

# Adult Content in the Palm of Your Hand

This whitepaper is an extract from:

**Mobile Adult  
Subscriptions, Downloads, Video Chat  
& Text-Based Services 2007-2012  
(Fourth Edition)**



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# Adult Content in the Palm of Your Hand

## Introduction

Adult content has traditionally generated substantial revenue through a variety of entertainment media like magazines, the Internet, pay television and videos. Although 'sex' is universally treated as a money spinner, adult content has not naturally taken the mobile industry by storm. This can primarily be attributed to factors like operator scepticism, limited social acceptance and the limitations of video on mobile. That said, many of the key hurdles are being addressed, and revenues have registered a marked increase as a result.

## Types of Mobile Adult Content

Much of the mobile content that is currently offered to subscribers can be modified in order to make it adult in nature. This has led to the emergence of a variety of forms of adult content that include SMS-based services such as jokes, dating and chatting, video streaming services, video chatting, video clips, pictures, moantones and games.

### Text-based Adult Services

SMS chatting is a prominent adult service available across the world and two-way chatting has added to its lure. In SMS chatting, subscribers can chat with models and celebrities by sending a premium rate SMS to them. This is the least technically demanding of adult applications and can be accessed from most 2G phones.

## Images

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Adult content packages offered by mobile operators generally include animated or plain images of porn stars and celebrities. These images are offered on themes such as tropical, retro, sports, lesbians, gays, costumes and fetish. Gay and lesbian themes have experienced a rise in demand over the past two years. The images can be billed on a download or subscription basis depending on the business model adopted by the network operator or the content provider. Images can also be part of other services such as MMS chat.

## Moantones

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Moantones are the erotic manifestations of ringtones involving screams, moans and groans of models. Whilst the number of service providers offering this type of ringtone is increasing, it is small business and Juniper Research considers that this is very much a niche market, and will remain so.

## Erotic Games

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The games offered for adult services are generally derived from the already popular conventional games. For example, Private has modified the prominent mobile game Snake to an adult game – Sexy Snake, where the graphics incorporate erotic content. Among various adult games, puzzle games have gained prominence due to the ease of developing these games. These erotic games sometimes involve a lot of interactive material. Strip poker has remained an all time favourite of online adult game makers and its mobile versions are also likely to be popular.

## Video-Based Services

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Videos are increasing their share in the mobile adult services portfolio. The various video-based services offered on mobiles include streaming videos, video/movie clips, video chatting. Also included in this category are mobile TV services.

Video based services have been given a tremendous boost by the launch of 3G services. In the UK 3G operator “3” offers a variety of video based services through its “Top Shelf” section on its Planet Three multimedia portal.

# The Hurdles to the Deployment and Adoption of Mobile Adult Services

While mobile adult services are potentially lucrative, there are a number of hurdles which must be overcome before such services can either be deployed, or, once deployed, be delivered in such a way so as to maximise their revenue-earning potential. The following table lists a number of the more problematic, ranging from social and cultural issues to technological difficulties.

**Table 1: Hurdles to the Adoption of Mobile Adult Services**

Issue	Why is it a challenge?
Regulatory Constraints	While adult content is a potentially lucrative opportunity for service providers, the scope for deployments is limited by legislation which, depending upon the territory in question, either imposes severe restrictions upon the services which can be offered or in some instances prohibits such services entirely, often with severe penalties for those who (either wittingly or unwittingly) might offer, or receive, those services.
Public Reservation to Adult Content Usage	Historically, access to adult content through various media has been a controversial issue for the public and subject to much debate. Since adult content has become available on mobile phones, which are used extensively by teenagers and even younger children, the sensitivity of this issue has assumed greater significance. There will always be elements of society which see adult entertainment as something which should be hidden away, whatever the delivery channel. This is evident in all societies, but more prevalent in some.
Understanding the consumer	Perhaps the key hurdle to ensuring mass adoption of adult services is in ensuring that content is made available which customers want to buy. However, it is clear that in many markets, the customer is not getting what might be termed optimal content.
User Interface	<ul style="list-style-type: none"> <li>● Difficulty in discovering services and content;</li> <li>● Difficulty in accessing services and content;</li> <li>● Difficulty in navigating services and content; and,</li> <li>● Difficulty in utilising multiple applications simultaneously</li> </ul>
Network speed and coverage	Even in many developed markets, large rural areas remain without any 3G coverage. Many would-be customers frequently meet only with the message “You are now outside the video service area”, thereby limiting the number of services they are able to access. Furthermore, there is often a significant degradation of coverage in-building, meaning that users seeking to stream or download adult content from the home (especially, presumably, the bedroom!) may be unable to do so.
Age Verification (End-User)	Many operators now routinely employ age-verification systems, although their use is by no means universal. In the US, for example, operators are wary of their deployment, for fear of a conservative/religious outcry over the possibility that the operator might, at some point in the future, consider offering services that might not be suitable for minors.
Age Verification (Model)	While the overwhelming majority of professional content providers rigorously ensure that models on their books are over the age of consent, the recent upsurge in user-generated, adult content (in all

