

Learning from P2P: Evolution of Business Models for Mobile Content

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Assumptions

- Mobile content business models in relative infancy
- Mobile devices growing in functionality & bandwidth
- Business models for Internet/PC paradigm precede and influence mobile content business models
- Some experimentation with P2P-DRM hybrids, but on PC platform and mostly in US market
- Yet US lags EU in mobile infrastructure
- ...therefore EU mobile content providers likely to benefit from influence of P2P-related experimentation most immediately.

Valuable Features of P2P Networks

- Anyone can participate, no geographic restrictions
- Files playable on variety of devices with no limitations
- Files are permanent and don't "expire"
- Users can share content with "friends"
- Users can become "tastemakers" by putting up collections of their favorite content
- Content may be otherwise unavailable
- Some networks optimize delivery of files
- Content is free to users

Disadvantages of P2P Networks

Limitations of P2P

- Spoofs
- Variable sound quality, incomplete files
- Ads, spyware
- Limited information

Virtues of Legit Services

- Guaranteed content
- Good sound quality, complete files
- Few ads, no spyware
- Artist info, recommendations, etc.

Superdistribution

- My definition: P2P plus E-Commerce
- Users can...
 - redistribute content
 - Set own prices
 - Pass along subsets of rights
- Idea long in existence
 - Embodied in some early DRM systems, such as IBM infoMarket
 - Rejected as too complex
 - Coming back into vogue nowadays
 - Can be layered on top of existing P2P networks

Characterizations of P2P Features By Constituencies

- Users: Desirable vs. “Who cares?”
- The law: Legal vs. illegal
- Content owners: Acceptable vs. unacceptable
(from business perspective)
- Technology: Easy vs. hard to implement with DRM and related technology

P2P Feature Characterizations

	Desirable for Users	Legal	Acceptable to IP Owners	Easy with DRM	Likelihood in Legit Services
Anyone can participate		National boundaries	In theory...		
Play on many devices		EU private copying laws	Within limits	Hardest tech problem	Legal or via 3 rd party solutions
Permanent files			Depends on business model		Some business models
Share with friends		Generally restricted	Within limits		Within limits
Tastemakers					
Otherwise unavailable content		Licensing obstacles	If they can get paid		If licensing messes solved
Optimized delivery	Marginal importance		Marginal importance	Complex but feasible	Through CDNs
Free content		No!	No!		No!
Superdistribution	Remains to be seen		Highly debatable	Getting easier	Remains to be seen

Early Legitimate Music Services

- Examples: pressplay, MusicNet, FullAudio
- Limited to single countries
- PC playback only
- Files expire
- Free 30-sec. samples and some shared playlists, but no true content sharing
- Relatively limited content selection
- Sound quality varied from mediocre to OK
- *...no wonder critics complained!*

Newer DRM-Based Services Borrow P2P Features

- Controlled sharing
 - Apple iTunes:
limited copying to other machines, MP3 burns to CDs
 - MusicMatch On Demand (US):
send playlists to friends for 3 free plays of each song
- Alternative revenue sources
 - QTrax (Hong Kong): sales of targeted ads, NetZero model
- Tastemakers
 - Weed (US): user mini-sites with Superdistribution
 - iTunes, Amazon: affiliate networks

Newer P2P Services Flirt with DRM

- Unlimited sharing for flat fee
 - Wipplit
 - P2P but only approved files can be shared
 - Uses fingerprint-based filtering, DRM optional
- Tastemakers
 - Bitmunk (US)
 - P2P with Superdistribution
 - Uses watermarking, DRM optional

Legit Services – Familiar Business Models

- Paid download
(T-Mobile Mobile Jukebox, O2 Music Pack, plus many on PC/Internet)
 - Pay per downloaded song/album
 - **Record stores**
- Webcast (Sony StreamMan/Telia Sonera)
 - Listen to radio-like streaming services
 - Many are simulcasts of FM stations
 - Many free, some ad-supported, very few paid subscription
 - Often links to “Buy this CD” with commissions
 - **Radio**
- Borrowing (US movie sites & library ebook sites)
 - Borrow content for set period of time, then it expires
 - **Video rental stores, libraries**
- Pay-per-view/listen (OD2)
 - Pay per stream
 - **Live performances**

Unfamiliar Business Models

DRM-Based Legit Services

- Subscription on-demand (Sony StreamMan/Telia Sonera, Napster, OD2*)
 - Listen on demand (streaming) to any music in service's library
 - Premium webcast channels
 - Monthly fee
 - **SVOD, online reference databases**

P2P-Derived Services

- Subscription download (Wippit, OD2*, JupiterImages)
 - Monthly/annual fee for unlimited downloads of files
 - Usually second-tier content
 - **(no legacy analogs)**
- Superdistribution (Weed, Bitmunk)
 - Buy and sell files on P2P-style network
 - Set your own prices
 - Every transaction compensates content owner
 - **Garage sales, record fairs, affiliate networks**

*With monthly limitations

What's Left in P2P?

- International copyright & commerce law rationalization
 - Very difficult
 - Probably not worth the effort
- Device and format interoperability
 - Standards efforts (OMA, MPEG) will help somewhat
 - Market should coalesce around 2-4 different formats per media type
 - Dubiously legal hacks (e.g., Tunebite) will drive legal solutions
 - Media industry's "product" mentality
- Identity interoperability
 - Technically difficult
 - Privacy concerns

What's Left in P2P?

- Agreement on limits of legal “sharing”
 - EU private copying laws
 - Otherwise depends purely on market forces
 - Complicated by introduction of home networks
- Otherwise-unavailable material
 - Solving of various content licensing problems
 - Very difficult
 - May require blanket or compulsory licensing
- Perceived value of unfamiliar business models
 - Requires time and marketing \$\$\$

Conclusion: Trends

- Legit services will continue to appropriate features from P2P
- P2P services will add copyright-respecting features
- EU well positioned to adopt P2P experiments in mobile market
- Unfamiliar business models will only take off if marketed adequately
- Technical hurdles will remain for foreseeable future
- Legal ambiguities will persist; market forces likely to render them largely irrelevant