



Selling Content Through Kiosks & Cards

The wireless phone may be the primary purveyor of mobile games and ringtones, but some retailers are exploring alternative ways for consumers to buy content.

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U.S. consumers are finally opening their wallets and spending money on mobile games, ringtones and other content. These small-ticket purchases — ranging between \$2 and \$7 depending upon whether it's a 1-time fee or subscription — still account for only a few dollars of total monthly average revenue per user. However, consumer interest is growing and operators, content developers and others are encouraged by recent up-ticks in subscriber data usage.

U.S. carriers have tried to control the mobile content purchase by requiring users to download games and ringtones via their handset or the carrier Website. While this control helps ensure that carriers get a piece of the revenue pie, it also gives them decision-making power over what content they provide to their subscribers and perhaps even more importantly, what content merits placement on their top deck, an area most often accessed by subscribers.

Although carriers have long cherished their control over their subscribers, alternative methods of downloading content seem to be making inroads in the U.S. market, particularly among retailers. Gift cards and mobile content kiosks are two possibilities that some believe will make more content available to consumers and help spur the growth of mobile entertainment.

Bypassing The Carrier Content providers have long decried the practice of carriers controlling the mobile content that gets delivered to their subscribers. And many, particularly smaller game developers or those that haven't secured relationships with U.S. wireless operators, hope to circumvent the carrier through alternative mobile content purchasing mechanisms. Perhaps the most prevalent option is content gift cards. Subscribers can purchase these content cards at

retail outlets for a nominal fee. Once the card is purchased, the subscriber enters a code and then the game is downloaded to the phone. Of course, the content doesn't work with all phones or with all carriers, so the subscriber must first make sure that their handset and carrier network supports the content.

Game distributor Playphone currently offers a selection of cards at a variety of retailers, including Target and Best Buy. Playphone cards typically provide two games, two polyphonic ringtones and two wallpaper options for \$9.99.

Game publisher Digital Bridges, which makes such game titles as Lara Croft Tomb Raider and Disney's The Lion King, works with Playphone to get its content to U.S. wireless consumers. According to Paul Maglione, senior vice president of publishing and marketing at Digital Bridges, this type of alternative distribution is more prevalent in the United Kingdom, but it's gaining steam in the United States. Maglione says that because some U.S. carriers try to block subscribers from accessing content they haven't sanctioned, these types of cards help get more content to the subscriber. "This system bypasses the carrier completely," Maglione says. "Carriers still make revenue from the traffic but not from the game purchase."

Maglione says the price points for the gift cards, which range from \$5 to \$10, appeal to consumers because they are fairly inexpensive. And he believes that

the cards attract those who want to purchase content to give as a gift or for those who need something tangible when they buy a game. "Some people require a level of tangibility when they buy something. They aren't happy with a 1-line description on the phone. They want to see what this looks like," Maglione says.

Still, Maglione admits that U.S. carriers are still the main sales channel for mobile content and likely will continue to control the channel for some time. However, he believes that as the mobile content industry matures, consumers and even carriers will want more alternative offers such as these cards.

Maglione isn't alone. In fact, some analysts believe that U.S. carriers will soon see the value of these cards and begin offering them through their own distribution channels. "Cards are a great way to get additional phone services," says Billy Pidgeon, analyst with the Zelos Group. "If they contain fun content, these cards will probably increase usage and consumer adoption of entertainment services."

Content Via Kiosks Gift cards may be the most common alternative to purchasing content via the mobile phone, but at least one company is contemplating retail kiosks. Uphonia, a new mobile virtual network operator (MVNO) launched by application developer SmartServ Online, is incorporating kiosk technology into its prepaid offering. The company says it has about 5,000 ringtones, images and

graphics available online and at retail stores through its kiosks, which feature touchscreen technology that lets cellular phone customers sample and order content. Once the customer has completed the order, the ringtone or image is sent through an SMS message to the purchaser's phone.

According to SmartServ CEO Bob Pons, the kiosk is part of Uphonia's distribution strategy and will help retailers and dealers sell phone service. "It's primarily there as a vehicle to bring people into the store, purchase Uphonia service and be rewarded with additional content," Pons says.

SmartServ introduced the Uphonia service in August but has not yet revealed which carrier or carriers' networks will provide the underlying wireless service. The company currently is building its retail distribution network, approaching distributors, agents and dealers with its MVNO offering.

According to Pons, the company believes it can make inroads with consumers through its prepaid offering, which it will couple with content. "We did quite a bit of market testing and research on bundling content with prepaid airtime," Pons says. "We found that

content was a very powerful value-added offering to the prepaid marketplace."

For now, SmartServ will use the kiosks to help sell phones and service. Whether they will eventually be used as a venue for distributing content alone remains uncertain. According to Black Faying, vice president of business development at SmartServ subsidiary Nreach, the problem with that model is the commissions from selling small-ticket items like content are so minimal that sales associates have little incentive to encourage customers to use the kiosks for content purchases. Instead, SmartServ hopes retailers will use the kiosks to educate customers on their devices and what they can do with content, which in turn will result in an up-tick in content sales.

Gift cards, kiosks and other alternative content purchasing methods may not yet be prevalent in the United States, but may soon be more plentiful, particularly as mobile entertainment becomes more popular with consumers. And for retailers, these alternative methods may lead to additional wireless revenue opportunities.