



WHITE PAPER: How phling!® Helps Drive Mobile Music Sales

This paper describes how the **phling!**® mobile MusicLoungeSM enhances a mobile operator's existing music content download service, and how, through support for music discovery and promotion, **phling!** can help increase the interest of subscribers in using the operator's download services.

The Popularity of Music on the Move

Seems like everywhere you look, you see teens and young adults listening to music on their MP3 players or texting, and listening to music on their mobile phones. With their highly mobile lifestyle, this generation of users is viewing the mobile phone as the focal point for personal communications and networking – ushering in the union of mobile phones, personal music, and social networking.

Before today's online social networking phenomena, hanging with friends around the stereo system, local music stores and music interest groups were traditionally the ways people discovered new music, listened to other people's music collections and networked with others.

Socialization and Communities Help Users Discover, Share, and Buy New Music

With the advent of social networking on the Web, music lovers have access to a wider community – they can connect with people from all over the world at any time of the day, meet others with similar tastes, find new music, discover and listen to artists and bands that everyone else is listening to, and even get music recommendations from others.

Adding mobile access to the social networking model adapts the music community to the mobile lifestyle, allowing community members to connect to each other, read and write song reviews, discover most played and rated music, and gain access to their or other users' music whenever and wherever they wish.

Mobile Operators Have Launched a Number of Music Services

The enormous potential of the mobile music market hasn't been lost on the music recording companies, mobile phone manufacturers or mobile operators. The world's largest independent record company, EMI, believes that the mobile phone will become the digital music player of choice for many music lovers, citing research that shows more than two-thirds of global consumers between the age of 18 and 29 are interested in buying and listening to music on their mobile phones.¹

Much More Needs to be Done

Oxy Systems' own primary market research of this demographic showed that 86% of respondents either agreed or strongly agreed that being able to use their mobile phones to listen to their own music was interesting to them. For that same reason mobile operators are trying to participate in this growing market by offering music download services. Nevertheless, according to a recent study by Entertainment Research, much more needs to be done to persuade consumers of the benefits of mobile downloading. There are indications that this niche market, in spite of its success attracting early adopters, has failed thus far to create mass interest.²

In the same Entertainment Research report, web-based community sites such as MySpace are described as truly affecting consumer taste and purchasing behavior as consumers find, share, and buy music they love. **phling!** offers mobile operators that same community aspect they can provide to their subscribers to discover music and trigger the impulse buy. In short, new technologies can fuel the growth in online music buying.

Facilitate Impulse Buying Behavior

Deploying mobile music-centric community services such as **phling!** complements a mobile operator's current marketing activities, helping users discover new music and enabling the impulse purchase. **phling!** also provides a truly new and innovative service which offers more than a simple mobile music experience. It enables fast, easy, and direct access to all music and podcasts on the user's PC, integrated for the first time with a mobile, music-centric socialization experience.

¹ Music Strikes Chord with Mobility, Wireless Week, December 1, 2005

² The 2006 digital music survey, Entertainment Media Research, September 4, 2006

Tapping into the Mobile Music Buyer Behavior

As we can see through the immense popularity of web-based music stores such as Apple's iTunes™ and the emergence of many operators addressing this space, this mobile music buyer market is about to explode and will become a vital distribution channel for the music industry.

The question is: what prompts the consumer to buy a specific song or ringtone for a mobile device, and how can this be improved upon? Other than that they are big fans of the artist and always buy their songs, mobile subscribers buy songs for the same reasons consumers used to buy CDs at the mall:

- They heard the song on the radio and just have to have it
- They listened to it at a friend's house while hanging out
- They heard about it from others in an online community
- They heard or read an independent review or received a recommendation
- They saw a promotion for an artist whose music is similar to what they like

The phling! Mobile Community Facilitates Music Discovery

Beyond understanding what drives mobile music buying behavior, the challenge for mobile operators is to enable the whole music content discovery process and to make the purchasing process as simple and easy as possible. This is where **phling!** comes in!

With **phling!** from Oxy Systems, mobile operators can rapidly deploy a mobile community service that enables subscribers to connect to the community, their friends, their music, podcasts, and pictures over the operator's data network.

phling! Integrates with Operators Download Services

By providing a **phling!**-based service, mobile subscribers now have the means to hear their personal music collection, browse and listen to other users' collections, and post or view recommendations on songs. This is precisely the kind of listening experience that not only matches the real-world social behavior, but also drives music buying behavior. It is by leveraging this community aspect of **phling!** and its integration to an operator's music content download service that operators can drive up content sales while simultaneously bringing about an innovative process for the discovery of new music.

