

On-Device Portals: Beyond WAP

The next step beyond WAP in data service monetisation



ARC CHART

SECTOR REPORT

On-Device Portals

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Executive Summary

The mobile phone industry is witnessing the adoption of On-Device Portals (ODPs), a new generation of products which deliver content on the mobile phone through the use of a client application. We segment ODPs into three classes of products - offline portals, on-device store-fronts and home-screen replacements. On-device portals are an evolution of WAP, as they leverage the handset's capabilities to deliver a more appealing user experience, increase service awareness and streamline content purchasing.

On-device portals have emerged to address the poor take-up of mobile data services. Operators have spent tens of billions of dollars on 3G licenses and infrastructure, and are now investing in HSDPA network upgrades and in sourcing content from media brands. However, we find that non-messaging data revenue is still very low: for a successful operator like Vodafone UK, the increase in pure data revenue generated between 2004 and 2005 is estimated at just \$88 million.

Clearly, the answer is not in bigger pipes or more content - content may be king, but the user experience is queen. While operators have made substantial investments in their content strategies, the user experience has been neglected. It can be said that we are at the stage of the 'abandoned shopping cart' syndrome that was prevalent in the early days of the web.

ODPs cater directly to the needs of the major industry players involved in the distribution of content to mobile handsets – namely the operators, handset manufacturers and media companies. For mobile operators, ODPs have the potential to drive data ARPU uplift and service usability by delivering content to the device in an easily discoverable, instantly accessible and personalised manner, and by providing the 'wow' factor through the use of rich graphics and smarter content. For content providers, ODPs are able to deliver an immersive user experience beyond the traditional off-portal channels. Finally, ODPs cater to handset manufacturers who want to reduce their time-to-market for customised handsets.

This report analyses 14 vendors in the on-device portal space, namely Abaxia, Action Engine, Cibenix, Handmark (Pocket Express), Macromedia (FlashCast), MSX, Nellymoser, Onskreen, Openwave, Opera Platform, Qualcomm (uiOne), RefreshMobile, Silk and SurfKitchen. An in-depth overview is provided for each vendor covering the vendor's history, positioning, products, customers, technology and strategy, in addition to presenting ARCchart's viewpoint on the company. The report also draws a comparative landscape of ODP vendors in terms of their positioning, customers, products and technology.

An extensive discussion of the current ODP market is presented. Following the technology trigger in 2001 and the first wave of ODP vendors arriving in 2002, on-device portals have gained traction in 2005. In 2006, we expect to witness a second wave of heavyweight vendors enter the market, while in 2007 we see the wide acceptance of on-device services by the key industry players. Ultimately, however, we see the core technology of current ODP solutions commoditising from 2008.

With more than one RFP for ODP products being announced each month globally, the market for on-device portals is starting to boom. Spearheaded by European operators, ODP product deployments are expanding to the major US operators and content providers, as well as seeing the first commercial deployments in the Middle East, Asia and Australia. The report profiles the movements of the major operators within the ODP space, such as Orange Download and Vodafone Live Cast, and presents case studies on product deployments from O2, ONE, Telefónica and TIM. Efforts by device manufacturers to incorporate ODP features into their handsets, such as Motorola's Screen3 and Nokia's Active Idle and Preminet Client, are examined and an insight into ODP deployments by content providers is provided. The report also investigates developments within the various standards bodies – namely the OMA, the OMTP and the W3C – and their likely impact to the ODP market and on the evolution of ODP technology.

Having completed the initial phase of product innovation, the challenge for ODP vendors is now on execution and partnering in order to establish market share and develop a fuller product specification.

Based on interviews with 35 ODP vendors, operators and other players, the report identifies 10 trends which we see unfolding within the ODP market from 2006 onwards. We see third-party software platforms becoming an important route to market: not necessarily platforms like Java or super-browsers, but application environments, such as those from Openwave, Access, Obigo and Macromedia (Flash Lite), all of which are profiled in detail. We see the server becoming a core part of the ODP value proposition, offering features such as content and, client and user management. Other market trends discussed include the increasing importance of synchronisation, service discovery and search, personalisation (both implicit and explicit) and the SIM as high-value areas in on-device portal services. The report also casts an eye on the future of unique, mass-produced experiences, where we see ODP functionality combine more intimately with the handset user interface.

