

Content Insider - #73

The Swiss Army Phone...Is Good Enough for Everything Good Enough?

“I’ve been waiting my whole life, I just don’t know what the hell for,” -- Amelia (Catherine Zeta-Jones – The Terminal, 2004)

Sometimes our kids – and the community at large – make us feel like Tom Hanks in the 2004 The Terminal. We simply go from gate to gate trying to get on the next technology plane to fly to our destination...optimum personal and business productivity.

We haven’t even installed Vista -- probably wait until quite a few folks fly that plane before we get on board!!

We have a new cellphone with a camera as well as network and messaging capabilities. Phone works great. Haven’t bothered reading the passenger instructions in the seatback for the rest of the marvelous features...we figure we’ll just get airsick!!

The kids? They’re all thumbs.

They take, send, receive photos...they IM; they surf the online video sites...they email people; they download ringtones and music...they have calluses!

We’re starting to wonder if it isn’t time to board and start using one of these mobile information terminals (that’s what Samsung calls them, Nokia has another name).

Then an old friend Dick DeBartola (the GizWiz guy on ABC-TV) reminded us we had helped introduce a lot of that function and capability back in the early ‘80s when

we were hawking the Atari Portfolio



Figure 1 – One of the first ultraportable PCs, the Atari Portfolio, set the stage for palmtop computing. The 1980’s unit with a little assistance from today’s integration and chipsets could easily be the mobile everything phone...including a decent keyboard.

This was an ultraportable before ultraportable was cool.

Back when the Internet was just a twinkle in DARPA’s eyes and before Motorola had introduced their 30-minute brick phone, the name palmtop PC was coined. We saw a lot of folks thumb typing at 30+ words a minute (we could actually stumble-type 20 wpm).

Priced under \$400 when PCs cost a gazillion dollars and about the size of a VHS tape, it easily fit in your pocket.

This was no frickin’ toy !!!

It ran a derivation of MS-DOS (JT – Jack Tramiel – had no love for that kid Billy Gates!). Used RAM as internal memory. Included a text editor, spreadsheet, address book and you could dial phone numbers by playing touchtones through the speaker. Had optional parallel and serial interfaces for working with your big, clunky, expensive PC.

Fast forward 20+ years, add a few chips, do a little integration, use today’s wireless technology (hardware, software, content, carriers) you’re at the edge of space.

We’re moving beyond ordinary WiFi and transitioning to WiMAX (bigger, fatter, more robust wireless pipes).

Industry analysts say we have (ok will soon) faster network speeds, new batteries, bright/energy-efficient screens and more for our all-in-one + phone solution...

Mobility Platform

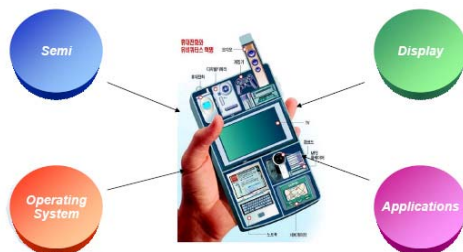


Figure 2 – Today’s chips, the advanced operating system, applications and display are great. But they are nothing without the big WiMax pipes that will be coming this next year to deliver any/all types of content to your phone...at a price. Source – Microsoft

They’re telling us we’re finally going to be able to cut the umbilical cord to the PC and use the new mobile devices for buying/creating content, personal TV network, music studio, heck even our digital wallet.

A recent article noted that to see what the rest of us will be doing with these

ultraportable PC we only have to look to South Korean and Japan.

These consumers led the way with cameraphones. Today it’s one of the features nearly everyone expects to find in their mobile device.

Worldwide Mobile Phone and Camera Phone Shipments (M)

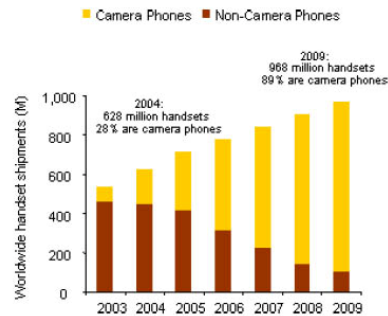


Figure 3 – You probably don’t use the camera function of your cellphone much (if you’re like 99% of the owners) but it is a must-have feature today. And those features/capabilities will continue to grow. Source – InfoTrends

So what if they take less than one photo a month (Wirefly Research).

But music...that’s going to be different.

After all Jobs is making a killing with his iPod and iTunes. So what if the sound is only “acceptable?” People on the go wouldn’t appreciate HighDef Dolby, DTS music quality anyway!

Ok so he sold 80 million of the damn things. We’ve got more phones out there and “everyone” carries his/her phone with them all the time !

Throw a hard drive in the little hummer.

Or load it up with flash.

Better yet keep the unit cost down and sell them add-in special SD cards.

Sell your own proprietary download music service and watch the money roll in.

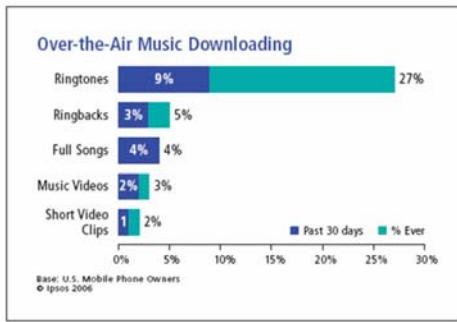


Figure 4 – People know they can download songs to their multipurpose phone and they like the idea. Problem is ... they don't. They still download to their iPod (the preferred solution) or other MP3 player because as a rule the cost is considerably less to download/play. Source – Ipsos

Ipsos found:

- 70% of American mobile phone users are aware of full sound downloads
- 1-20 have done it – it's hard to download to your PC and then to your phone
- Ringtones are still a big hit (big dollars)
- Direct-to-phone download is more expensive than straight online (iTunes) services from most service providers.
- Verizon has sold only a million songs vs. Apple's 1.75 billion

Sobering up, analysts now say music on the phone won't be an iPod killer any more than...well anymore than Zune.