Driving Music Sales with phling!

This ability to provide a unique remote music playing and sharing experience is a powerful competitive advantage of **phling!** which mobile operators can use to create a mobile, music-centric community service offering. The service is easily integrated with the operator's existing music service, and can supply knowledge of the subscriber's listening habits and music collection to encourage users to make that impulse purchase.

phling! Enables Highly Targeted Promotional Programs and Advertising Opportunities

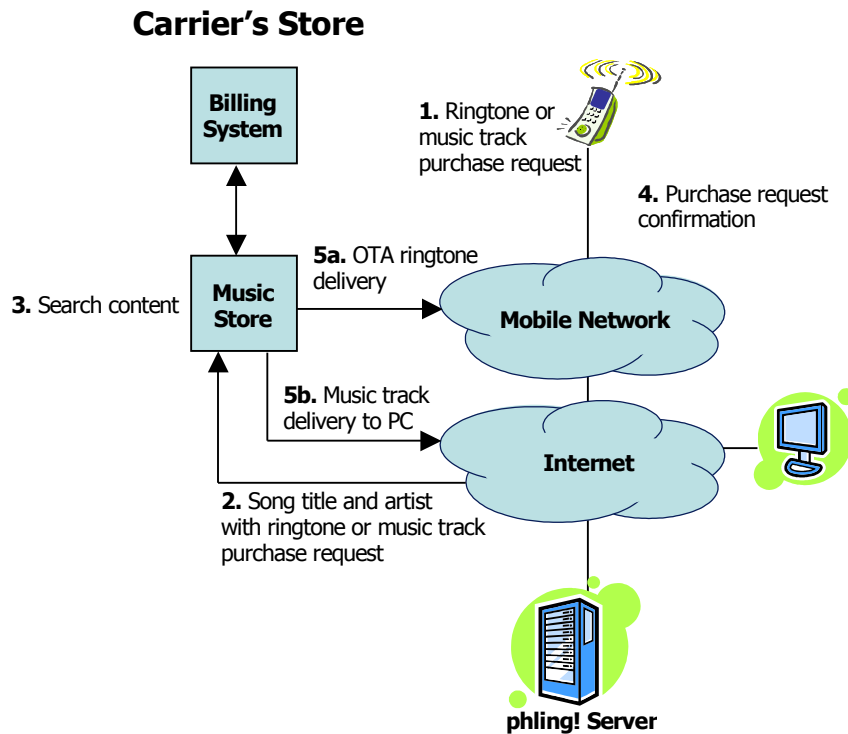
phling! provides statistics and information on the most played songs, the highest rated songs and the last played song which enable highly targeted and efficient marketing promotions. Additional revenue sources through news and music advertisements can also be envisioned.

A. Enabling Impulse Ringtone or Music Track Purchases

Much like the mall shopper who hears a song and decides to go to a record store to buy the CD on an impulse, a **phling!** user listening to one of the songs in his or her home collection can, with just a couple of clicks on the user interface (UI), buy a ringtone or a ringback tone, on the spur of the moment:

1. While listening to a song they own, subscribers click on the UI to send a ringtone purchase request to the mobile operator's music store. Alternatively, a user reads a review of a song submitted by another user, or listens to the music track itself, then sends a music track purchase request to the operator's music store.
2. The **phling!** service sends the song title and artist together with the ringtone or music track purchase request to the mobile operator's wireless store.
3. The music store searches its database for a match and prompts the subscriber to confirm the purchase.
4. The subscriber purchase confirmation is sent to the music store for fulfillment.

5. The store sends billing information to the subscriber's account as would normally occur with a subscriber purchase, and delivers the ringtone **or** music track:
 - a. The ringtone is sent Over-The-Air (OTA) to the subscriber's handset, **or**
 - b. The music track is delivered to the subscriber's PC using knowledge of the PC's address from the **phling!** service. The mobile operator only needs to deliver one version of the music track while the user can stream it to a handset anytime using **phling!**

