BUILDING A SUSTAINABLE MOBILE TV BUSINESS

Jean-Luc Jaquier

OVER THE LAST YEARS, SEVERAL BROADCAST MOBILE TV SERVICES HAVE BEEN LAUNCHED AROUND THE WORLD. SOME SERVICES HAVE BEEN LAUNCHED AS PAY TV SERVICES, AND SOME OTHERS AS FREE TV. AS THE INDUSTRY LOOKS FOR THE RIGHT BUSINESS CASE, KEITH DYER TALKS TO NAGRAVISION'S JEAN-LUC JAQUIER, VP PRODUCT AND MARKETING.

Mobile Europe:

We last talked to Nagravision in this manner at the end of 2007, and it's always good to take stock and look at how the industry has developed in recent months. What do you think have been the major changes in the market since we last talked?

Jean-Luc Jaquier:

The market has been evolving, and is now really starting to take off, even though it is in many areas still nascent. We have seen licenses granted in many areas, and operators start to launch services. We ourselves have been involved in a couple of major rollouts – one in China. And we are also entering into DVB-SH rollouts in Europe, with Eutelsat, and in the USA with ICO.

I think we are at a good moment in time for mobile TV broadcasting, and next year there will be a big boom in service provision.

On our side, we have continued our development of different platforms to serve the mobile operators, broadcasters and service providers. We have launched our Micro-SD platform, and seen it gain traction in the market. We have also seen OMA-BCAST become an accepted standard along with Open Security Framework, and operators start to look at it.

ME:

Despite this progress, has the pace of the market development been slightly slower than you expected previously?

J-L J:

For sure, we are now behind where we expected we would be two years ago. Back then Italy was rolling out very fast with all three operators, 3 Italia, TIM and Vodafone, and we were optimistic. But the market has been delayed by regulation and spectrum issues since then. In DVB-H, now you have countries such as Switzerland, France, Holland, who are either already launched or looking at launching in the coming months. Things are becoming much more concrete. The main failure has been the disaster in Germany – we saw what happened when broadcaster network operators and mobile operators do not manage to strike a deal together.

So I think the important point to take from this is that we need to see three-way partnerships between the content owners, the broadcasters, and the mobile operators to make mobile TV a success. Only if the industry works together will we see continued progress.

ME:

Can you describe how you think those partnerships might work in reality?

J-L J:

In the mobile TV value chain, each party has different strengths. The content owners need to bring their creativity, perhaps made-for-mobile content and so on, in order to add as much value as possible. The broadcaster has the power to push mobile TV to the public, whilst maintaining a high quality of service. The mobile operators have direct access to the consumers, which is not always the case for broadcasters. They also have the capability to finance mobile phones into the market and have huge marketing power. All the partners have to be in a strong relationship for the benefits of these strengths to be realised.

ME:

In terms of the business model the market might follow, we've seen free services as well as paid-for content. We've also seen free services that are still encrypted, ensuring payment is made at some point in the value chain. What do you think now offers the best chance of success.

J-L J:

Free TV is a risky model for service operators and broadcasters, who are losing money paying for the broadcast network rollout and maintenance. The main players who currently benefit from the value chain by making money out of Free TV are device vendors. The other players have to invest in the broadcast service, hoping to recoup with advertisement revenues in the long run. Yet advertising revenues will only start to generate decent revenues when the service is reaching mass market, which is likely to take years. There is a long revenue gap to bridge over these years.

At the same time, lack of revenues out of Free TV will lead to lower investments in the network infrastructure and poorer in-door service coverage, which will hinder mass market adoption. It is actually the most critical issue of the success of Free Mobile TV over DVB-T, which is not deployed for deep in-door coverage.

But as you have mentioned in your question a sustainable way of offering Free TV while providing revenues is to finance the network rollout and its maintenance by collecting a one-time service access fee. This fee could be invisible to the consumer and would be collected for each mobile broadcast device sold. The model is being considered in several countries, today.

Now the question is how to make sure this Free TV access fee is collected. The solution is to encrypt the content, so only authorised devices (that is to say for which the service access fee has been paid) can access the service. Also, the devices that are bypassing the fee (e.g. through on-line Internet sales from other regions) would not work on the network.

Another advantage of the approach is to offer the maximum flexibility in business models, offering for instance a mix of Free TV and Subscription TV out of the same channels: for instance Public Service Broadcaster TV channels can be served as Free TV with one-time access fee on retail Portable Players, while partnering Mobile Operators can charge a recurring monthly access fee on their mobile phone service.

