



Broadcast Mobile TV

Which profitability?

Market Report

This study sets out the main mobile TV services, how they work, their strengths, their shortfalls and their potential for development, together with an analysis of the key factors for broadcast mobile TV's success. It provides modelling for the operating accounts of players in broadcast mobile TV, shedding light on the key variables that influence their profitability.

Key questions

- What key lessons can be learnt from initial feedback on the services already launched?
- What uncertainties still surround the broadcast mobile TV business model?
- What reasons explain the poor success of early fee-based mobile TV solutions?
- Are free services the only guarantee for audience success, as in South Korea and Japan?
- Are commercially-oriented regulations capable of stimulating cooperation between the different players?
- What is the ideal ecosystem for ensuring mobile TV's development?



➔ Broadcast Mobile TV

Which profitability?

1. Introduction

1.1. World perspective of broadcast mobile TV services

- 1.2. Broadcast mobile distribution technologies
- Terrestrial mobile broadcast solutions
 - Hybrid satellite/terrestrial mobile technologies

2. Value chain models

2.1. Fee-based model structured around mobile operators: Germany, Italy, Netherlands, Switzerland and United States

- Framework and characteristics of model
- Model's strengths and weaknesses
- Anticipated changes and consequences
- Model's impact on the value chain

2.2. Free-to-air model organised around broadcasters: South Korea, Japan

- Framework and characteristics of model
- Model's strengths and weaknesses
- Anticipated changes and consequences
- Model's impact on the value chain

2.3. Cooperative model: Austria

- Framework and characteristics of model
- Model's strengths and weaknesses
- Anticipated changes and consequences
- Model's impact on the value chain

3. Eight key points on broadcast mobile TV

3.1. Free solutions and advertising

- A very favourable model for developing usage...

3.2. Profitability

- ...but one which does not guarantee service profitability in the short term

3.3. Basic package

- Commercialisation based on a low-cost model

3.4. Regulatory environment

- A favourable regulatory environment for market development

3.5. Agreements between mobile operators and broadcasters

3.6. Fixed network and mobile TV

- The interest of mobile TV essentially resides in the take-up of fixed network programmes

3.7. Mobile TV and 3G

- Broadcast mobile TV needs 3G
- Not insignificant role of completing coverage
- A return link for interactive services

3.8. Other terrestrial mobile broadcast solutions

- Suitable alternatives to DVB-H?
- DVB-T
- DVB-SH

4. Operation and profitability

4.1. Assumptions

4.2. Operating account of a simulcast generalist channel

- With the free model
- With the fee-based model

4.3. Operating account of a new mobile channel

- With the free model
- With the fee-based model

4.4. Operating account of a simulcast thematic channel

4.5. Operating account of a premium channel

4.6. Operating account of mobile operators

- With the free model
- With the fee-based model

Key players

- 3 Austria
- 3 Italia
- MobaHo!
- Media Broadcast
- Mobilkom Austria
- ORS
- One
- One-Seg
- Swisscom
- TIM
- T-DMB Special Committee
- TU Media
- Vodafone Live Italia

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Methodology – an operational model

The model developed by IDATE's experts aims to analyse the costs, revenues and operating results of operators setting up a broadcast mobile TV service.

Modelling for operating accounts by type of player

Five types of stakeholder-players in a broadcast mobile TV service:

- A **terrestrial generalist channel** simulcast on mobile, with a wide audience.
- A **new "made for mobile" channel** broadcast exclusively on the mobile broadcast network.
- A **thematic cable or satellite channel** simulcast on mobile.
- A **premium channel** simulcast on mobile.
- Four **telecom operators** who sell the service and share the national mobile telephony market (with respective market shares of 40%, 30%, 20% and 10%).

The study provides figure-based forecasts for each of these players, over a period of five years starting from the date of service launch.

Two main business models have been defined:

- In the first model, **the service is entirely free for end users.**
- In the second model, users must sign up for a **monthly 5 EUR subscription.**

Within these two models, several key assumptions are then exposed to a number of variations in order to study their impact on the operating accounts of the players studied.

Model's assumptions

- The solution is commercialised in a **country with approximately 63 million inhabitants** at the date of service launch.
- **Network coverage** is progressive.
- **Broadcasting costs** are calculated for outdoor and basic indoor coverage only (no extensive coverage indoors or underground (metro, etc.). They are naturally commensurate with the level of national coverage.
- **Revenue is calculated** based on the service's theoretical audience, i.e. where all equipped users (for the free model)/subscribers (for the fee-based model) actually consume the service.
- Any **revenue** from interactive advertising is not considered.

Modelling for a simulcast generalist channel's operating account based on a free broadcast mobile TV model with handset subsidies

Year	1	2	3	4	5
Revenues					
Number of theoretical users (millions)	0.79	3.32	7.96	13.44	18.84
Net revenue from advertising (millions EUR)	0.05	0.37	1.35	3.21	5.81
Revenue from equipment manufacturers (millions EUR)	0.24	0.76	1.39	1.64	1.62
Total revenues (millions EUR)	0.28	1.13	2.75	4.85	7.43
Costs					
Coverage of population	25%	35%	50%	60%	65%
Annual broadcasting costs (millions EUR)	3.00	4.20	6.00	8.50	10.00
Other technical expenses (millions EUR)	0.40	0.40	0.40	0.40	0.40
Annual programme expenses (millions EUR)	0.01	0.06	0.14	0.24	0.37
Other annual costs (millions EUR)	0.70	0.74	0.77	0.81	0.85
Total costs (millions EUR)	4.11	5.39	7.31	9.95	11.62
Operating result (millions EUR)	-3.83	-4.26	-4.56	-5.10	-4.19
Cumulative EBIT (millions EUR)	-3.83	-8.09	-12.65	-17.75	-21.95

Source: IDATE

