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MOBILE SOCIAL NETWORKING

Social services

Mobile is set to play a bigger role in social networking as operators look to build on fixed-line services. Early signs are encouraging, but there is still debate over which models to adopt and how to generate long-term revenue streams. By NICK WOOD

Mobile phones are a logical platform for online social networking services: both have become popular with consumers as tools for communications and multimedia sharing.

But there is still no common consensus over whether to incorporate features specific to mobile social networking on handsets, as well as doubts over the quality of the user experience. Concerns also remain over how operators will generate revenues from services.

That has led to different social networking approaches from mobile operators, with own-brand offerings still in the starting blocks.

M:Metrics says there was 86% growth in the number of consumers accessing social networks on their handsets in the year to the end of March, in the markets it researches (see table right, p.37). That equates to 17.1 million consumers in total in six countries.

"Mobile social networking is one of the strongest growth areas we've seen," maintains Paul Goode, senior analyst at M:Metrics. "The UK has been one of the stand-out markets: there has been almost 180% growth in usage in the last year."

But in an average month that only equates to 4.9% of all mobile users in the UK. "It's a small percentage, but it's showing healthy growth," says Goode.

In May, Vodafone UK revealed that Facebook was the most visited site by its mobile Internet users, with MSN, Bebo, MySpace and YouTube all appearing in the top 10. The operator was the global launch partner for Facebook's mobile platform, a set of applications enabling mobile operators to integrate their services with social networks, unveiled in February ahead of Mobile World Congress in Barcelona.

"Our customers who go online on their mobiles want the same experience as on their PCs," says Vodafone spokesman Jakub Hrabovsky. "Therefore our mobile Internet services—and this includes social networking—are an extension and

continuation of that."

He sees Vodafone's role in social networking as more of an aggregator than an originator of content: "It's important for us to offer access to the widest variety of social networks for our customers as possible, and make it simple to use in terms of pricing and data charges."

Last month Vodafone acquired Danish social networking company ZYB, for €31.5 million. ZYB operates a social networking and online management tool that enables users to share and back up their handset's calendar and contact information online.

Some carriers have built their own social networks to move deeper into the space. SK Telecom was the first operator in Korea to launch social networking both on fixed and then mobile platforms. It has operated a mobile blogging service called Cyworld since 2004, and in February this year launched Tossi, a social network for use on mobile devices and PCs.

"We felt that with social networking services such as Tossi we could create a

But in general opinion is divided over whether other mobile operators can still capitalise on the growing popularity of mobile social networking services by building their own versions.

"Behaviour on the mobile Web reflects demand on the fixed side," says Goode at M:Metrics. "I wouldn't recommend that operators build their own social networks. Users aren't defined by the mobile network they use."

And Katrina Bond, principal analyst at Analysys Mason and author of a recent report on the US mobile media and entertainment sector, comments: "Belonging to a social network that is operator specific isn't going to help you share and communicate. Users want to connect to friends regardless of their mobile network."

But others argue that SK Telecom's model could be replicated in other markets. "It's not too late for operators looking to launch their own solutions," says Matt Hooper, executive vice president

'Mobile social networking is one of the strongest growth areas we've seen'

popular service, build a new market, and also bring about a constant and loyal user base that would continuously be motivated to use our wireless network," explains Park Jung Min, leader of Tossi's service team.

Cyworld's average mobile monthly page views now stand at around 350 million, according to SK Telecom, meaning users are accessing the service up to 11 times per day. That is impressive when you consider that MySpace Mobile has 150 million page views per month, according to Datamonitor/Ovum in a new report, *Social Networking: Competitive Differentiation Strategies*.

"Currently, fixed-line Cyworld has 25 million users—over half the population of Korea—and mobile Cyworld has 1 million users," says Yeojin Lee, a manager at SK Telecom's Internet Business division.

of marketing at mobile instant messaging firm Colibria. "They have a huge addressable market and the infrastructure. They just need to concentrate on how they would package these services."

Nonetheless, analysts suggest that the leading fixed-line social networking sites will also dominate the mobile space.

Datamonitor/Ovum analysts Charlie Davies and Eden Zoller say nearly 70 million people viewed more than 2.5 billion videos on YouTube.com last year and more than 38 million people viewed around 360 million videos on MySpace.com. Going forward, they say mobile will play an important part in the revenue mix for companies like MySpace.

"Despite its recent success (it generated over \$500 million in revenues from ad sales in 2007 and doubled its ad sales



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team), MySpace knows it has to up its game in light of fierce competition. It regards its number two position in video streaming, combined with its global footprint and mobile reach (MySpace mobile has 150 million page views per month), as being crucial in pulling in big advertisers."