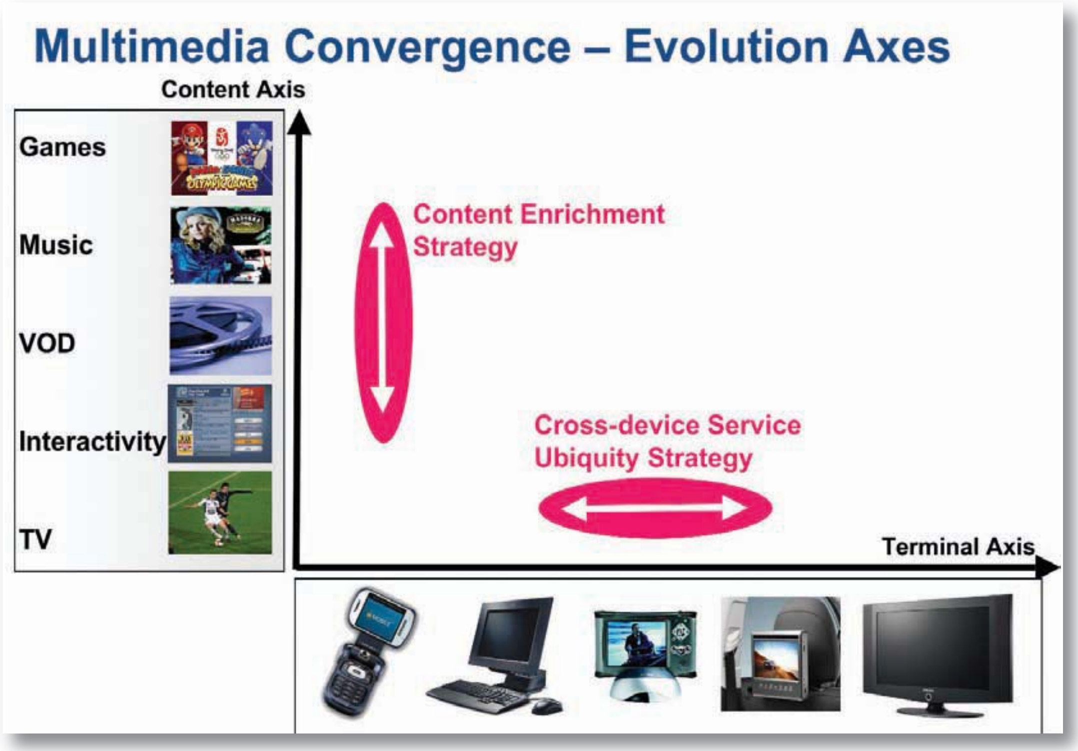
ME:

Can this model be sustained within a mobile operators' overall convergence strategies, as they seek to deliver services to a range of devices, fixed and mobile.

J-L J:

Multimedia convergence evolves around two axis, terminals and content. The first axis is about offering a cross-device service ubiquity, whereby the service operator's content is offered to consumers through any receiver means, such as mobile phones, portable players, PCs, STB to TV sets –broadcast or IP STB-, games consoles, in-car entertainment devices, etc. The second axis is about offering richer content on the devices, from linear TV to interactivity, content on demand, music, games, etc.

Being a leading actor in all networks and markets, broadcast TV, broadband and mobile TV, Nagravision is offering fully-integrated solutions to support the service operators in their multimedia convergence strategy. A key success factor is a service head-end that federates across delivery networks and consumption devices. Such a service head-end is typically built around three pillars: content security, content management and a service delivery platform (SDP) to create the



The service head-end thus becomes the cornerstone that seamlessly converges the entire service creation, content management and content protection across the different delivery platforms

Mobile TV can be a critical element of operators' convergence strategies

applications and content business logic. The service head-end thus becomes the cornerstone that seamlessly converges the entire service creation, content management and content protection across the different delivery platforms. It's therefore well on its way to become a service- and business-defining factor for many digital TV operators who are serious about service convergence.

ME:

And the introduction of standards has helped the industry consolidate around this model?

J-LJ:

Certainly, and when it comes to standards we are active in all fronts, with both mobile operators and broadcasters, in bringing mobile TV to the mass market. We provide a multi-standard security solution, based on OMA BCAST and OSF standards. Today, we offer the widest choice of terminals, covering Mobile TV handsets, Portable Media Players, In-Car entertainment devices, USB dongles, and Portable Navigation Devices.

Our position within the DVB-H Mobile TV market is very strong, with more than 90% market share in number of users, and more than 25 DVB-H terminals working with our solutions. The latest introduction in our device partner ecosystem are Garmin and Avmap, the world-first DVB-H Mobile TV and GPS terminals, offering interesting opportunities for converging Mobile TV and Location Based Services.

Also, we have very recently announced our selection by Chinese's State Administration of Radio, Film and TV (SARFT) for their nationwide China Mobile Multimedia Broadcasting (CMMB) mobile TV service, being rolled out as we speak. The project is a fantastic opportunity for our company, as we are talking about dozens of millions of users in the coming years, using both mobile phones and portable media players. The entire Mobile TV market will benefit from the Chinese service rollout, with the introduction of dozens of low cost terminals and reference designs available to service operators and consumers worldwide.

Finally, as I mentioned at the start of this interview, we have also announced our selection by Eutelsat for a DVB-SH pilot in Europe, as well as ICO for a DVB-SH pilot in the US, which further strengthen our position of multi-standard Mobile TV service protection leader.

Our technology, service protection, means much more than securing content access; it's the essential keystone of the sustainability of the Mobile TV business case: from enabling and sustaining Mobile TV revenues on the long run, to allowing a balance between content owners, broadcasters, mobile operators and terminal manufacturers. It is the key technology to offer the consumers what they are looking for: a great outdoor and indoor coverage for their favourite high quality basic and premium content.

ME:

Jean-Luc, thank you.

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Garmin's DVB-H GPS device, launched in Italy, shows the potential of non-voice devices