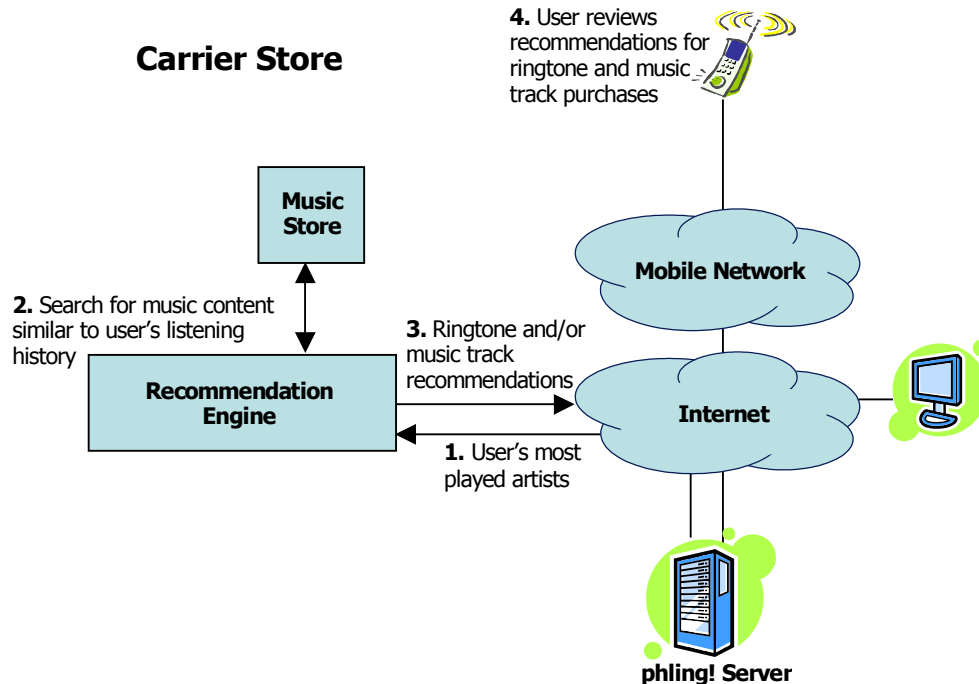


B. Advertising Recommendations to Spur Sales

With the News feature of **phling!**, based on a user's listening habits or music collection, mobile operators can deliver recommendations or promotions on ringtones, ringback tones, and full-length songs to the subscriber's handset.

When a user clicks on News in the **phling!** Community Info screen, personalized advertising promotions can be displayed. This is a very powerful advertising medium as it can be based on current listening habits rather than a simple buying history, tapping into the immediate music interests of the subscriber. Hence it is more likely to result in a purchase.

1. The **phling!** server tracks a user's listening habits and sends a "most played artists" summary profile to the operator's recommendation engine at the operator's music store.
2. The recommendation engine searches the music store database for music content similar to the user's listening history and prepares a list of artist and music recommendations for the subscriber. If the operator's music store does not include a recommendation engine, there are third party ones that **phling!** could use for this purpose.
3. The recommendation engine sends ringtone or music track recommendations to the subscriber's mobile handset transparently to the subscriber – the subscriber can see the recommendations when they click on *News* in the **phling!** Community Info screen. Thus advertising for music similar to what a subscriber is currently interested in is transparently delivered on demand without annoying the subscriber.
4. The subscriber clicks on News in their **phling!** Community Info screen to review recommendations on ringtones or music tracks. At this point, the subscriber can simply click the UI to send a purchase request to the music store. The purchasing process then follows Example A above.



Specific advertising campaigns as generated by the mobile operator's music store can also be easily delivered through the News feature of **phling!** This gives the operator a variety of ways to advertise particular promotions and subscriber specific content that are more likely to lead to the impulse buy, and hence result in an increase in ARPU from the service.

The above scenarios are not exhaustive, but highlight the power of **phling!** to draw on information about the user's listening habits, music collection and community ratings to drive impulse buying behavior. Because **phling!** has insight into the users' listening preferences, this market intelligence can also be the basis for additional revenue opportunities such as paid advertising. With **phling!**, operators have access to on-demand (click-to-buy) and push (advertising) models for increasing ARPU.

Summary

With **phling!** from Oxy Systems, mobile operators can create a music-centric mobile community that when integrated with the operator's existing music download service can:

- Facilitate music discovery
- Motivate subscribers' impulse buying
- Drive music content revenue
- Open up additional advertising revenue opportunities

This powerful combination of mobile access to personal music, music-centric mobile community, and integrated music download service enables mobile operators to deploy a new and innovative service offering that drives revenue, opens up additional revenue streams and meets the needs of a highly lucrative teen and young adult market segment.

130 Third Avenue
Waltham, MA 02451-7525
USA
+1-781-890-0040
+1-781-890-0075 fax

www.phling.com | www.oxsys.com
info@oxsys.com