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Media, cell phone companies exploring ways to lower data costs



GREG WOOD/AFP/Getty Images

The new Samsung Galaxy S4 smartphone.

By David Gura

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You've been there, right? Streaming music or video on your smartphone when you realize that is using up a lot of data and your phone bill is going to be huge.

Except for those lucky souls who have been grandfathered in, unlimited data plans are a thing of the past. Which is, it turns out, a big concern for content providers -- the companies that make whatever you are watching or listening to. So, they're thinking about helping consumers cut their data costs.

The entertainment ecosystem is crowded and competitive, and David Finke, who heads the digital transformation practice at Russell Reynolds Associates, says smartphones are a big part of that.

“Everyone is looking to increase revenue and profitability, and everybody is looking for a way to leverage other parts of the ecosystem in order to do that.”

This week, Daniel Mead, the CEO of Verizon Wireless, said the company is looking at a new business model. Advertisers and content providers would subsidize consumers by paying for part of their data plan.

That’d be good news for media companies. They’d get viewers.

“The reason you want to deliver your content is so you can get valuable advertising dollars,” Finke says.

It’d be good news for consumers. They’d save money. And it’d be good news for wireless companies. They’d continue making money off all that data.

Rob Frieden, a professor of telecommunications and law at Penn State, says watching shows on smartphones gets us one step closer to “the end of appointment television as we know it.”

According to Frieden, no one wants to set a clock anymore, to watch one show on one channel on one platform.

“People are expecting anytime, anywhere, over any device access to content,” he says.

More Americans are spending more time watching video on smartphones -- on average, about five and a half hours a month.

If data plans are subsidized, chances are there would be more demand.

Weston Henderek, with telecom and software research firm Current Analysis, says wireless companies have to be cautious. A surge in demand could clog their networks.

“As much as carriers like the additional data revenue, they have to be very careful in terms of their network planning and how quickly they can add additional capacity.”

They’ll have to move fast. According to Cisco, by 2017, two-thirds of the world’s mobile data traffic will be video.

About the author

David Gura is a reporter for Marketplace, based in the Washington, D.C. bureau.