The added service – as with all of the online music services – suffers. People need to be able to easily explore, capture, display and share their music. Until then, it's going to be a retarded offering.

One analyst stepped back from the sucking sound, looked back and forward.

Before kids had tapes and CDs. They swapped, ripped, exchanged the content.

Today that's still a big hassle and few of us will bother.

People don't load up their iPods with thousands of songs...it's expensive and time consuming. They won't load up their phones with hundreds.

You may buy the song (ok rent it) but it's a captive to the service you use and the device you put it on.

Our kid is a hero in his group. He rips old CDs, tapes and yes our ancient vinyls and puts them into MP3s.

Face it, the music exchange hasn't met the industry's adrenalin pumped expectations.

But TV? That's universal. It's something you don't have to think about...like reading.

New service...new revenue stream...new hopes.

Hey with the new WiMAX in place it will mean you really can be stuck in the airport and enjoy your personal TV.

US Consumers Who Watch TV Programming on Their Mobile Phone*, 2005, 2006 & 2009 (in millions and as % of mobile phone subscribers)



Note: *includes live and pre-recorded programming as well as downloads from a DVR
Source: eMarketer, December 2005

Figure 5 -- A number if industry analysts are seeing the next big thing in go-anywhere entertainment being provided on the smartphone. While early adopters have tried download TV, it has a long way to go to gain widespread adoption because the screen is still...small. Source -- eMarketer

So what if only 1.4% of the U.S. mobile phone subscribers watch TV programs on their phone. By 2009 that number is going to grow to a fantastic 6.2%!

We're talkin big bucks here folks. Of course the income has to be divided among the carrier, aggregator, network, SAG, meaningful "others."

The fact that we can get local TV shows free on our notebook with products like ADS Tech's MiniTV doesn't phase telcos or phone developers. They know people will love the new added service that they pay for and watch on their small non-HighDef screens.

Ok so movies haven't proven to be the killer either. There are other services telcos can sell.

Personal video services are gaining a lot of traction as folks put up their own versions of Dumb, Dumber on the sites.

This is great.

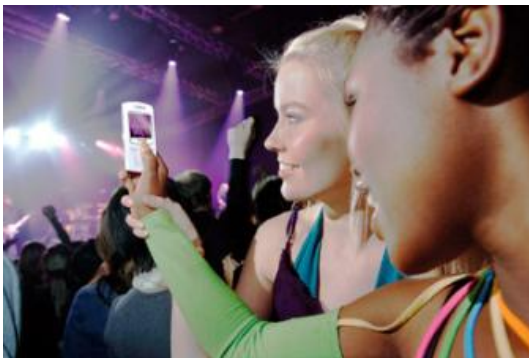


Figure 6 – A growing number of everything cellphones allow users to capture video with the idea that they can also send it out to others. When the infrastructure is fully in place, we will see a growing number of MyNetworks cropping up as on-the-spot content gets posted for global viewing.

Kids will grab and post their personal videos on their everythingphones for anyone/everyone to see. The site runs ads next to the content so the investors make money. The Telcos sign-on and start selling their service to you and divide the profits between YouTube, the aggregator and their pockets.

The content developer? He or she gets the honor of 15-minutes of glory. Fantastic!

Don't question the numbers and the potential (ever noticed we always say it's going to be a huge market 5 years from now?). If you do industry sharpshooters will think you're clueless and simply repeat what Amelia (Catherine Zeta-Jones) said in *The Terminal*... "That's something a man like you could never hope to understand."

Probably true.

After all...we're not part of the Thumb Generation.

The analysts caution that getting our collective hands on all of this great content isn't going to be fast, seamless or easy. DDDUHHH!!

But that's OK because a lot of MBA VCs are dumping big dollars in every start-up that emerges in the Web 2.0 world.

So what if only one out of 10 of their investments pay off? That's better odds than Vegas gives.

All we have to do is figure out why kids are loyal to their mobile "everything" phone but they jump services at the blink of an eye.

Just remember Japan and South Korea are testing it all and showing what the rest of us are going to enjoy.

Oh crud...just as we were about to get on board Gartner reports that Japanese mobile customers are moving to non-camera-embedded devices. Next they'll tell us that South Koreans are following suit and both are abandoning these other great services that only cost them \$100 - \$150 a month for small screen, mono-sound entertainment.

Trying to track and predict trends is about as easy as reading the airline options to get the best flight, best seat, lowest fare.

Guess where we're sleeping tonight?



Photo 2 – Just as you're ready to jump on board the everything, everywhere phone bandwagon you find out it is already passé. Guess there's no reason to fly right now. Photo – Dream Works Entertainment, The Terminal -- 2004

Ever feel like you're living in an airport?

Andy Marken

#####

Andy Marken is president of Marken Communications and has been involved in the marketing of storage technology for more than 15 years. His experience includes work with Panasonic, Verbatim, Matsushita, Plasmon, Nikon, Mitsubishi Chemical and a number of hard drive manufacturers. Andy can be reached at andy@markencom.com.