

Video On Demand: this year's next top model?

In terms of mass market adoption, it is taking 3G mobile networks a long time to live up to the hype as the magic key to the world where broadcasters and entertainment providers deliver rich media and video to a content-savvy mobile audience.

In the last year though, we have begun to see rich media services slowly trickle into consumer hands. On the back of the iPhone success, 2008 saw successful launches of the BBC iPlayer and a number of operator VoD services such as T-Mobile in Germany.

So what remains in the way of significant mass-market adoption of mobile VoD?

There's no doubt that network speed and capacity has been a major problem and often resulted in a poor user experience for the consumer. However next generation networks are finally delivering the services today that 3G promised nearly ten years ago with new HSPDA networks able to download a 5Mbps video clip in 13.9 seconds.

In parallel, another problem has previously been the penetration of 'smart' handsets able to easily handle these rich media services. However, led by the iPhone, smart-phone sales have increased 12.7% to 36 million units in the first quarter of 2009, despite the economic downturn.

So with many more video compatible phones on the market, and service providers such as WIN able to take care of device and network compatibility, the industry has taken some giant strides in the last year towards widespread availability of video services.

Nevertheless, the lack of consumer confidence around data charges, especially during a worldwide economic downturn, and fears inside the industry about network capacity, have been factors behind the shortage of fuel to grow VoD services.

The typical 'Pay as you Go' customer remains wary of data traffic charges and the phenomenon that has become known as 'bill shock' – and mobile video streaming is regarded as data heavy and therefore a high tariff item.

Of course, many contract consumers will sign up to 'all you can eat data bundles', where they can enjoy the freedom to stream video services without the fear of a large bill at the end of the month. Nevertheless, "fair usage" clauses do create some consumer hesitancy and network performance issues also put off repeat viewers – and once a customer is lost, everyone knows it is harder to win them back.

Of course, many people believe that to help the cost end of this equation, advertising could play a significant role by subsidising the cost of the data traffic and also that technology can ease the 'capacity crunch' issue.

The problem is that without the audience, the advertisers cannot generate the returns they need; without advertising, the content isn't subsidised and is still seen as expensive, and - despite 'all you can eat' data bundles - we all find ourselves back at the beginning.

Something needs to change to break this cycle.

WIN believes that, by uniting operators and building a business model that will address these issues, the industry can develop a platform which allows media companies to monetise their content and start delivering services to more consumers.

The business model needs to ensure all operators are consistent in how VoD services are delivered and charged. However, WIN feels that the current low-levels of usage for video calling on 3G networks, for example, opens up the possibility of more flexible delivery methods and charging which will also ease capacity issues.

What's more, although there is a belief within many operators that all-you-can-eat bundles are the panacea, wholesale data rates also have a role to play in attracting higher uptake of services. This would allow content owners or delivery companies to buy bundles of data at a lower rate to ensure that consumers are given an all-inclusive rate to access content and subscription services thus avoiding 'bill shock', especially on "Pay as You Go" tariffs.

If the mobile industry can address the delivery model for VoD, attract more consumers to these video services and present advertisers with a rich medium direct to consumers' pockets, they will certainly start to take mobile video very seriously.

Indeed, we are already seeing serious investment in mobile advertising with spend in the UK reaching £28.6m in 2008, a staggering 99.2% year-on-year rise according to the IAB and PriceWaterhouseCoopers. With initiatives such as the GSMA's Mobile Media Metrics project providing media planners, owners and buyers trusted and transparent data to justify driving media budgets to mobile, momentum is building.

There is a prize to be won here: improved lower cost services for consumers, a new medium for advertisers and new revenue streams for operators and content owners.

All it will take is unity of approach, consistency, continued investment in delivery and some imagination in charging to finally allow mobile video to fulfil the hype. The Mobile industry's next top model is video on demand, and it could even be that this is finally the year it gets to wear the crown.