	media) presents a potentially serious problem insofar as no ID checks are in place.
Service Pricing	While users of adult services are traditionally less price sensitive than purchasers of other entertainment services, service providers must exercise a fine level of judgement in seeking to ascertain precisely what that premium represents if overall revenues are to be maximised.
Cost of Data Services	High cost of browsing and downloading services and content combined with opaque pricing structures continue to act as a disincentive to service adoption.
Industry Structure	The level of control exerted by operators rankles with, and exasperates, the content providers, an environment not necessarily conducive for the introduction and mass adoption of innovative mobile services. Indeed, one corollary of this is that companies which specialise in a given area of content (be it gambling, games or adult content) are unconvinced as to the operators' efficacy in marketing their particular product, in that operators, after all, are mobile specialists and not specialists in gambling/games/adult content.
Spam – Public Annoyance	The reaction of some less professional adult content suppliers to restricted legitimate marketing channels has been to send out spam i.e., clips or small archives of adult content sent to mobile users randomly. With the advent of multi-media messaging (MMS) and video messaging, the instances of unsolicited adult content over mobile phones has increased, thereby increasing the volume of spam over mobile networks. This has a negative effect on the public perception of mobile adult services. Moreover, as a result of spam, operators may have to bear network usage costs and also forego some potential revenue.
Handset Limitations	Device limitations include memory constraints, insufficient screen size, poor display quality and limitations on device operation. The major hindrance for any mobile entertainment service stems from the small size of handset screens as they offer a constrained view of content. Furthermore, content has to be rendered for optimal presentation by handset.

Source: Juniper Research

## The Opportunity for Mobile Adult Services

Many of the market drivers that have favoured the growth of adult content over the fixed Internet also apply to accessing adult content over the mobile channel. In addition, the mobile platform has some inherent advantages, such as anytime/anywhere availability and a larger potential market as compared to the fixed Internet in most countries.

The drivers for the development of mobile adult services are discussed below.

**Table 2: Key Drivers for Mobile Adult Services**

Driver	Why is it an opportunity?
Human Nature	Sex and titillation sells – particularly to young men. This is not a new phenomenon and has driven the sale of adult and glamour content through all its media channels through the ages. Nor is it a phenomenon that is likely to change, barring some state-imposed dampening of libidos, or an environmental catastrophe having the same effect.
Return on Investment	Not only does sex sell, but there is a lot of money to be made from it. Experience in the market to date has shown that consumers will pay premium prices for high quality adult content. From Juniper's market forecasts it is also clear that even with relatively conservative estimates of market penetration, substantial market revenues can be generated. Even at the high quality end of the market, high prices relative to other mobile entertainment content and substantial demand will mean good returns on investment for all players in the delivery chain, including network operators..
Convenience	The most convincing and inherent advantage of the mobile platform is in the fact that it allows access to value added adult data services virtually anywhere and anytime. A mobile user has immediate access to his/her mobile for most part of the day. This opens up a new access channel for entertainment services, adult services included..
Privacy	Because of its anywhere/anytime availability the mobile phone affords the user of mobile adult services the opportunity for privacy, which many users may find attractive. As with the fixed Internet, the mobile Internet allows users to purchase product without having to take the product from the top shelf of a public retail outlet, or enter an establishment that they may not wish to be seen entering. The personal nature of the mobile phone means that only the owner of the handset will typically access the services, unlike say a home PC which could be accessed by other family members. Thus, for customers who might not want their partners, parents or children to discover that they are downloading pornography, the mobile phone could be the ideal medium.
High Device Penetration	The sheer volume of mobile users remains a market driver. Mobile penetration in most countries is now greater than fixed line access and the same for mobile Internet and fixed Internet access. The challenge is to convert those overall penetration levels into active users of mobile data services and mobile entertainment services in particular. High quality video and TV services will require 3G networks, but a large range of text, MMS and graphic based adult services are available to 2G and 2.5G users.
3G Technology	There is little doubt that the user experience of mobile adult entertainment is enhanced by the high quality video capability embodied in 3G technology. This has advantages on two fronts: first

	the quality of moving image reproduction for video and mobile TV material, and secondly the speed of download for video content.
Age Verification	There is much concern globally about children gaining access to pornographic material over their mobiles handsets. There are a number of issues here primarily: a) the straightforward ethical issue of allowing children access to unsuitable content b) keeping within the law c) protection of brand and corporate image. The introduction of age verification procedures and systems could be seen by many as a restriction on market development. Julia Dimambro of Cherrysauce, (and many others in the industry) sees it as a very positive move and Juniper Research agrees with this view.
Developing D2C Models	Most mobile adult content is delivered off-portal, certainly content restricted to over 18. Initially this was a constraint to market development, but off-portal and direct to consumer delivery models are now becoming much better established. Off portal (deck) delivery channels have been well established in Europe for some years, and are now becoming better established in other regions, particularly North and South America. Key to this has been the growth of strong independent product aggregators and independent billing services, such as Bango.

