Will Streaming Catch On?

Mo Marshall & Galen Gruman

AT ISSUE: A raft of companies have recently announced technologies to enable streaming media over wireless networks to mobile devices. And the best known of these firms, PacketVideo, recently got a $100 million funding round – an unprecedented figure for wireless firms, especially in the current down market. But does streaming media make technological and business sense on wireless?

Galen says:

No way. Wireless video, streaming, multimedia – call it what you will – is simply an age-old tech-industry obsession being trotted out yet again. For some reason, tech firms want to convert computers and other devices into TVs.

So in the early 1990s, "multimedia" was going to revolutionize computing, since everyone would soon have a CD to get video clips from. Didn't happen. Then the Internet was going to be a million-channel device so people could watch news clips, sports clips, conference clips, ads, movie trailers, you name it. Didn't happen, even when DSL and cable modems later hit the scene – grainy, choppy, tiny images just don't cut it. Neither did the video postcards that mom and grandma were supposed to trade over email. Most new computers come with DVD drives, but how many are used to watch movies? Not many. Yes, you can get instructional video with tax software and the like, but how much of that really is useful? Almost none.

If the video mania succeeds, we'll simply get overpriced, overpowered, battery-draining devices running on networks whose precious bandwidth is wasted. But I'm not worried about that. After all; there's no way to make large sums of money with video and most streaming media, so the investment money will dry up soon enough, and those trying to convert cell phones to mini TVs will go the way of the Pets.com or struggle like an On24. Think about it: On24 has a plausible business model delivering video of simple events such as press conferences and company announcements to people at their office computers, but even then the revenues for such a service have turned out to be low compared to the costs. Now think of mobile, with its greater limitations, and ask yourself a mobile On24 could make economic sense. It can't, and neither can other video-based services.

WES BEDROSIAN

Mo says:

Streaming multimedia certainly has a future – and a bright one at that. In fact, the major wireless media-streaming vendors, PacketVideo and Blazen, are already running numerous trials in Asia, Europe, and the U.S. Blazen's working with several consumer-oriented companies looking at delivering streaming video clips and movie trailers, and PacketVideo says it has several businesses using its technology for security and remote-presence applications as well as traffic monitoring.

Yes, streaming video hasn't been a huge hit on the Internet; but that's because it's a fixed environment – it competes directly with a more compelling video source: the TV. Mobile streaming provides something the fixed Internet can't: "situational information." A trucker can call up live video to assess traffic situtions; field forces can dial in to instructional videos to help with service calls; agriculturalists can call up weather maps from the field. These and many other streaming services could certainly be profit generators.

And then there's the consumer market. Remember, this isn't the Internet, where users either access streaming media for free or go through an intrusive credit card payment process. Wireless operators have the ideal billing systems in place to accommodate a variety of fee-for-service options, including pay-per-view, additional monthly fees, and higher-priced connectivity. Even barring additional fees, wirelessly delivered streaming media will, at the very least, drive up airtime usage, giving operators a clear incentive to support and promote such service.

On the technology front, I think we can certainly evolve to a workable model. The cost of handsets that support streaming media will initially be high, but prices will drop over time as demand for services grow. Because the network operators stand to gain much from the proliferation of these services, we may see some aggressive device+service packages emerge. And chip makers such as Texas Instruments (with its OMAP chip) are making significant progress on overcoming battery constraints.

Certainly, I don't expect wireless streaming media to find significant uptake in the immediate future. But I imagine we'll see enterprise and consumer use emerge almost in parallel in the 2003 timeframe, with larger demand coming in the wake of third-generation (3G) rollouts.

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