When a new technology causes a change in consumer behavior, it is often referred to as disruptive. And while there is considerable debate around the actual meaning of disruptive technologies, one cannot escape the undeniable fact that with the creation and commercial adoption of the internet and mobile phones, communication between people has been dramatically altered. As continual advances in cellular technologies, data services and mobile phones arise, the potential for yet another disruption is imminent. This time the impact from such technologies such as WiFi and portable entertainment devices will extend far beyond peer to peer communications. Consumers will fundamentally change the way they interact in larger group settings, publish and consume digital content and stay connected to their social networks. Hence, the beginning of what could be called “Impulse Entertainment.”

Impulse Entertainment will be driven by a new breed of consumer who expects entertainment, content, information and communication – anytime, anywhere, anyplace. These users will require an integrated approach to how they consume services, thereby creating a need for a different kind of focus on mobile entertainment at large media and telecom companies.

We are already seeing progress in the industry. Mobile entertainment has transformed from a motley assortment of company side-projects into a substantial and credible marketplace. Ringtones sowed the seeds for a closer look at entertainment consumption on mobile phones proving that entertainment as personalization was a winning strategy for near term revenue. The success of the ringtone market has inevitably led to questions about what further business models could exist for the ongoing consumption of multimedia content. While a significant amount of revenue is being generated from the sale of personalization content, large media and entertainment companies are taking notice of the potential for a new, broader digital mobile ecosystem. Early examples at Sony include the quick adoption of movies on UMD that play on the PlayStation Portable (PSP) and the sale of Sony Pictures movies on memory cards that work with mobile phones.

In today’s environment, users will add to, or eventually replace, current consumption models with mobile services and portable devices. As the digital economy merges with the mobile market, companies such as Sony are increasingly motivated to make large investments that go beyond current licensing deals, product offerings and device sales. Sony sees the big picture – the power of a converged mobile and internet industry meeting the needs of an increasingly transient and demanding consumer base that desires constant interaction, not mere fashion statements. Sony believes that mobile “impulse entertainment” will grant users instant gratification, providing the ability to access relevant digital content and services through their mobile devices the minute they desire it.

This evolution in the market leads to several questions. Will consumers adopt mobile as a new means of fulfilling their entertainment needs? Will consumers engage traditional content such as short and long form video or full track music on...
mobile? Will consumers embrace mobile devices to the point that they become credible alternatives to traditional entertainment devices? Finally, will companies and industry players work out their differences (in economic models, digital rights concerns, etc…) so that the supply of mobile content and services can focus on a better consumer experience? Sony is working aggressively with the industry as we chart the answers to these questions.

Mobile impulse entertainment depends on the correct integration between content, services and devices. While the industry has been making individual advances in all three fronts for many years, each of these critical components has evolved in slightly diverging ways. Instead of harmonizing the three, often one is used as a prominent feature to advance differentiation, a new business model, or a new mobile feature. The better solution for mass market adoption is to present consumers with an integrated offering across device, content, software and service to make the experience deep and easy. Once these solutions begin to reach the marketplace, complementary entertainment platforms focused on digital connectivity, content delivery and service will further converge in a manner that allows digital consumers to interact in new and unique ways.

On the content front, mobile impulse entertainment will involve the development of both original and derivative programming. We are already witnessing an evolution in mobile content from early, more limited file formats to richer more traditional types experienced in the home and on PCs. In music, we have witnessed the transition from polyphonic ringtones and mastertones to the delivery of full-track songs and albums. Mobile games began as simple representations of casual and arcade games. Today, these applications endeavor to match their console counterparts in graphics, function and interactivity. Video content has also improved from a mere slide show to streaming on demand access and broadcast capabilities. As far as content is concerned, mobile devices are becoming capable terminals for the use of such content just like a PC, game console or even television. Sony recognizes this potential and is actively researching and testing new mobile content consumption models, use patterns, pricing, and programming needs. Additionally, Sony is working to balance the needs of stakeholders by advancing interoperable standards for the distribution of content while providing an easy-to-use consumer experience.

As for services, mobile impulse entertainment will advance to a level that creates opportunities ranging from social networking and sharing capabilities, to new content discovery and delivery methods, and even better commerce exchange between people. These services will also support integration back to complementary platforms including cable, broadband and stand alone device use. Marketing promotions and brand advertising have increased awareness of these services and are leading to greater adoption among broader demographic audiences. Now is the time to merge these services and create natural linkages between their individual purposes. Consumers need easier ways to discover these offerings and have a contextual reference for their use. Sony is already on a path to link traditional consumer services (e.g. solutions focused on digital music and video content) to mobile devices. The winning solution will ultimately be to provide an easy-to-navigate environment for any consumer to move seamlessly across Sony and other third party mobile offerings.

Devices are undoubtedly a critical part of this successful triinity. Without an easy-to-use form factor, the mass market will not consider mobile as a legitimate alternative for consuming entertainment. A new breed of devices is required to support an integrated impulse experience – one that can focus on music, video or games, but that will integrate community, commerce and communication seamlessly. Many manufacturers, network operators and large brands are in search of this breakthrough device with a few examples showing early promise. Victory will go to the company capable of identifying and embracing current and emerging consumer behaviors and developing a device that empowers them to replicate those behaviors on the go. Sony will continue working to deliver breakthrough devices that build upon the success of the PSP and the Sony Ericsson Walkman Phones as well as the software solutions that enable the transfer of content to those devices like the PSP Media Manager and Disc2Phone.

Within our $4.6B research and development budget, Sony is investing heavily in various device, content and service offerings. We believe that the mobile digital economy is upon us. The transformation from a simple mobile content environment fed by personalization and taste will give way to interactivity, personal consumption and social networking. The challenge will be to deliver a complete end-to-end, out-of-the-box solution for the mobile conscious consumer. That path will lead inevitably to creating a mass market offering for everyone. The good news is that many companies and industries recognize the potential, and in particular, here at Sony, we are up to the task.