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## **MOBILE EROTICA – It's all about D2C!**

Where we've come from and where we are going.

*The first Cherrysauce article for 2006 explores the D2C potential of mobile adult entertainment and why it could be the way forward to achieve our commercial expectations.*

What an amazing 2005! We went from a small selection of wap sites on the Bango.net directory to an international plethora of adult and erotic contents and services. The big boys (Private, Playboy, Hustler etc.) are now all a permanent feature on most Operator decks and Access Controls finally allowed consenting adults to view more than the Freeman's underwear section. The product offering has extended from simple wallpapers, to interactive applications, java downloads and movie clips (oh, so many movie clips!). And WAP sites have gone from being a 'text / image / link' layout to rich and colourful interactive environments (albeit still a little slow, while we continue to wait for reasonable 3g handset penetration).

Some of my favourite people in the industry continued to demonstrate how dynamic and adaptive our sector is. Waat Media have totally established themselves as the gods of big brand licensing in my book. Wapple.net made a very successful transition from being an adult content provider to a respected platform provider, Bango.net IPO'd and Ron Jeremy went from a porn site to an entertaining 'Lifestyle Mag' to mention just a few.

It was the first year in which adult entertainment really existed as a mass market, global mobile offering. It came out of the dusky porn shadows and became a 'practically' respectable business model and people just couldn't get enough of it. Cherrysauce for one literally couldn't keep up with the demand for 'sauce' and as a result our revenues increased by 350% in 2005 without owing a penny or needing any investment.

But with all this, did it meet our commercial expectations? Apparently not!

According to a few industry publications I have seen recently, mobile erotic and adult entertainment has not emerged as the force it was expected to be in 2005. It's a fair point and I think one of the contributing factors for this is that the main business model for adult mobile is still about getting formatted content onto the operator decks.

Operators are wonderful at many things, but selling adult content probably isn't one of them, purely because it is not their business focus and of course, they don't want it to be. It will always have reasonable success on the decks by default, due to the high traffic volumes and if your business model for 2006 is selling formatted erotic products without Monstermob's marketing budget, then the decks are probably still a very good option. But take heed, while this remains the strategic focal point for erotic and adult entertainment companies, mobile erotica will never reach its full commercial potential here. Instead, I firmly believe that it will be in the D2C environment where our dreams and those of our much-loved customers will be realised!

With the stunning advancements of handset capability in such a short space of time and a good market penetration, we are now starting to be able to deliver an erotic experience on mobile as opposed to some 100x100 pixel images. This brings me to the point of my rantings...

#### Why is D2C the perfect model for mobile adult entertainment?

As normal, these points are based entirely on Cherrysauce's personal experiences, so you are more than welcome to shoot me down in flames if you don't agree, but here are a few factors why we believe that D2C will deliver to mobile erotica and adult entertainment expectations.

And actually, it's not a bad approach for a broader range of media and content owners either.

#### Creative freedom:

The bottom line is that the adult providers are the ones who fully understand their customer's requirements, aspirations and fantasies in this space. Erotic consumers are different from games consumers in a mobile space and mobile consumers are different from internet consumers in an adult space. This subtle blend of mobile commercial acumen coupled to in-depth understanding of the erotic mindset facilitates a D2C solution based on conversion, immersion and arousal that would be much harder to achieve on an operator deck.

#### Profit Margin:

Probably the most important one on the list! There are many new mobile billing solutions that move away from the PSMS model and mean that Content Providers can earn a bigger piece of the pie and increase their position in the value chain. New D2C billing options can also decrease added aggregator and operator revenue shares. Now this is where it starts to become interesting. The money saved on 'middlemen' costs can be utilised as price incentives to tempt customers into registration, subscription and pre-paid credits, for example. This means that Content Providers can start growing their own customer databases, loyalty programmes and direct marketing campaigns.

#### Choice and Diversity:

A D2C portal with good traffic will never be short of new content offers. This in turn allows you to cater to a wider range of erotic tastes by being able to offer everything from brand names to amateur – games to chat. This turns into more traffic which brings more content interest, so it's good news all around! I firmly believe that choice and diversity is the absolute key to customer loyalty, traffic and ARPU for mobile erotica. In a D2C portal, Content Providers have more scope to optimise this.

