

FEATURE STORY

Contemplating the broadcast mobile TV wholesale model

The global potential for the mobile TV market is enormous. In a late-2006 study, the US-based market research group, IMS Research, predicted a 2011 global mobile TV audience of 500 million. Here in Asia, such potential growth represents enormous commercial opportunities for a wide range of players, both within and without the broadcast sector. While third-generation (3G) cellular and its 'multimedia broadcast multicast services' (MBMS) variants offer mobile TV delivery options, these are ultimately contention and capacity limited. By contrast, broadcast-based 'one-to-many' technologies—such as DVB-H, DMB, MediaFLO and OneSeg—are contention-free, use dedicated broadcast spectrum, and represent the most powerful and future proof mobile TV platforms.

Perhaps more vexing than such technical issues, are those surrounding the optimal business model for broadcast mobile TV. In any potential broadcast mobile TV market, the core business model challenges are:

- *Resources and skill-set/team aggregation:* Collecting together the appropriate skills/resources from various sources and organising them appropriately to make it happen. Skills are primarily grouped as content-, network- and customer-related.
- *Time-to-market and optimal uptake:* Ensuring the fastest time-to-market, plus an optimal and sustained rate of subscriber uptake.
- *Maximising access to the market:* Maximising access to the widest possible subscriber base.

The wholesale model option

In Asia, there are three groups of key 'players' in the emerging broadcast mobile TV market value chain: mobile telcos, traditional TV broadcasters and content providers, and infrastructure providers. Each stands to gain from an established mobile TV market, and each brings some, but typically not all, of the resources and skills needed to make broadcast mobile TV 'happen'.

One business model, the so-called 'wholesale broadcast mobile TV model', overcomes individual shortfalls and leverages the strengths of each player, resulting in a 'win-win' for all. The defining feature of the broadcast wholesale mobile TV model, which is a refined cooperative model, is a market split resulting into two distinct sectors: one wholesale, the other retail. The wholesale sector

encompasses the broadcast mobile TV transmission network, spectrum acquisition and licensing, and content aggregation/multiplexing. The retail sector focuses on the subscriber end of the market, specifically the growth and management of all subscriber-level channels-to-market.

The central player in this model is the so-called 'broadcast mobile TV network operator' (BMNO). Typically an infrastructure company (possibly partnered with one or a number of content providers), the BMNO will shoulder all broadcast mobile TV network development (skills and investments) and management responsibilities. This includes the very complex coverage planning design and implementation issues, plus the sophisticated and ongoing network management and operations aspects. Likely limited to one or two per regional market, the BMNO will be entirely responsible for all network-related capex/opex, and possibly the aggregation of some content in the relevant regions.

The market's mobile telcos will play the 'retailer' roles. The mobile telcos bring their established subscriber relationships to the wholesale model and manage all customer relations and subscriber billing. In return, they gain essentially low-cost or even cost-free access to a true broadcast mobile TV network.

This is a particularly important issue. In most mobile markets, any one mobile telco is unlikely to have more than, say, 30 per cent of market share. It is often as low as 10 per cent. This makes 'going it alone' in the broadcast mobile TV market at best a serious commercial challenge for many mobile telcos. As a result, the mobile telcos are big winners in the wholesale model.

Traditional broadcasters and content providers also gain commercial benefit in the wholesale model. These groups will be called upon to provide purpose-developed or adapted content for the new broadcast mobile TV market. This will be either as a 'customer' of the new BMNO (for example, pay TV companies), or as third-party 'content providers'.

One market; one model

A core objective of the broadcast TV wholesale model is to achieve buy-in by the majority of the market's mobile telcos and, as a result, address the broadest possible subscriber base. This total market perspective provides some immediate and obvious advantages, as it underpins significant time-to-market and subscriber uptake advantages, as well as maximising access to the largest possible market.

