

# Scoring a goal

## World Cup offers wireless companies a way to kick off new services

By RHEA WESSEL

**W**ITH JUST A few months to go before soccer fever grips Germany and the rest of the world, analysts are warning telecommunications operators in the World Cup's host country to place their bets on established services such as text messaging instead of flashy new ones and to focus on the chance to build brand awareness.

The 2006 FIFA World Cup will be the first mega event to be held in Germany since the country's high-speed third-generation network became widely available at the end of 2005. But 3G services such as video clips will have limited appeal for German soccer fans, who can attend games personally or see matches in live television broadcasts, analysts say.

To be sure, many marketing campaigns likely will focus on the benefits of the high-speed network for delivering a clip of the winning goal to fans' handsets, and more than a few people will sign on for the new services, analysts say. But the real money will be made with standard services such as messaging traffic, according to the Wireless World Forum, a London-based research organization and consultancy. It foresees a potential \$8.47 billion (€7.05 billion) in additional World Cup-related mobile data revenues during the year, with messaging services accounting for \$7.3 billion of that amount. The remainder is expected to come from such nonmessaging services as music, games, betting and video clips.

"We will see a lot of product launches at the World Cup," says Graham Brown, the chief executive of the Wireless World Forum, a research organization and consultancy. "These will make the biggest impact in the media. But is this hype sustainable?" He adds: "When we look at past events such as the European championship, what people really spend their money on is not necessarily high-tech."

Michelle de Lussanet, a senior analyst at Forrester Research Inc., concurs. "We'll see some increased use among existing 3G subscribers, but I don't expect a whole lot in terms of a spike in the number of subscribers," she says. "If operators pursue this strategy, they'll squander an opportunity. Content, even World Cup content, is just not a reason to get a new subscription."

Instead, Ms. de Lussanet sees the June 9-July 9 tournament as an opportunity for operators to buttress their brands. Some three million people are expected to travel to Germany to join millions of Germans in watching 32 teams play in 64 matches held at 12 stadiums across the country. "If they're smart, they're going to exploit it," says Ms. de Lussanet.

### Innovative Ringtones

An event like the World Cup offers the perfect opportunity to position a brand as hip and innovative.

Ms. Wessel is a writer in Frankfurt. She can be reached at reports@wsj.com.



Christoph Neumann

Operators will want to show they're doing new things. This may come in the form of national anthem and tournament ringtones, downloads of the hottest clip of the day, near-real-time clips of goals, goal alerts, mobile betting, text information services, video streaming and the like. The Wireless World Forum estimates that the average mobile user could spend an extra \$9.50 on World Cup-related content during the year.

Ms. de Lussanet, however, cautions operators against premium pricing for mobile data services, saying many mobile-content ventures, such as mobile music services, are money-losing propositions. She says many users are unwilling to pay high per-unit rates and operators are still strapped with royalty fees and the costs of running their networks.

"Operators have to start somewhere if they want to see mobile data adopted in the market and the World Cup is a unique opportunity for this," she says. "All operators have to do is get it right—make it fairly inexpensive and hope that people will stick with it."

It is unclear how much operators are actually paying for the privilege of taking four minutes of the footage of their choice from each of the games. According to Infront Sports & Media AG, which sells rights to the World Cup, the

total spent on new-media rights in some countries has reached 10% to 15% of that spent on television rights. Wireless World Forum's Mr. Brown says he believes prices have increased significantly, an indication of why so many more companies are involved in the business of distributing rights.

As of early February, only one German operator, the German division of O2 PLC, had signed a contract for non-exclusive rights with the Switzerland-based firm. Negotiations with the remaining three operators were still ongoing, the company says. Though there is no official deadline for signing a contract, Infront expects negotiations to be finished by early March for technical reasons. Infront Media not only sells the rights, but it also distributes the broadcast signals of matches to license holders.

### First Tournament in HDTV

This year's World Cup offers an unprecedented opportunity for users to experience high-resolution images on small-screened handsets. This is the first tournament that will be available in the High Definition TV standard, which offers more horizontal lines than Standard Definition TV and two million pixels per picture instead of 400,000, resulting in significantly sharper images.