#### Delivering what you KNOW the customers want – HARDCORE!

Let me just give you a simple example from our own experience. During the course of 2005 and on average, 80% of our Business to Business content deliveries were glamour (up to topless). In contrast, 80% of our Direct to Consumer sales featured +18 hardcore porn. Now regardless of how squeaky clean I may want to portray my industry, the consumer demand speaks for itself. We need to get over this. Hardcore IS what they want and where the money is and we have AV to allow us to deliver it. The poor operators still face brand association issues and numerous logistical and political issues in delivering this type of content. With AV integrated in a D2C portal we have all the opportunity and none of the politics.

#### Easier than ever to AV:

However, following on from the last point, we are still not home and dry, even in a D2C environment. I attended a conference in October 2005 where one D2C billing company claimed that they were seeing a 75% drop off at the point of Age Verification on their portal. This is obviously a huge amount, but not unexpected when you consider that Credit Card details must be entered into a mobile form and the actual process of Age is still incredibly cumbersome and awkward to complete.

That said, I believe this is just a simple matter of usability experts working with technical experts to make it more user-friendly. With dedicated adult shortcodes, easy to follow industry

guidelines and several AV systems or platforms to choose from, it is now easier than ever to integrate a compliant AV system into an adult D2C portal. We also have the capability to be able to identify which territory a user is accessing from and alter the content menu accordingly if necessary.

And on the positive side, because the very nature of mobile adult entertainment requires credit card identification, if they do get through AV, then the largest commercial obstacle has been overcome, because they have placed pre-paid credit in an account to spend with the portal.

#### Personalised and dynamic experience:

Another huge benefit that D2C affords is that Content Providers can gain total transparency about their portal and customers. The tracking capabilities now available allow us to see type of phone is used, which territories they are coming from (foresight into language versions) and which products customers are buying or preferring.

By having this completely transparent overview of customer behaviour, your design, layout, portfolio, and product list starts to define itself, so you are constantly developing your portal to maximum optimisation. In the end everything you have there will be amazingly popular with your customer base, because THEY have chosen it! It's a win, win situation for both Content Provider and customer.

Tracking capabilities can also allow Content Providers to automatically show only products and content that work and/or are suitable for the customer's phone. For example, if his phone does not support videos, they need not show in the menu. Alternatively, we could tell him his phone does not support videos and link him to a page showing the video sequence in stills instead or encourage him to get a better phone.

#### Responsive:

If a particular product is selling really well or even badly, D2C portals will offer instant information to that effect. In D2C, we don't have to wait for revenue reports to arrive to see if we have taken a right or wrong decision. This means that D2C adult providers can be much more responsive to their customer requirements and therefore optimise sales or rectify non-performing areas almost immediately. This leads to a much more cost effective business, because it means that resources are only allocated to high performing areas or content. Due to the lead time required to deliver content to operators via brokers or aggregators, this is not always the case on-deck. Cherrysauce's personal record here is waiting ONE YEAR for content to go live. By the time it did, it was so dated that it sold nothing, meaning all our invested resources to make the delivery in the first place were wasted and we made a loss.

#### Customer feedback:

One of most productive things we have done on the Cherrysauce D2C portal is adding customer feedback forms. It has given us an amazing insight into our customer's likes and dislikes (they are very open about this!) and we can get in contact with them immediately if they are not happy with something or are having problems with billing or AV. Again, it facilitates us to develop the perfect customer-centric portal and build direct relationships with our customers.

#### Direct marketing and ARPU:

One of the greatest benefits of D2C apart from profit margin, and Content Providers won't get near it 'on-deck', is customer information. With a D2C portal Content Providers are able to collect behavioural patterns and statistics about their customers. Best of all, the information collected is based on the Content Provider's most targeted audience. His own! With the results, some of the most effective and compelling direct marketing campaigns can be created, because it's not about having the mobile number to market to, it's about understanding that the customer likes blond, big-boobed girls, but can't play videos. This allows completely personalised promotional campaigns that almost guarantee he'll be back for more!

So in Summary, I believe that the successful and secured commercial future of mobile adult entertainment is to focus resources on the D2C model, the more Content Providers there are in this space, the more traffic it brings, which is good for all of us. In saying that, I realise I have added dates to this article and it will be floating round the dark corners of the internet for years to come! We will probably come across it in a few years time and think "Oh my god, look at how utterly BASIC Julia's thinking was. Can you believe that we considered D2C WAP portals as the strategic future of mobile erotica? All we have to do now is hit a button on our earlobe and have a life-size hologram of Jenna Jameson showing us what she does best!"

Please contact us for more information about launching D2C portals – both adult and non-adult.  
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