The wholesale model's total market approach brings with it another important benefit—that of reduced handset pricing. The cellular industry has a long-established practise of subsidising

handsets, where handsets are typically subsidised to zero cost on long-term subscriber plans. As a result, one of the cellular industry's main concerns surrounding broadcast (as opposed to 3G) mobile TV, is the current high cost of broadcast mobile TV-enabled cellular handsets. The fast subscriber uptake and maximum market access inherent in the broadcast mobile TV wholesale model will bring with it a 'pull through' effect on broadcast mobile TV handset prices. It stands to reason that the broadcast-enabled handset prices will fall quickly, courtesy of the model's maximum market access and high-volume subscriptions.

Service and commercial mechanisms

The broadcast mobile TV wholesale model can potentially support a wide selection of service delivery mechanisms. These include:

- **'Operator' delivery/wholesale channels:** This mechanism is founded on the BMNO's provision of dedicated 'channels' (access to a portion of the mobile TV network's infrastructure and spectrum) to third-party groups known as 'operators'. The operators independently lease and manage the entire 'channel', including content aggregation and billing, as they see fit. Potential operators could be free-to-air broadcasters aiming to extend viewing audiences; advertising/infotainment channel operators and pay TV operators exploring alternative channels-to-market.
- **BMNO delivery:** This mechanism sees the BMNO acting as an operator in its own right. Under this arrangement, the BMNO could collect a suite of specialised content and, in turn, provide this content to end-users (via the mobile telcos) on a subscription or pay-per-view basis.
- **'Mobile telco exclusive' delivery:** In the quest to achieve mobile TV market differentiation, some mobile telcos may choose to introduce exclusive content (for example sports specials, tailored news services, financial/stock market services, and so on). Such special content would be carried by the BMNO to the particular mobile telco's subscribers on an exclusive basis.

Similarly, the model offers a diverse range of revenue streams and commercial benefits for all three players in the value chain. The mobile telcos realise a key commercial advantage, in that they, and their subscribers, enjoy immediate access to broadcast mobile TV services. This is potentially at no initial or ongoing network-related cost. Agency fees and revenue sharing could also be negotiated with the various operators, in return for the mobile telco's customer relations management and subscriber billing services.

The TV broadcasters and content providers gain commercial access to an entirely new, and potentially fast-growing, TV market. This represents new revenue streams for provision of mobile TV content, increased subscriber revenues for pay TV operators, and increased advertising revenues for free-to-air. Lastly, the Infrastructure company earns revenue from wholesale 'channel'

leasing fees and possibly some end-user subscriptions. Revenue sharing with the retailers could also be contemplated.

Meeting the challenge

A recent European study demonstrated that some 70 per cent of mobile calls originate indoors: in the home, the office, the car and so on. Mobile TV will actually increase this emphasis on indoor coverage, which will ultimately present a significant challenge to the sector. As the mobile TV market gains traction, the provision of indoor coverage will require a sustained technical and capex commitment. Here again, a total market initiative, backed by well-resourced BMNO, will be essential.

Clearly, a fractured 'part-market' business model approach cannot practically address broadcast mobile TV's wide-ranging technical and commercial challenges. The broadcast mobile TV wholesale model is a total-market approach, one that is founded on a union of the traditional broadcaster, the mobile telco and the infrastructure group. In combining the skills and resources of all three, the wholesale model represents one of the most viable and pragmatic options for Asian markets to realise broadcast mobile TV.

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[IMAGE CAPTION]:



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Company background

As the owner and operator of one of the most extensive terrestrial broadcast transmission networks in the world, Broadcast Australia provides transmission services for radio and television (analogue and digital) broadcasters and offers site sharing and infrastructure services.

With over 70 years broadcast transmission experience, Broadcast Australia plays a strategic role in developing new and emerging technologies—including Infocasting, Digital Radio and Mobile TV. The company's aim is to provide world-class broadcasting solutions throughout the Asia Pacific region by working with strategic partners, including wholly owned subsidiary, The Bridge Networks.

Broadcast Australia is a 100% owned subsidiary of Macquarie Communications Infrastructure Group, an entity listed on the Australian Stock Exchange (ASX code: MCG). Its sister company, the UK-based Arqiva, specialises in providing broadcast transmission solutions for fixed and mobile media applications.

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