FreeWheel®

SERVING THE VIDEO REVOLUTION.

Making Money from MOBILE CONTENT

A guide for successfully syndicating professional content to mobile devices.

The current mobile landscape is fragmented at best, chaos at worst. To navigate this splintered topography, you need sound advice and maybe a decoder ring. This paper intends to provide an outline of the mobile space, the monetization challenges it presents, and creative solutions for executing an efficient, profitable sales and ad operations organization. Although the chasms created by various technologies in mobile's wide landscape may have previously thwarted efficient monetization, it is, in fact, possible to apply process and sound technology infrastructure to bring your mobile strategy to life.

We will first outline the current state of the mobile landscape using both industry trends and proprietary FreeWheel data, discussing device and operating system prevalence, and trending for each. This information can arm those driving mobile environment product decisions with crucial insight, and can also provide a sales team with information about how to best package cross-platform buys to achieve maximum mobile scale.

We will later address specific ad operations concerns once a cross-platform campaign has been sold. The challenges presented by the fragmented mobile landscape make executing these buys difficult, and without proper tools and processes, these challenges can prove burdensome. For instance, mobile devices support a wide variety of video playback challenges; video codecs, encoder settings, and bitrates must all be carefully considered when trafficking creative into an ad serving system. Here we will examine these complexities in detail and offer recommendations to ease operational pain.

Major Mobile Environments: Ubiquity, Pervasiveness, and Trends

The first critical factor to understand in evaluating the mobile space is the market trend away from feature phones and toward smartphones. Smartphones are increasingly seen by industry leaders as the primary point of mobile product focus, and we observe this among our customers as well. Simply, the feature phone is quickly losing ground to the rich experience provided by smartphones. Feature phones offer lower processing power, have limited bandwidth, lack a full-featured browser (HTML, JavaScript, CSS, full TCP/IP stack), and lack rich application marketplaces. These deficiencies make these phones particularly less attractive for professional video experiences.

The smartphone, however, is well equipped to provide a dynamic and smooth user video experience. Smartphones include devices such as: Apple iPhone, various Android phones, Blackberries, and Windows Phone 7. Likely the result of this more advanced functionality, smartphone prevalence is increasing (see chart 1).

Now that it is clear that smartphones are the device of choice for a video-based syndication strategy, the next question that arises is which smartphone environments are most pervasive. The major U.S. mobile operating systems are RIM, Apple, and Android (see chart 2).

Since deployment of multimedia experiences in mobile environments requires a number of upfront appraisals, it's worth pausing to carefully evaluate