The report presents a forecast for growth in the ODP market over the next four years, up until 2009. We estimate that the ODP market in 2005 stood at \$30 million, but will grow aggressively over time to reach \$1.4 billion by 2009, corresponding to 1.1 billion ODP licenses sold for that period. We believe that tier-1 and tier-2 mobile operators will initially lead the way in ODP client deployments but, by 2009, content providers will be responsible for most client deployments. We believe that a second wave of heavyweight ODP vendors will arrive over the next 12 months and the report profiles an anonymous server infrastructure vendor that is planning an entrance in 1H06.

The report concludes with actionable recommendations for ODP vendors, as well as forward-looking operators, manufacturers and content providers.

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Introduction

BEYOND WAP

For years, the telecom and media industry has focused on the browser as the key enabler of mobile content. SMS and WAP portals have been extensively deployed by mobile operators and content providers, as a means for distributing and selling content through mobile phones. However, both mediums have met with limited success, with content monetisation failing to reach the heights which operators were expecting. The prevailing thinking has been that next generation networks, device hardware, mobile browsers and branded content will resolve any problems.

While everyone was predicting that content is king, the industry failed to notice that user experience is queen - and you need both king and queen to rule a country. In other words, it is not enough to simply have content, but to have it presented attractively and in a usable fashion. On-device portals, a next-generation of portals beyond WAP, are here to address content monetisation by offering an appealing user experience through the use of on-device applications. The services offered by on-device portals are not restricted to portal services, and extend to services such as music, infotainment and handset customisation.

| What Are On-Device Portals?

On-device portals (ODP¹) is an ARCchart term for the products which deliver portal content on the mobile phones through a client application. Specifically, on-device portals offer a combination of one or more of the following three applications:

- Offline portal: a portal application that handles content in a way that the user perceives as always-on, instantly accessible experience.
- Store-front: a client-server application mimicking the experience of walking past shop-fronts.
- Home-screen replacement: a client application that replaces the home (idle) screen of the handset, so that it constitutes the origin of every user journey.

¹ The ODP acronym is not to be confused with Open Distributed Processing, Ozone Depletion Potential or Open Deck Party.

| Organisation of the Report

This research report is split into six chapters:

- **Chapter A: Introduction.**
You are reading this now.
- **Chapter B: Data Service Monetisation**
An overview of the challenges in operator data monetisation and the emergence of on-device portals to address these challenges.
- **Chapter C: Vendor Reviews**
An analysis of 14 on-device portals including information on their products, positioning, customers, technology, strategy and ARCchart's viewpoint on the vendor prospects.
- **Chapter D: The Market Today**
Current market status, including activities of operators, manufacturers, content providers and standards bodies, and a discussion of several case studies of ODP product deployments
- **Chapter E: Strategic Outlook**
A forecast of the ODP market, presenting the main challenges in this market moving forward, and analysing the major market trends for 2006-2008.
- **Chapter F. Recommendations**
The report concludes with recommendations for forward-looking operators, content providers, manufacturers, and ODP vendors.

This research report is intended to be read from start to end. However, speed readers can refer to the Executive Summary and then Chapter E (strategic outlook), and examine individual vendor reviews in Chapter C.

| Companies Interviewed

For this report ARCchart held interviews with over 40 companies and organisations along all parts of the ODP value-chain. They include:

Abaxia	Macromedia	Qualcomm
Access	Mobile Innovation	RefreshMobile
Action Engine	MSX	Silk
Bango	Nellymoser	SurfKitchen
Cibenix	Obigo	Tao
Cognima	OMTP	TAT
Digital Airways	Onscreen	Telefónica Móviles
Handango	Openwave	TIM
Handmark	Opera	T-Mobile
Ikivo	Orange	UIEvolution
July Systems	PocketThis	Zi
Leiki		

For each vendor reviewed in this report we used a formal questionnaire with 45 individual questions covering business fundamentals, products, market positioning, client technology, server technology, usability features, commercial considerations, success stories, company vision and future investments. We have also researched information from company publications, media coverage and through numerous discussions with industry insiders.

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