The media mogul titans convening at last week's Allen & Co. Sun Valley conference were awash in rumor and discussion on the explosive growth of mobile media. As I suggested to Alexei Oreskovic of Reuters, adapting to the mobile tidal wave rather than being crushed by it, has become an overriding priority in the media world. (See below for Alexei's full article.)

Unfortunately, the incumbents from the analog media world will probably not be the players that capture the high ground in this emerging market. I can only imagine Rupert Murdoch asking his colleagues at this conference to help explain what happened to MySpace after his purchase of that social media site. From leading the pack in social media, MySpace has been crushed by some youngsters at Facebook in Palo Alto in just a matter of months.

Welcome to the digital world, Mr. Murdoch. And by the way, if you think MySpace was a shock, just wait for the digital forces to fully hit The Wall Street Journal. In mobile media, and in fact all media, the analog world is going to be trumped by the new digital media platforms and the incumbents are all at risk.

As always, I welcome your comments.

Pete

Media money moving into mobile

Wednesday July 15, 2009 05:00:16 PM GMT

REUTERS News

* Mobile media M&A up 46 pct in first half 2009

* Media companies, carriers and hardware makers seek deals

* Revenue models unclear but consumers are willing to pay

(Corrects name of executive in last paragraph)

By Alexei Oreskovic

SUN VALLEY, Idaho, July 9 (Reuters) - The traditional media industry may be under fire as the weak economy crushes advertising spending, but companies and investors are scrambling to stake out territory in the new world of mobile content.

Media conglomerates, hardware makers and telecommunications carriers are all eyeing the nascent wireless media market, spurred by smartphones like Apple Inc's iPhone and Research In Motion Co Ltd's BlackBerry.

Highflying start-ups with strong mobile credentials, such as microblogging site Twitter, have increasingly become the subject of acquisition rumors even as their unproven business models mean a deal is unlikely at this week's Sun Valley media and technology conference organized by Allen & Co.

Bob Davis, partner and digital media specialist at venture capital firm Highland Capital Partners, said traditional media companies such as television networks will end up having to buy start-ups to gain the mobile expertise they need.

"I don't think they have the DNA to develop leading-edge applications in technology. They'll watch the market mature and buy into the winners," Davis said, adding that deals will take time in this economy and credit market.

There are signs that mobile deals are gaining steam. Mergers and acquisitions involving mobile media and technology jumped 46 percent in the first half of 2009 from a year ago, for a total of 16 deals, according to Jordan Edmiston Group. In contrast, M&A in the broader media, information, marketing and related technologies sector fell 30 percent.

Amazon.com Inc and IAC/InterActiveCorp, for example, both acquired companies developing iPhone applications this spring, and in June, Amazon bought mobile advertising service SnapTell.

Silicon Valley venture capital firm Kleiner Perkins Caufield & Buyers also announced in March a $100 million fund focused on start-up companies developing apps for the iPhone.

"The one that's probably positioned the best on this is Google," said Roger Entner, senior vice president for telecom research at The Nielsen Co.

Because of Google Inc's proven ability to make money through advertising on the desktop Internet, Entner sees a good chance it will become the winning brand in mobile.

CONSUMERS MORE WILLING TO PAY

Telecommunications carriers also see a chance to play a bigger role. AT&T Inc's 2008 acquisition of Wi-Fi service provider Wayport is an example of a carrier trying to control the gateway to mobile content.

"In the wired Internet, the carrier was a dumb pipe," said Robert Jackman, who co-heads the technology, media and telecommunications group at investment bank Jefferies.

"In mobile Internet, carriers will play a bigger role," he said. "If you can't control end-to-end through to the billing relationship, you can't control the end-customer."

It's still unclear whether the biggest revenue opportunity in mobile will involve cellphone-friendly versions of websites and ads, repurposed television programs or if it will revolve around the specialized applications popularized by the iPhone.

And some mobile forays have been less than successful, like the money-losing Sony Ericsson. But in a sign of its strategic importance, Sony Corp CEO Howard Stringer said he is committed to the handset venture with Ericsson.

"We want to make this partnership work," Stringer said at Sun Valley.

Unlike the existing PC-based Internet market, where consumers have grown accustomed to getting content for free, the rules of the game in mobile are still being written.

The market for iPhone paid apps and sales of digital books on Amazon's Kindle e-book reader suggest that consumers may be more willing to open their wallets in the mobile world. "They're paying for things we never thought they would pay for even two years ago," said IDC wireless analyst Scott Ellison.

Apple's "in app purchase" feature, which allows content providers to sell services beyond the initial download of an app, holds the promise of more monetization.

According to Juniper Research, direct and indirect revenue from mobile apps is expected to exceed $25 billion by 2014, compared to $7 billion in 2008.

Adapting to the mobile wave, rather than getting crushed by it, is an increasing priority for media companies. But, as with the broader changes affecting traditional media in the Internet age, the path remains murky.

"They know it's coming," said Peter Sealey, CEO of The Sausalito Group, a business and marketing strategy firm. "The analog world is trying to figure out a business model that makes sense to them and that the consumer will buy into."

(Reporting by Alexei Oreskovic; Additional reporting by Gina Keating in Los Angeles and Sinead Carew in New York; Editing by Tiffany Wu and Richard Chang)