Recent Acquirers are Accelerating the Trend

Source: The Nielsen Company

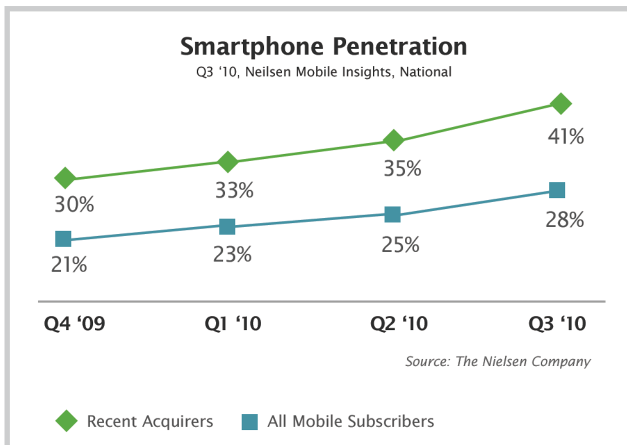


Chart 1

U.S. Smartphone Operating System Share - All Mobile Subscribers

Source: The Nielsen Company

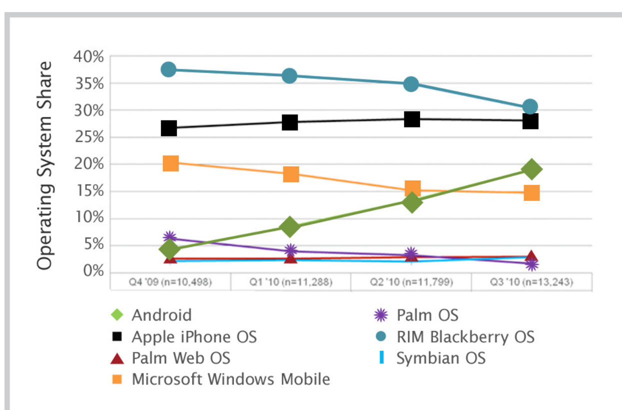
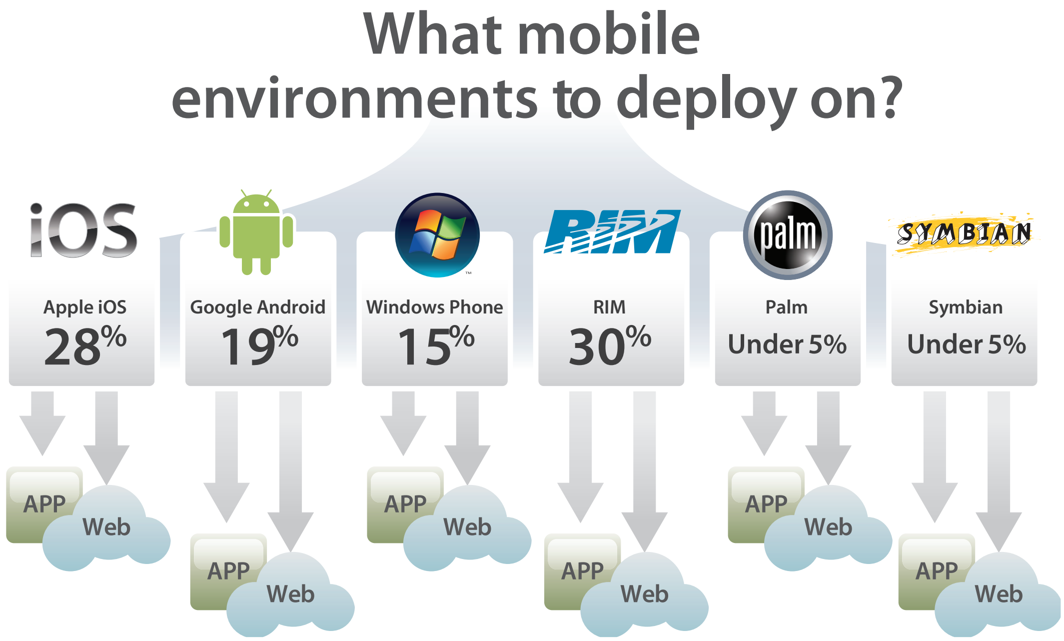


Chart 2

the question, "Where should I distribute my content first?" Apple-iOS, Google-Android, Microsoft-Windows Phone, Blackberry-RIM, HP-Palm, Nokia-Symbian? Via an application or the web?

A mental map of this decision landscape would look like this:



The first tier market share is dominated by the following operating systems: RIM (30%), iOS (28%), and Android (19%). Many media companies often choose iOS and Android as a first point of entry when syndicating to mobile environments due to their already large market share and increasing prevalence.

When evaluating the application vs. web tier of the above mental map, the following items should be carefully considered:

- Application deployment requires building a separate application per environment.
  - Requires unique developers employed for each environment
  - Unique capabilities in each operating system lead to slight ad operations process adjustments (video codecs, creative formats, etc.)

- Web deployment through HTML5 allows for a single build for all environments.
    - Single set of development resources utilized
    - HTML5 video support/feature set currently fragmented on mobile devices
    - Control of video playback in HTML5 not completely evolved
    - Unique capabilities in each operating system lead to slight ad operations process adjustments (video codecs, creative formats, etc.)

Other important considerations that need to be evaluated for a long-term mobile strategy include:

- The wireless carriers offering limited data usage pricing models may thwart mobile video consumption.
- Fragmentation across the Android ecosystem can be challenging, as Android versions 2.1, 2.2, 2.3, 3.0, and 3.1 have some differences.
    - Differences between versions can require additional development resources
    - Android versions expected to consolidate and stabilize within 2011

As we work with our customers – the largest entertainment companies – in developing their mobile syndication strategy for their professional content, we counsel them on how to prioritize their development. This is evident in the growth demonstrated in Apple and Android mobile video views (see chart 3).

