

SELLING MOBILE APPLICATIONS: THE DIFFERENCE WHAT PEOPLE BUY AND WHAT PEOPLE TRY

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Abstract: One of the few devices where people around the world always carry with them is mobile phone. Mobile phones are not only used to make phone calls but they are also increasingly used to send text messages and download ringtones, wallpapers, screensavers, video clips and games. Consumers are spending a lot of money to access different types of mobile content, enabling the mobile industry to gain high revenue every year. This development has raised the question of what types of content are consumers downloading and to what extent are they willing to pay for the content. Therefore, this paper analyses the current market of mobile content by looking at the range of mobile content being offered to consumers and the business aspects associated with each of them. Then, it evaluates the payment methods of mobile content before analyzing the survey results. Finally, it concludes by recommending the market to review and evaluate the current business models to provide a more flexible and better payment method to benefit everyone in the market.

1 INTRODUCTION

Mobile phone has become an essential item not only for communication but also for personalization and entertainment purposes. It enables people to stay connected in a wide variety of settings – at home, at work or on the move. The advanced features in mobile phone mean people not only can make phone calls but also are able to send text messages and pictures as well as to download ringtones, wallpapers, screensavers, video clips and games. The revolution of mobile games from single-player to multiplayer games has brought new dimension to user due to the fact that the games have become more sophisticated and therefore, offer more thrill and excitement to the overall experience.

It is expected that the market for mobile services will grow due to the take up of 3G and will create niche for digital content worth £1.4 billion by 2010 (Mobile Europe, 2006). It was estimated that over 70 percent of consumers uses mobile phone for text messaging and resulted in 55 million revenue in 2003 (ChildAlert News, 2006). In 2005, premium SMS services such as ringtones, wallpapers and screensavers accounted for two-thirds of mobile content spend (Mobile Europe, 2006). Games,

music and video downloads are gradually catching up. The market for mobile games started off in 2003 and concentrated more in Korea and Japan with 80 percent worldwide games download revenues of Euro 380 million (Screen Digest, 2006). It is estimated that consumers will spend over £200 million on mobile music and video downloads will account for 11 percent of mobile content spend in 2010 (Mobile Europe, 2006).

Mobile phone ownership is growing every year especially among young generation. According to a research, more than a million 5–9 year old children have a mobile phone and a total of 5.5 million under the age of 16 owned a mobile phone in 2005 (Derbyshire, 2005). One of the reasons why children are having a mobile phone is because parents are concerned about their safety and whereabouts. Consequently, children are taking advantage of the situation by spending money on texting their friends and downloading personalized and entertainment contents such as ringtones and games.

Due to the increasing consumer spending, it has raised the concern of the willingness of consumer to pay for mobile content at a premium rate. Consumers are expecting to get free content in some point in time especially in the digital era. This has

driven us to analyze the current market of mobile content by evaluating the types of mobile applications and the payment methods. Then, the paper discusses the survey results and analyzes them with the current situation.

2 TYPES OF MOBILE APPLICATIONS

There are four categories of product: personalization, entertainment, messaging and community based. Personalization includes ringtones, wallpapers and ringback tones. It is self-expression and it enables users to choose and download their favourite tune as their ringtone. There is a range of ringtones where consumers can choose from including polyphonic and real music tones. Users are paying about £3.00 a week to subscribe the service that entitles them to download up to a certain number of tones or graphics as part of the subscription package. A report predicted that young people is spending £150 million downloading music (Thomas, 2005).

Games, audio and video downloads as well as horoscope are just a few entertainment subcategories. The development of Java enabled mobile phone has provided platform for the growth of mobile gaming. It is becoming more popular with more rich, animated and 3D characters. In 2004, it is anticipated that the wireless games download market is worth around Euro 880 million (Screen Digest, 2005).

Messaging is the most popular mobile application with one-in-three or 32 percent of mobile phone users sending text messages everyday (UK News, 2005). Messaging involves SMS, MMS and video messaging. The potential revenue from messaging is enormous. Many television programs such as Big Brother and Pop Idol are now offering an interactive voting element by enabling viewers to participate in text voting to influence the outcome of the live program. For example, in January this year, 8.9 million people participated in SMS voting in that month (Miles, 2006). Big Brother 3 in the UK received more than 13 million text votes, generating the mobile operator about £1.3 million in revenue (Mobile Europe, 2004). It is anticipated that by 2010, data revenue will grow by 78 percent to \$52 billion and 65 percent of this will be from messaging (Oates, 2006).

