

Adult to Mobile: Personal Services ~ Second Edition

Introduction

The value of the global adult entertainment market has been variously estimated at anything from around US\$31-US\$75bn, with the latter figure including everything from lap dancing clubs to magazines, DVDs to telephone sex lines, subscription internet sites to sex toys. Indeed, the adult entertainment industry has long been seen as the leading light in financially exploiting both new technology and new channels to market. Often the sector has been responsible for showing more mainstream businesses how to exploit the market potential. Mobile entertainment is no different from this scenario.

With the industry already worth such a lot of money, and given the physiological drivers behind the use of such content, it is difficult to believe that there will not be a market for adult services through the mobile channel. However, the adult industry itself is split as to the roll that the mobile channel will play. Some see it merely as a way of adding value to the existing media that it uses text messaging and rudimentary images and videos to sell other products such as DVDs and magazines, or even to drive traffic to or act as a billing mechanism for online content. There are many others, however, who see the mobile channel as being a primary means of viewing images and videos in their own right.

In either event there is, we believe, a strong market for adult to mobile services in most regions, and alongside games and infotainment, adult will be one of the leading content types that will drive the initial use of mobile entertainment services.

What Types of Services

Before any discussion on mobile adult revenues can take place, we need to clarify precisely what the mobile adult market comprises. For example, under the “18” classification recently introduced by the UK mobile operators’ code of practice, “adult” - restricted - material includes that which is

commonly described as either soft-core or hard-core pornography, online gambling, violent (or sexually explicit) mobile games and chat rooms. In addition, many premium rate SMS services (which may include sexual content) are also regularly included within the “adult” category. In this report, however, we are focusing solely on sex. Or to be precise, sexual content: images, videos, and text-based services.

Text Based Adult Services

So called “dirty chat” services, where salacious SMS messages are sent to mobiles on a premium rate tariff, are an obvious first step in addressing today’s millions of 2G users and offering them adult services. These services have existed for several years, are cheap to produce but relatively expensive to receive. Where adult companies, such as Private, are planning to take this further is into the realms of personalised text messages that users register to receive from porn stars or attractive girls (or guys) in adverts.

Images

Using MMS capable phones, users are able to send and receive images. This opens up a whole new vista for the adult industry. Whilst there is a lot of early money to be made in erotic texting, flirting and chat, adding pictures can only be of benefit. Within the last couple of years, this market has expanded out of all recognition, with many service providers offering “browse and buy” galleries and or else sending daily images by recurring MMS. In addition, wireless services are now beginning to ape wired services in that a number of sites – vooyeur is a key example – is now allowing amateur exhibitionists the opportunity to upload their home-made content.

Video

With operators of 2.5G and 3G services increasingly offering content that includes videoclips and, more recently, videostreaming. Adult videos, ranging from models disrobing to hard-core pornography, have been prominent in the content offered. And while some network operators have been nervous about providing such content, smaller providers have rushed to set up a plethora of WAP sites from which videos can be downloaded, while established publishers including Hustler and Private are also displaying a keen interest in the technology.

The Market for Adult Text-Based Mobile Content

We believe that the number of users who do elect to download paid-for adult content via SMS will grow across the board until 2009, when – with basic text-based services increasingly superseded by rich-media content – there is a drop-off in numbers in the European market. In Asia, despite the numerous regulatory issues, the services will experience strong growth so that numbers will increase more than fivefold over the period. In terms of usage, quite clearly figures will be skewed slightly by the minority who are addicted to “dirty talk” and chat services, but, generally speaking, we expect usage levels to decline over time, although we anticipate that average usage will increase in the short term in some countries (such as the US) wherein the phenomenon has yet to take hold.

The Market for Rich-Media Adult Mobile Downloads

Essentially, the market for rich-media mobile downloads comprises all content with a visual element, including adult MMS, wallpapers, screensavers, videoclips and videostreaming. Juniper Research is calculating the value of these disparate elements en masse as providers are increasingly offering some or all of them as part of a single commercial transaction – however that is defined.

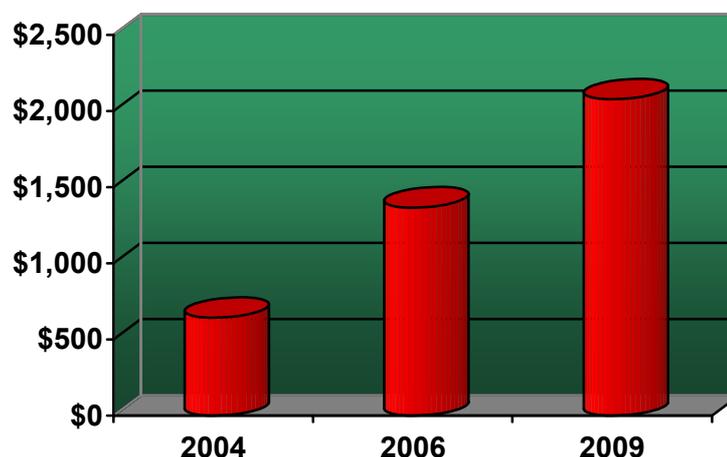
While this market is in its infancy, it will be undoubtedly be propelled both by the increasing availability and adoption rate of 2.5G and 3G services, and by the increasing number of adult services which are filling the vacuum.

Quite clearly regulatory and cultural issues will limit the extent to which adult services proliferate: in many Middle Eastern countries, for example, possession of even softcore pornography is a criminal offence, and is likely to remain so for the foreseeable future. Furthermore – and unlike the fixed internet – there is virtually no free adult content available via mobile wireless, and accordingly those seeking to acquire it must engage in some form of commercial transaction – which could be traced, making it unlikely that international WAP sites offering adult services will acquire significant subscriber bases in such countries. This is also likely to be the case in (amongst others) China, India and Pakistan, thereby limiting the potential for growth in the Asia-Pacific region.

The Total Market for Adult Based Mobile Content

In terms of the overall market, we estimate that the total value of mobile adult content will more than triple over the next five years, to nearly US\$2.1 bn by 2009.

Figure 1: Total Revenues from Adult Mobile Content (US\$m). Forecast 2004-2009



Source: Juniper Research

These may well be viewed as conservative figures, but we believe there are strong reasons to suspect that growth of this sector will not be as large as many may have us believe. Regulatory issues will undoubtedly have a significant effect on this sector. But while we do not believe that the adult sector will be mobile's "killer app", global revenues in excess of US\$2bn are not to be sniffed at.

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About the Author

Dr Windsor Holden has worked for Juniper Research since November 2003, authoring a number of reports including *Digital Terrestrial Television: Prospects in the Enlarged EU* and the forthcoming *Mobile TV and Video*. He also provides forecasts and analyses on emerging telecoms markets for Business Monitor International (BMI), and has contributed to a number of Informa Group publications, including a recent edition of *Global Mobile Forecasts*. Previously an analyst with Kagan World Media and Espicom Business Intelligence, Dr Holden is also a former Research Fellow of the Institute of Communications Studies, University of Leeds.

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