FreeWheel Mobile Video Views January-April 2011 (application & web)

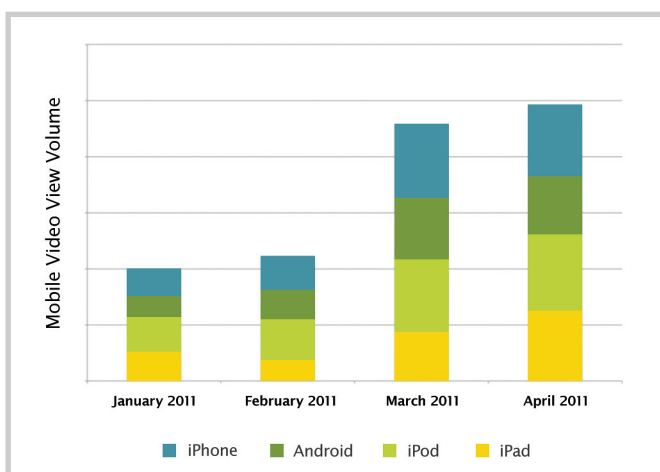


Chart 3

Apple's iOS is the dominant operating system, comprising nearly 80% of mobile video views year-to-date on FreeWheel systems across iPhone, iPod, and iPad devices. This dominance is a function of early market share gained by Apple devices leading to those environments being prioritized for content syndication by FreeWheel's customers. As Android gains in market share in 2011, it is likely its video view percentages will also climb.

Content is ready to go mobile – now what?

Once mobile environments have been identified as syndication candidates, the next challenge becomes how to develop a cross-platform sponsorship sales strategy. Brand advertisers are increasingly aware of video consumption fragmentation; consumers are watching video content on a wide array of devices including desktop, mobile phones, tablets, connected televisions and traditional linear television. Advertisers buy at scale despite that fragmentation to achieve their marketing objectives, and your sales strategy should cater to that goal.

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Two distinct sponsorship models can easily make cross-platform advertising a reality: 1) Exclusive Sponsorship and 2) Share of Voice (SOV) Sponsorship. Each can be applied to the fragmented world of online/mobile/linear video, but you must ensure that the proper technological infrastructure is in place to execute those two models seamlessly.

An Exclusive Sponsorship achieves two goals simultaneously: 1) reaches an audience consuming content that aligns well with the advertiser's brand, and 2) blocks competitors from also associating themselves with that professional content and detracting from another advertiser's message. By offering exclusive sponsorship packages for premium video content, more revenue is generated as advertisers buy both the audience associated with that content and also an insurance package guaranteeing message dominance. Additionally, there can only be one exclusive package sold, so it becomes possible to drive up prices through negotiation as advertisers compete for that single sponsorship.

A Share of Voice (SOV) Sponsorship also allows an advertiser to reach a target audience across environments with precision and greater effectiveness. When a sales organization sells against a SOV, advertisers are allured by the prospect of ensuring their brand is "louder" than other brands paired with a particular piece of video content. Who wants to have 10% SOV when your main competitor has already signed on for 30%? SOV offers another path to increased revenue for an ad sales organization due to the inherent guarantees built into it.

A Note about Scale

As is true for the wired video viewing space, a constant balance must be struck between ad unit innovation and standardization. Different run time environments have varied ad unit capabilities, and in order to buy across multiple environments, the ad unit and ad products must achieve some consistency. You can read more on this topic in our thought paper titled, "Balancing Standards with Innovation."

And now (as always), it's up to ad ops to make it happen.

Targeting Considerations

In order to execute the cross-platform buys described above effectively and efficiently, the technology employed by a media company must be capable of a number of targeting dimensions. These include video asset/series/group, geographic targeting in mobile, and device type.

