world's most ubiquitous media player that enables the display of engaging Flash content. And for developers, we offer a comprehensive and easy to learn and use authoring tool that enables over a million developers worldwide to build rich applications and branded interfaces three to five times faster than they can with any other technology. These three solutions combined enable a whole new mobile experience that is emerging around the world.

Take, for example, the Japanese carrier KDDI. Each new data-capable handset it produces bundles Flash technology. In a number of those handsets, the phone menus are actually designed and implemented using Flash — to enhance the personality of the handset by delivering animated ringtones, screen savers, and wallpapers. And of course Macromedia Flash is used by thousands of third-party developers to create mobile content for subscribers.

KDDI's use of Flash is an important component of its strategy for next-generation mobile services, and the company continues to see rapid growth and adoption of its services in part due to the great experiences that Flash enables. Over the past year, KDDI has been adding more than 500,000 customers per quarter, passing 18.5 million subscribers for the first time in this year. These new and more exciting Flash-enabled devices are a key reason why KDDI is Japan's fastest-growing operator. But they are also only part of the success that is beginning to spread around the world.

As we envision the future of millions of Flash-enabled devices, new customers such as Nokia are making it a reality. Flash enables Nokia to provide a new range of exceptional mobile experiences consistently across a wide range of Nokia handsets, which is great news for consumers. As Flash is being integrated into these handsets, consumers gain the ability to more quickly uncover and use new mobile services. Nokia and other new Flash licensees will undoubtedly accelerate the use of Flash for mobile beyond operators such as KDDI and NTT DoCoMo.

Today, ringtones are the most widely used premium data service. In the near future, rich mobile data services and applications will enjoy the same popularity, and with it provide new opportunities for the Flash developer community to build the content consumers demand to enrich their mobile experiences.

We look forward to supporting our partners and our developer community to help bring a new generation of digital experiences to an even broader section of the mobile ecosystem.