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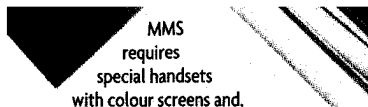
Multi-media messaging moves on...

Revenues gained from the Multimedia Messaging Service (MMS) market will reach \$161.3bn in 2009, by which time it will be well-established as a day-to-day feature of the mobile mass market. Yet so far, MMS has failed to deliver on promise for many of its users and its potential to enrich mobile communications has not been realised. It has recently passed through the early adopter phase, and the MMS industry continues to wrestle with problems such as handset compatibility, digital rights management, and pricing models. However, the major opportunity, of receiving and sending multimedia messages on the move gets closer by the month.

MMS brings multimedia features such as photos, sound, video, rich text or interactive applications to mobile messaging. This can take the form of a message sent between mobile phone users ('peer-to-peer') or, of equal importance, a message sent from a third party to a user ('server-to-mobile'). An MMS

message can be compared with a scaled-down PowerPoint presentation, able to contain a variety of media. By contrast, Short Messaging Service (SMS), which has paved the way for MMS, only allows basic text-messaging of up to 160 characters.

MMS has only been up and running for about three years. Among the countries where uptake is strongest are Japan, South Korea, Germany and the Nordic region. The US is less developed, reflecting the general lower mobile handset penetration in the region. In between are countries such as the UK, displaying roughly average MMS usage levels: even by the end of the first quarter 2004, out of a total of 47.5m subscribers to the four main UK mobile networks, 11.3 million MMS active devices were registered, according to the Mobile Data Association. This gives an MMS penetration rate of 24 per cent.

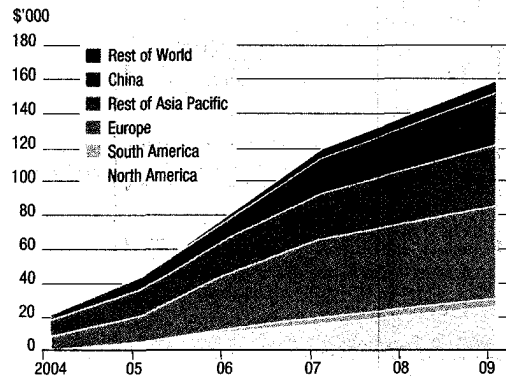


MMS requires special handsets with colour screens and, usually, built-in cameras.

When the first Juniper Research report on MMS appeared in 2002, there were just two MMS phone models. Now there are hundreds. They have already brought in significant revenues for the leading MMS handset suppliers. But for operators looking for new revenue sources, and other suppliers in the value chain, MMS offers the chance to build on new consumer behaviour in messaging, for example linking audience participation into digital TV programmes, driving new data revenues and raising average return per user (Arpu), as well as handset replacement rates.

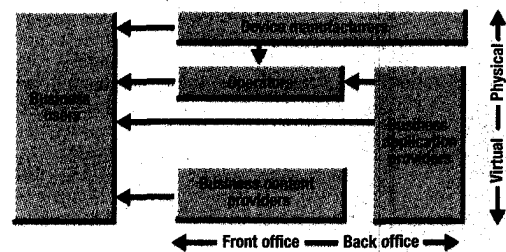
Whilst offering a leap in mobile phone usage and appeal, it must be emphasised that until now, MMS has also been a frustration for large

Revenues for MMS services

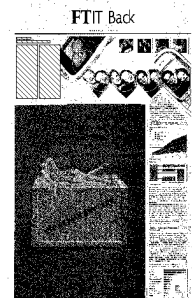


Source: Juniper Research

Value flow



Source: Juniper Research



numbers of users, even for basic functions such as exchanging photos between mobiles. However, many of the compatibility and interoperability obstacles which have menaced MMS will be ironed out over the next two years, allowing a freer flow of multimedia messages, approaching the level of today's SMS. A major advantage for MMS is that it can slot into customers' existing mobile usage habits. The downside is that user expectations have been set to require the same standard of service, and smooth operation, as they get from SMS.

MMS presents a large revenue opportunity, not only in providing enhanced peer-to-peer messaging, but also content and application-based services. As yet few suppliers are making any money out of it. But MMS provides opportunities to sell a range of enabling technologies. A wide range of content types can prove effective over the MMS bearer, but content must be created specifically for this new channel in order to be successful - taking into account the effect of new user behaviour as usage evolves.

This is an abridged version of a white paper produced by Terry Ernest-Jones, Associate Consultant, Juniper Research. Further white papers can be downloaded at www.juniperresearch.com

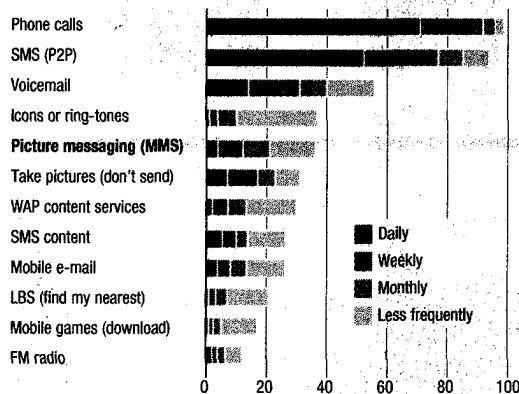
...but some key problems must be resolved

Speakers at a recent briefing in London on the potential and future of MMS, broadly agreed with the above research produced by Juniper. Declan Loneragan, director of wireless research at the Yankee Group, noted that the contribution of mobile data to operators' revenues has been rising since the first quarter of 2001, although from a low base. However, consumer text messaging continues to dominate mobile data revenues and is predicted to do so at least until next year. Shailendra Jain, CEO of Adamind, a San Jose-based media adaption company, said that MMS is potentially a massive industry but now was only the beginning. 'In order to become a mass market service, the industry has to tackle some key issues,' he said.

Noting that user experience has not been optimal, with messages not delivered or of poor quality, Mr Jain said handset manufacturers and operators need to tackle the lack of device interoperability and the variety of standards imposed by different content services to make MMS more appealing and easy to use.

How frequently do you use your mobile phone?

Five large EU countries survey mid-2004 (% of respondents)



Source: The Yankee group 2004 European mobile user survey