Source: Juniper Research

## The Market for Mobile Adult Services

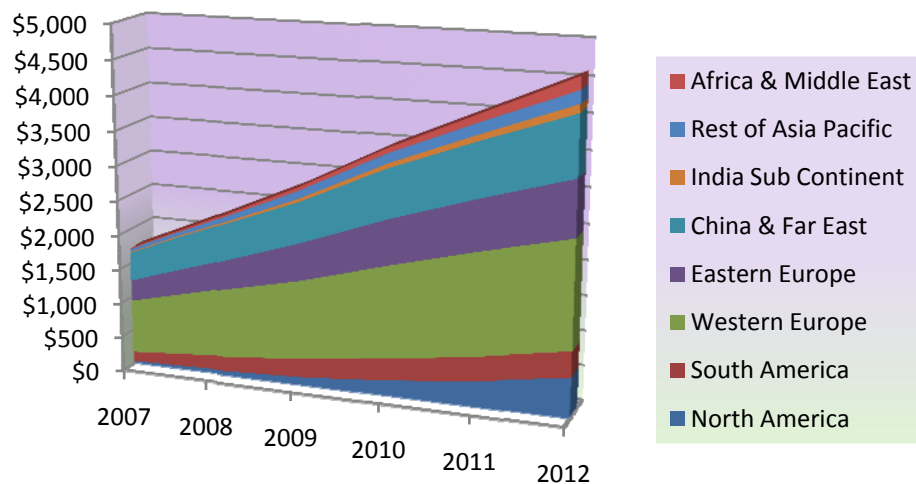
Pulling together the forecasts for the four categories of mobile adult content defined in this report:

- Adult text-based content;
- Adult downloads;
- Adult subscription-based services; and,
- Adult video chat

gives a substantial global market of \$1.7bn for the current year, 2007. This is forecast to rise to just over \$4.6bn by 2012 representing substantial growth in a regulation constrained market.

At the present time, the largest share of revenues (45%) hails from Western European countries, and indeed this region will continue to be the largest contributor to overall revenues throughout the forecast period, with revenues from this region rising to \$1.5bn by 2012. However, the region's contribution to overall revenues declines to 33% by the end of the forecast period, due partly to a marked increase in contribution from North America, where revenues will rise from just over \$25m in 2007 to \$575m in 2012, representing a market share increase from just 1% to 12%.

**Figure I: Total Revenues (\$m) from Mobile Adult Services. Regional Forecast 2007-2012.**



Source: Juniper Research

## Order Full Report

This whitepaper is taken from **Mobile Adult: Subscriptions, Downloads, Video Chat & Text based Services 2007-2012.**

This strategic report offers analysis and forecasts on the market opportunity for mobile adult services up until 2012. Focusing on key service drivers, major players, regulations at both national and international levels and social and technological hurdles, the fourth edition of this report not only provides operators, aggregators and service providers with practical five year forecast data but also offers strategic recommendations for all members of the mobile adult service chain. The in depth study also offers a review of the value of the different markets and discusses key hurdles to service adoption as well as the major players behind service growth, exploring which services are making more money and why. Through 30 profiles with leading players in the industry, one to one interviews with key players and an analysis of pricing models and marketing distribution, this detailed study provides an all-encompassing view of the current and future status of the mobile adult services industry.

For more details on this report visit the website [www.juniperresearch.com](http://www.juniperresearch.com) or phone +44 (0) 1256 830002.

## About the Author

**Dr Windsor Holden** is the Principal Analyst of Juniper Research. Dr Holden is responsible for developing Juniper Research's report portfolio and designing a forthcoming range of market intelligence services focusing on the mobile content market. He is also the author of a number of recent reports including *Mobile Games: Subscription & Download (4<sup>th</sup> edition)*, *Mobile Gambling:*

*Casinos, Lotteries and Betting (4<sup>th</sup> edition), Mobile TV: Opportunities for Streamed and Broadcast Services (3<sup>rd</sup> edition) and Mobile User Generated Content: Dating, Social Networking and Personal Content Delivery.*

Previously with Analysys, Dr Holden has written extensively on mobile content, emerging telecoms markets and digital TV. Prior to working for Analysys, he authored a number of reports for Juniper Research including the second edition of its much heralded Mobile Entertainment Series. He is also a regular conference speaker and a former Research Fellow of the Institute of Communication Studies, University of Leeds.

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