



08 August 2006

## **Adult Entertainment on Mobile isn't making the money shot?**

I was once told that one of Private's leading male actors, Tony Ribas, could deliver the 'money shot' on the director's cue! It's called the money shot because it is the quality and subsequent production and marketing of this 'special' moment that creates the most commercial value for the final product and it's the same challenge currently facing the mobile adult industry at present. Can it achieve its money shot?

Windsor Holden's much publicised Juniper report last year forecasted that mobile adult entertainment would earn \$1 billion dollars in 2005, rising to \$2.3 billion dollars by 2008. He has now moved to Analysis and has recently launched his latest report on the same subject. It shows we have already fallen short of his initial estimations by around \$200 million in 2005. This is coupled to an overall drop in interest and rising scepticism in the industry that mobile adult entertainment will not be the easy gravy train it was expected to be.

Are the sceptics right I ask myself? Is mobile not achieving its money shot? Should I pack up shop whilst I'm still ahead of the game? After all, according to Informa Telecoms and Media, Adult will only account for 5.5% of overall mobile entertainment revenues by 2008.

Windsor Holden of Analysis and I could not be more different. He is an incredibly articulate and intellectual analyst and I am just a big mouth who sells naked flesh on mobile. We do have one thing in common, however. We agree on WHY mobile adult entertainment is not achieving its expectations.

"Operators are still very wary of anything past standard glamour content", Windsor told me "and subsequently, there is a very limited offering on portal. Look at how the mobile market is developing off portal. The biggest revenues are being made outside the mainstream with amateur and hardcore being the two biggest revenue generators, but operators don't offer this. My research has shown the consumer demand for adult entertainment is there, it's just not being met!"

Okay, so all we need to do is to convince the Operators to better facilitate the fulfilment of this proven demand? Is it that clear-cut?

Tim Clausen, Director of Wireless Technologies at Private Media Group points out that when it comes to Operator marketing of what he describes as the 'main' content categories – movies, music, sport, games and adult, you never see adult in Operator marketing initiatives. "How likely is it that you will see Private content promoted with your monthly mobile bill, for example?" he asks.

And this is the largest commercial obstacle in our industry. Due to brand association risks and fear of complaints, the operators CAN'T promote adult content, or certainly not in the same way. Consequently, as long as the main distribution model remains monetising operator portal traffic, we will never reach Windsor's forecasts and will continue to fall short of expectations.

The difficulty in finding content and services on-portal also has a negative impact on the commercial opportunity from 'casual browse and buy' consumers. This was confirmed for me in a meeting I had the other day with a large music label interested in incorporating an adult offering. He surprised me by saying "but how do you find it? I went browsing on my operator portal and couldn't find any. How do users actually get hold of it?"

Ashley Clark, Head of Mobile at CC Media Live, one of the industry leaders in delivering live Videochat mobile services agrees. "The operator portals provide adequate revenue streams, but their reluctance to openly promote adult on their portals restricts the effectiveness of marketing spend and the user's ability to find adult content on-portal".

Another on-portal commercial hurdle is the lack of choice. "The on-portal offering is mostly limited to glamour content from a couple of the major brands" says Windsor. This totally contrasts our own off-portal services where 80% of content sold is +18. Ashley Clark has similar figures of 75%. "Soft flirt services effectively only serve as a feeder site for the +18 service", he says. Rob Johnson from Netcollex, which manages all of the Daily and Sunday Sport mobile offerings, goes even higher with 90% of his revenues coming from +18 mobile services.

But then Netcollex is amongst the most commercially successful off-portal adult companies in the business. As a result Rob is a strong believer that consumers will eventually migrate away from the portals. "Everything is currently so stacked in favour of the operators who seem to do as much as possible to prevent the consumer from navigating away from their revenue shared content." he says.

Windsor points out that the mobile adult market developed with lots of small players in content provision, who launched with off-portal sites and utilised Bango billing and age verification. These small players now account for some of the best known adult portals on mobile, including PhonErotica, xPhun and of course, Cherrysauce. "However, despite the traditional adult brands being late comers to the mobile table," says Windsor, "they realised there was an opportunity out there and subsequently now account for most of the operators' glamour offering. This is limiting the consumer choice and the big revenue earners", he adds.

Coming from the off-portal perspective, Rob goes one further by boldly stating, "There is a misconception that the dominant brands (who, when you actually scratch below the surface are not that dominant), are the ones who will move fast and have the best content available for mobile. This is nonsense in my opinion and has been the downfall of more than one on-deck portal that I know of".

It is very apparent overall to date that operators have still not effectively achieved full commercial benefits from adult entertainment, because of their continued nervousness towards any potential brand association. "The operators don't want to be condemned as pornographers" agrees Windsor Holden.

And fair enough. I can sympathise with that - neither do I and even Tim Clausen at Private will echo the same sentiment! It's not what we are about.

But think about it. There is in-depth knowledge of the adult consumer mindset, expertise, extensive experience and innovation available for adult mobile services. It doesn't lie with the big mobile aggregators or operators, but with the guys who have created highly successful commercial models for selling adult services day in, day out, both on and off portal, internet and other media. We know how to fulfil the challenging commercial objectives in this environment, because we understand how to sell it to the consumer and what it is that HE wants! We build consumer driven services, because we come from an industry with some of the best conversion and ARPU models ever created and we know how to achieve all of this with careful consideration of all the regulations and issues that surround this politically charged industry sector.

Maybe the operators could utilise some of this specialist experience and expertise to better navigate the relevant pit falls and achieve the commercial aspirations/targets. I for one would be more than happy to share ideas as to how it may be possible for us all to earn greater revenues from this proven demand.

To finish up, I must share a great quote sent to me the other day by Russell Buckley from Moconews. "Erotica is using a feather, pornography is using the whole chicken." - Isabel Allende

For some reason, I can only see that chicken plucked when I relate it to porn!

Julia Dimambro, Managing Director  
© Cherry Media SL. 2003-2006. All rights reserved.