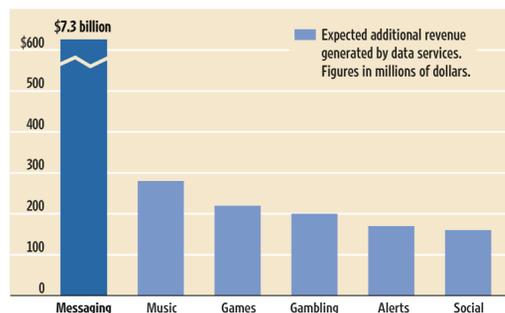
It is also the first World Cup since

mobile TV made some initial strides in trials around Europe, though it seems unlikely that a system will be ready in Germany by the time of the tournament. At most, some operators may run trials in Germany around the event.

In anticipation of this technical development, however, Infront Media withheld rights to DVB-H and DMB in the packages it sold to television stations, allowing Infront to jump on an opportunity to sell such

### Winning strategy

Messaging services will dwarf other mobile content during World Cup 2006



Source: Wireless World Forum

rights separately. DVB-H, or Digital Video Broadcast Transmission System for Handheld Terminals, is an emerging standard for mobile television in Europe, while DMB is favored in Asia.

The technology is so new that it is still unclear how it will come to market—whether operators will enter the broadcasting business, whether broadcasters will enter the mobile telephony business or something in between. For now, mobile TV is mostly streamed over 3G networks, though this is not expected to be the norm after services take off.

Wireless World Forum's Mr. Brown urges operators to promote services that people are familiar with, such as texting or simple games. Users will be interested in those services that fulfill social needs such as the desire to belong, he says.

### Special Packages

T-Mobile is casting a wide net with its marketing campaign. It is the only operator able to use the FIFA World Cup name and logo in its advertising since it is a majority-owned subsidiary of Deutsche Telekom AG, one of FIFA World Cup's 15 official partners.

Matthias Immel, a vice president for consumer marketing at T-Mobile International and the project manager for the World Cup 2006, says his company will try to acquire new customers and stimulate the use of existing data services by bundling special World Cup packages and devices. Each market where T-Mobile has a presence will have a specially tailored campaign based on market relevance. For instance, in the U.S., T-Mobile will focus on the Hispanic community.

"We don't see the World Cup as a German-focused activity," he says, adding, "What will be popular is everything that is complementary to existing media such as behind-the-scenes information about teams." In order to get its hands on such content, T-Mobile will work with partners such as the Sport1.de portal and tap its sponsorship of the German national team.

Mr. Immel declines to say how much T-Mobile is investing in the event, but he says, "This really is a substantial investment for Deutsche Telekom in all divisions."

A spokeswoman for Vodafone Group PLC's Vodafone D2 GmbH unit says her company will promote special offers to gain new subscribers and try to drive traffic on the 3G and 2.5G networks. Vodafone, like T-Mobile, may also run special offers to capture the traffic of visitors from abroad. ■

## Wireless

# THE JOURNAL REPORT

## EUROPE

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# Make 'Em Pay

Wireless operators have invested billions in high-speed networks. Now, will people actually pay for new services?

By CASSELL BRYAN-LOW

**I**F PEOPLE ARE reticent about paying extra to listen to music over their cellphones, will a customizable radio service on their phones convince them?

Marketers at Vodafone Group PLC hope so. The cellphone service provider, the world's largest by revenue, is offering the gimmick as a way to entice people to sign up for third generation, or 3G, services.

It is one of a slew of strategies that European cellphone service companies are experimenting with as they continue to struggle to persuade customers to pay for new, high-speed services. Having spent more than €100 billion (\$120 billion) and many years putting 3G equipment in place, they are under intense pressure to make those investments pay.

Among much ballyhooed offerings that haven't taken off as hoped: video-phone calling and location-based services, services that detect where subscribers are and deliver the names of nearby restaurants or shops to their phones. 3G also lets users send and receive data more quickly than traditional wireless networks.

Only about 3% of the world's roughly two billion cellphones currently use third-generation networks. 3G is a broad term which covers several different technologies.

### European Battleground

While high-speed cellphone services have been available for several years in Japan and South Korea, 2005 was the year that saw a widespread push by European and U.S. wireless companies. Europe is proving a particularly fierce battleground for 3G services because the region's cellphone companies already have signed up nearly all their potential customers with regular services, while most operators in the U.S. and Asia can still grow simply by adding new customers. Last month, China declared its own standard ready for commercial use, removing an important obstacle to the start of high-speed services in the world's largest wireless market.

Many service providers currently are pinning their hopes to music and television as the way to lure

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