MMCast

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Ads are back

A Beverly Hills company bets on the future of advertiser-supported mobile content
By Jon Healey

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The Broadband Era is still too young for anyone to predict which business models will be long-term successes. For online video, though, the momentum is strongly in favor of free, advertiser-supported distribution (or in YouTube's case, still-waiting-for-advertisers distribution).

But if free is the consumers' choice, what does that mean for mobile? There's a growing sense among analysts and technology vendors that cellphone users would prefer advertiser-supported entertainment too. For example, see this report from Parks Associates and USC's Entertainment Technology Center, which urges Hollywood to offer free content to mobile users as a way to promote other sales. But wireless bandwidth is more expensive than its wired counterpart, both for carriers and for their customers. Even if Disney should decide to give away Pixar shorts to mobile users, Verizon Wireless and company would still expect to be paid for airtime.

Several tech companies are trying to build an infrastructure for ad-supported mobile video by offering ways to insert commercials or banners into mobile video streams or downloadable clips. Then there's Mobile Media Cast (a.k.a. MMCast), whose technology loads commercials onto users' handsets far in advance of the content it's supporting. MMCast's approach has at least one advantage for consumers: The ads don't delay the content they're downloading or drive up their airtime expenses.

"The reality is that the mobile phone is an entertainment device," said Fredrik Broberg, MMCast's chief executive. "The business behind it should be very similar to the Internet, TV and so on. ... The vast majority of content, as in other mediums, should be ad-supported, as opposed to the consumer paying a premium."

Based in Beverly Hills and London, MMCast started four years ago as a content-delivery company. But it switched directions, Broberg said, after concluding that the prevailing pay-per-download model wasn't the ticket to the mass market. "Once you get to the point where the majority of the content becomes ad-supported and free, the business will explode," he said, noting that there are more than 3 billion mobile users, compared with 1.3 billion Internet users. "If you look at the potential on a numbers basis, the mobile is way bigger than the [wired] Internet."

As the Parks-ETC report notes, mobile video has several non-trivial hurdles to overcome before it can reach masses of cellphone users. These include small screens, poor user interfaces, a shortage of phones that can support broadcast-quality pictures and the paucity of short-form content. Broberg, though, believes pricing is the biggest barrier, and he thinks his company's technology can generate enough revenue for content owners without collecting a penny from consumers.

One key: MMCast's technology enables mobile phone companies or content providers to target video advertisements to consumers based on information collected by the carrier (or, if the carrier isn't involved, data volunteered by users). "The carrier has an unbelievable amount of information about you as a user," Broberg said, including the websites you browse on your phone, what you search for and what you buy. U.S. law forbids carriers from sharing much of that information with third parties without their customers' consent, but it doesn't stop them from creating anonymous profiles that can match an advertiser's pitch with the most receptive audience. According to Broberg, advertisers aren't looking for much. "Age, gender, location, and, sometimes on the higher level, they also want to know the income of that user. Those are the most important things," he said.

Targeted ads command significantly higher rates than an advertiser would be willing to pay for a pitch that's broadcast indiscriminately. That way, a smaller number of ads can generate enough revenue to satisfy carriers and content providers, Broberg said.

Typically, MMCast's technology will store several targeted commercials on a participating user's cellphone, squeezing the ads into a thin slice of the phone's memory. Whenever he or she picks an MMCast-supported item to download onto the phone -- a video clip, say, or a ring tone -- the item will trigger the appropriate number of ads to play as it's transmitted. For audio or video streams, Broberg said, the technology can display ads while the content starts loading onto the cellphone, then insert ads whenever the stream pauses to rebuffer.

"It's amazing how much advertising people will put up with" for the sake of free or deeply discounted content, Broberg said. Vodafone tested this theory, he said, taking a mobile game priced at 3 pounds and offering it for 1 pound to users who viewed a one-page ad. The change increased sales sixfold. Then they put in extra, more intrusive advertising and offered the game for free, which increased the number of downloads 60-fold.

With mobile video ads commanding 2.25 or 2.5 cents a second, one 30-second commercial can generate almost as much money as record labels collect per song from iTunes. "Even by the time everybody carves out their fair piece, there's still a lot of money left for the content owner," Broberg said.

The company publicly unveiled its software at a recent mobile conference in Barcelona, Spain, although it doesn't expect to be able to deploy the technology for several months -- with luck, in time for the European soccer championships and the Summer Olympics. Broberg said several large news and entertainment companies are testing the software now, but the only announced customer is the Swedish mobile content supplier MudMob.

Broberg said MudMob plans to give users a choice: They can pay the typical market price for songs, ring tones, games and other items, or they can watch upward of 30 seconds of advertising. If there's any lingering question whether users would rather pay or watch commercials, MudMob's work with MMCast should answer it.

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