Video Asset

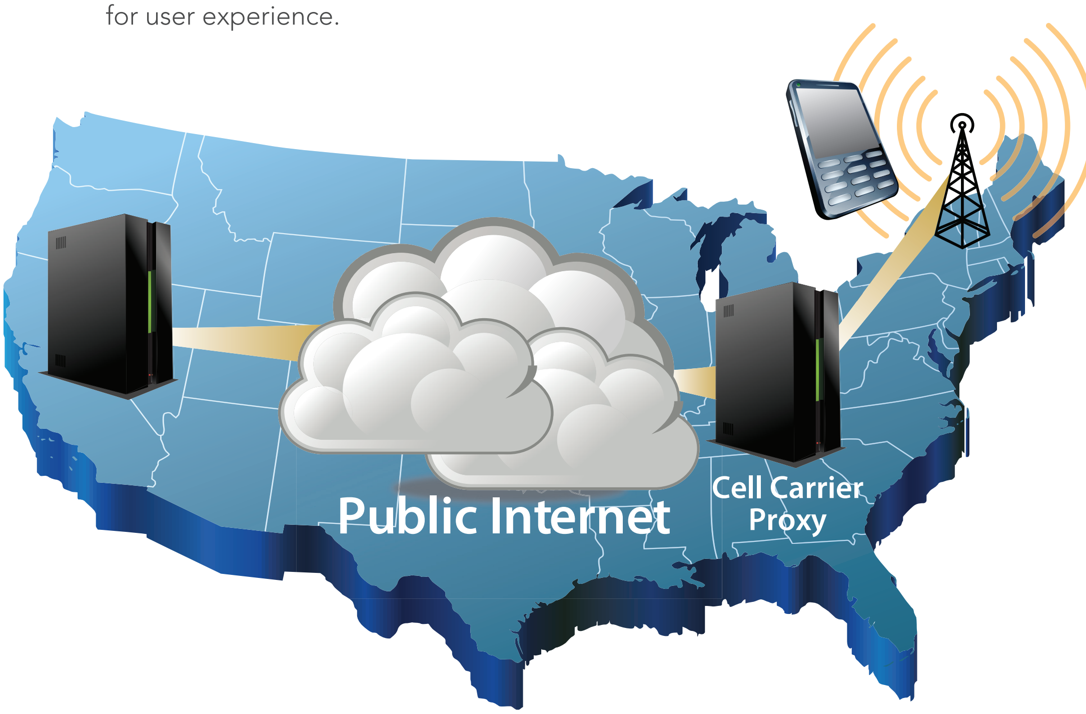
Because it is likely that advertisers will buy cross-platform sponsorships on particular video assets, video series, or video groupings, the ad serving technology needs to provide targeting on various video dimensions. In order to provide targeting on these dimensions across devices, the technology provider must be able to recognize that a content asset has the following characteristics:

- There may be a distinct, physical, content asset for each device or distribution point.
- Each physical content asset may be represented by a different CMS ID.
- Even if the physical asset is different, the content of each asset is exactly the same (duration, ad break time insertion points, etc.).

Geo-targeting

Advertisers often require geo-targeting capabilities for mobile campaigns. The network architecture maintained by mobile carriers (ATT, Sprint, Verizon, T-Mobile) creates challenges that an ad serving system must properly address. Mobile phone internet traffic travels to the public internet via a private network maintained by the cell phone carrier, creating a variety of challenges:

- Mobile data traveling over a private network typically reaches a public network at a different geographic region than its origin.
- This difference between origin and public internet touch point can cause some ad servers to perceive the mobile device's geographic location incorrectly.
    - E.g. The cell phone user may appear to be in NY due to the carrier network when s/he is actually in Ohio – targeting that person with a NY-specific advertisement is problematic
- Smartphone GPS capabilities can be leveraged to cull accurate GPS data that some ad servers can then use for targeting.
- Accessing the GPS capabilities in some phones causes user privacy notifications to appear, which should be factored into your considerations for user experience.



Device Targeting

Another important feature that an ad serving system must provide is granular, device-level targeting. Advertisers often require that campaigns be targeted to specific mobile devices. FreeWheel employs device-matching technology within its ad server to facilitate ad targeting to a wide variety of mobile smartphones (current targeting available for 7,000+ devices). In addition to a current set of smartphone targeting features, an ad serving system must also stay current with the latest technological advances. New devices are announced and released by hardware manufacturers on an ongoing basis. Any ad serving infrastructure chosen by a publisher system should be flexible enough to adapt to these rapid market changes.

Summary

There is a lot about the mobile space that still feels "Wild West" and untamed. The purpose of this paper was to provide some specific guidelines for how to thoughtfully make decisions about methodically and successfully syndicating your most valuable, professional content on to mobile devices. Carefully considering factors like operating system prevalence, application vs. web environments, creating scale for advertisers, and technology requirements will go a long way toward building a successful mobile content business.