Community or location based application is another mobile content that is gradually catching up.

Mobile phone users in Europe and North America are more interested in information services and therefore, they demand more access to news and information such as football results and stock quotes. Sport results and share prices are types of interactive content and are time-critical information that requires constant updates. They will remain valuable in such society. Because mobile phone is an interactive device, it can make use of its mobility and interactivity to alert users of the latest news and development.

Regardless of the types of mobile application, whether it would be sending text messages or downloading games and ringtones, consumers are being charged a fee to access them. This is because the mobile industry assumes that people will pay for content on their mobile phone because of the provision of convenience, mobility and interactivity. On the other hand, consumers are questioning whether they should pay for mobile content especially for content where they could get them free and easily available from other media. Some of them argue that they are not prepared to pay to watch football match on their mobile phone when they can watch it for free in the pub on the big wide screen. Today's generation of consumers is raised in the Internet era where content is perceived as being free. Therefore, they are not willing to pay a premium for mobile services unless they have got no other options and there is a clear value associated with it. Despite this argument, it is predicted that the demand for wireless services will continue to grow with an increasing revenue of 13 percent to \$193 billion by 2010 (Oates, 2006).

Personalization, interactive content and time-critical information such as ringtones, games, sport results and share prices will sell on mobile phones as they are more valuable to users. Perhaps, individual interest and nature of work play important factors in influencing consumers to access mobile content. People who are always on the move and like sports and games will benefit from mobile tv and mobile gaming. Young men aged between 16 and 21 are the most ready with cash to lavish on mobile content like sport and games. According to a report, consumers are willing to pay more for ringtones or 30-second snippet of a song track than for full song downloads to mobile phones. However, the combination of higher bills and the fact that most consumers are used to getting content on the Internet for free, consumers are increasingly reluctant to pay a premium for mobile content. A study revealed that consumers are willing to consider receiving advertising content on their mobile phone in

exchange for free or discounted content, provided there are no hidden costs and that the advertisement is relevant to their needs and interests. Therefore, it is crucial for mobile industry to develop a solution that benefits everyone in the market including consumers to allow for continuous demand and success of mobile content. Ideally, the model should incorporate convenience, low prices and legal action against violators.

3 PAYMENT MODELS

As mobile content promises greater growth, it is inevitable to review the existing business models for mobile services that are currently dominated by the mobile operators. Mobile operator is handling the billing by deducting the prepaid credit or for a contract user, the amount is added to the monthly bill. The challenge is to reduce the domination of mobile operators. This gives opportunities for content providers and other players in the mobile market to reach customers without having to go through mobile operators. Most mobile users are paying for mobile services through subscription and pay per download. Subscription offers unlimited use of mobile content at a fixed rate. It is a risk free proposition as users always know how much they will pay. On the other hand, pay per download makes much more sense for a wide number of users. Consumers can access mobile content and be charged for it on per use basis.

New payment methods are being implemented involving a closer relationship between content owners and mobile users. One of the models requires users to register their payment information to a centralized entity. This will allow users to access mobile content from multiple providers. Another alternative billing method is the offering of a separate, prepaid virtual account. Everytime a user buys a mobile content, the amount will be deducted from the prepaid account. The revenue sharing model is another option for mobile services. This model allows all content providers to offer SMS/MMS/WAP services to mobile users across all mobile networks. The revenue is then, shared between the mobile operator and the content provider by taking into account the value that the content provider is contributing with.