But Hooper at Colibria suggests that even if operators choose to focus on providing access to existing Web-based social networks, their role doesn't necessarily need to end there. "Mobilising an Internet service doesn't preclude the operator from building extra features and functionality," he says.

In particular, Hooper says there is scope for mobile social networks to work with operators to enhance the user experience using features such as presence and location-based services (LBS). "Communication is becoming much more about context," he says.

One such company that bases its offering on context-centric mobile social networking is GyPSii. Using GPS, or a carrier's network depending on the handset's capabilities, GyPSii provides a platform for consumers to share information about a specific location on top of the standard social networking features of messaging and multimedia.

"From an operator's point of view, they get to know their customers better and it drives higher usage of their [data] network," says Dan Harple, CEO and co-founder of GyPSii. "Plus, to be competitive you need to have compelling reasons to stay on your network."

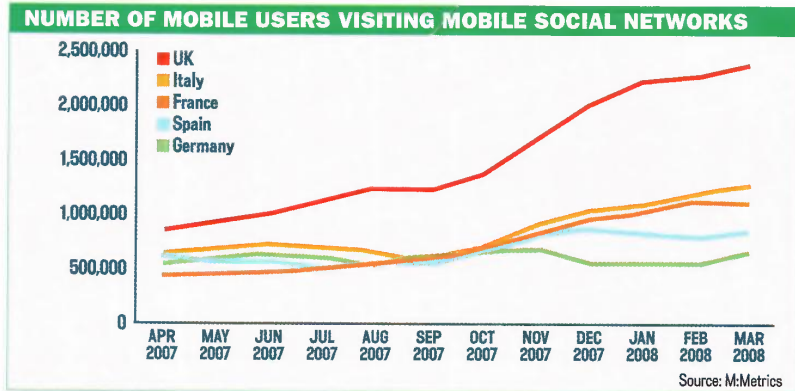
SK Telecom sees potential too: "We think mobile social networking services that are linked to LBS technology would be of interest to customers," says Park Jung Min.

But not everyone agrees that location services are the best way forward.

"In our experience location-based social networking was a negative for our users. They don't like the idea of other people knowing where they are," says KF Lai, CEO of BuzzCity, which runs MyGamma, a mobile social network aimed generally towards cheaper handsets.

A user survey carried out at the end of 2007 by BuzzCity found that the majority of MyGamma users accessed the service from a fixed location, and didn't use it exclusively to communicate with people living nearby. The company says the network is now accessed daily by some 2 million users from 60 countries.

M:Metrics points out that at the moment there are also market penetration



challenges to overcome with location-based services. "Right now with GPS you're looking at a low install base in terms of the number of handsets in the market, and in terms of using the cellular network operators still haven't worked out the cost model for making repeated location calls," says Goode.

What's more there is widespread agreement on two limiting factors that need to be addressed before mobile social networking services are widely taken up: pricing and usability.

"There is a big trend towards mobile data bundles, but most people are still paying vague ad hoc charges, while accessibility is one of the key barriers to mobile social networking growth today," says Analysys Mason's Bond.

Making it easier

She believes operators and handset vendors need to co-operate closely to make it quicker and easier to access social networks—something that Vodafone claims it is already working on.

"Bringing social networking closer in terms of reducing the number of clicks needed on the user interface to gain access is something we co-operate on with our partners, which includes handset vendors," says Vodafone's Hrabovsky.

"Several things are necessary to help drive the uptake of mobile social networking," says Park Jung Min at SK Telecom. "First would be mobile Internet payment plans that give less financial burden to customers. Also, the usability of mobile [social] networking services needs to be improved."

And the social networking companies point to still high mobile charges. "Data tariffs have not been lowered enough; they're still just too high," says MyGamma CEO KF Lai. "When operators lower their data prices they will generate scale."

But lowering the cost to the end-user would mean operators would need to find other revenue sources from their social network offerings.

"On the fixed side, social networks have the advantage of an established base of online advertisers, whereas on the mobile side they will have to start building up advertising all over again or find other ways to monetise the service," says Bond at Analysys Mason. "But a subscriber model only tends to work when you're targeting a very niche audience."

She expects mobile media and entertainment services, including social networking, to contribute more than 12% of US carriers' non-voice revenues by 2012, but direct revenue from mobile social networking will only make up a very small proportion of that.

Carriers will also face fierce competition for such revenues. MySpace Mobile, launched at the end of 2006, has struck deals with 23 carriers in 13 countries.

"In five years the bulk of operator revenues are still going to come from voice services," says Bond.

But mobile social networking services could help to drive other data offerings.

"Social networking gets more people surfing on the mobile Internet, which means operators sell more data plans," says KF Lai. "Operators benefit from a greater range of attractive incentives to use the mobile Internet." ■

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