4 SURVEY RESULTS

A survey was conducted to identify consumer behaviour towards mobile content. It focused on people from different departments in Lancaster University. About 50 people participated in the survey ranging from the age of 18 to 30 years old. From the total number of participants, 96 percent of them own a mobile phone and the other 4 percent have not. This figure conformed to the overall penetration of mobile phone in the UK. When asked about the age when they first own a mobile phone, 40 percent of the participants owned their first mobile phone between the age of 13-14, 35 percent between the age of 15-16 and only 5 percent over the age of 18. These figures clearly indicated that mobile phones were increasingly popular among teenagers. Due to the fact that most participants started to own mobile phone when they were teenagers, most of them were on Pay As You Go with 78 percent and 22 percent were contract users.

As illustrated in Figure 1, the survey also highlighted that the most popular content downloaded by the participants for free was ringtone with 35 percent followed by mobile game 17 percent and wallpaper 15 percent. The least popular content was film review video clip with only 1 percent. This justified that this age group felt that personalizing the mobile phone based on their preferences was very important to project their self-identity. In terms of purchasing mobile content, Figure 2 showed that ringtone, wallpaper and music top the list with 33 people, 11 people and 9 people respectively. Perhaps, younger generation was being selective on what they were able to purchase and download given the financial constraint as most of them were on Pay As You Go. They would be better off with free downloads.

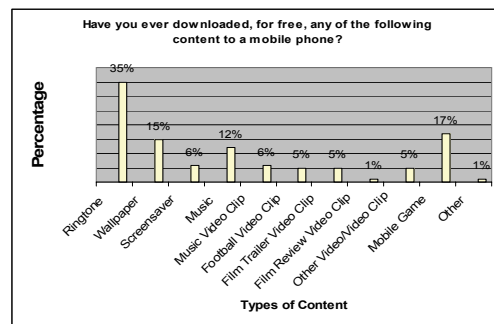


Figure 1.

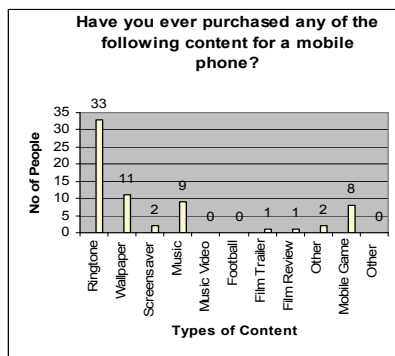


Figure 2.

When asked about SMS voting, interestingly, only 35 percent has participated in reality television series. This was a staggering outcome considering the revenue earned in such programs was relatively high. This could be due to the fact that most participants were students and therefore, they were less likely to have time to watch television or perhaps, they cannot afford to spend on things that they were not benefiting from.

The survey also asked participants whether they have downloaded content for free to a PC. Most of them have downloaded music with 32 percent, film 25 percent, games and music video with 23 percent and 20 percent respectively. They have also bought CDs, DVDs, video and singles over the Internet. This indicated that young people were more attracted to music and film and they were willing to pay for them.

5 SURVEY ANALYSIS

The survey results showed that the ownership of mobile phone was high among the participants and majority of them started to own one since they were teenagers. This group of consumers has downloaded all types of content to their mobile phone for free. Personalize contents such as ringtone, wallpaper, screensaver were top of the list. When it came to purchasing the contents, it projected similar trend with ringtone as the most popular content. Indeed, the participants have been selective in choosing the types of content they want to download whether for free or pay per download. Whatever content they download for free, it will influence their purchasing power over mobile content. This may be down to individual interest and their associated benefits. The participants were willing to pay for the download if the content was valuable to them. For example, they were willing to pay to download their favourite

songs so that they could listen to them repeatedly. It may be a good idea to allow for free trial when downloading mobile content. In some cases, people tend to try anything if it is free although it is not an interest to them. It maybe a good marketing tool to attract consumers to try on new products and from there build their interest to continue subscribing the product. The recommendation may be able to increase the take up of mobile content by consumers.

6 CONCLUSION

The mobile industry is offering a wide range of content services such as text messages, screensavers and games to consumers. Consumers are spending more on mobile content and mobile operators are gaining higher revenue each year. As a result, mobile users are increasingly reluctant to pay a premium for mobile content unless it is clearly valuable and it is not easily available from other media. The outcome from the survey conducted also projects similar consumer behaviour towards mobile content. Therefore, mobile industry should take initiative to review the business models in order to encourage consumers to adopt mobile content and consequently, to provide better services.

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