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Media will be forced to play by the internet's rules

By Richard Waters

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For media companies, when and how to tap into the new mobile and social platforms on the web is as much a question of timing and technological tactics as of business strategy. But make no mistake: as the platforms quickly evolve, most companies have little choice but to engage with them – and pay whatever toll is required.

There have been two reminders in recent days of the growing power of these platforms, from [Apple](#) and Facebook.

EDITOR'S CHOICE

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The first was the news that more than 200m people have now registered their credit card details with [Apple's iTunes](#). Steve Jobs never misses a chance to put one over on the competition, and this was no exception.

Announcing the figure at last week's [unveiling of the iPad 2](#), Mr Jobs claimed that Apple now has more credit card-backed accounts than any other company on the internet, putting it ahead of [Amazon](#), although the e-retailer does not disclose figures.

Many of those accounts have only been used to buy songs on iTunes, but they represent a powerful asset as Apple's online stores proliferate. It is far less of a hurdle to get potential customers to buy with a single click – particularly when they are doing it in an online environment where they are used to making purchases – than to get them to pull out their credit cards and open a new account.

[Apple may take a 30 per cent cut](#), but that does not seem unreasonable, particularly since many media companies are still struggling to persuade their users to part with any money at all (although the risk of being robbed of a direct relationship with paying subscribers has made magazines and newspapers – including this one – bristle).

On the small screens of smartphones, at least, the battle between app stores and the wide open web looks to be over. Consumers have voted with their thumbs: the easiest way to find and access a service is through an app, not surf to a web page. It is yet unclear whether the same behaviour will predominate on the larger screens of tablet computers.

It's not surprising that many media companies wish things were different. Apps are expensive to create, they need to be written afresh for each platform and volumes are still often too low to justify the effort. With users who navigate direct through a browser, there is also no middleman to deal with.

That is why some media companies hold out big hopes for HTML5, the family of web standards that make websites far more responsive and closer to the experience of full "native" apps. Smartphone browsers already support many of these standards.

Yet, leaving aside technical considerations, such hopes overlook one important issue: distribution. Finding a web page through a browser, then creating a shortcut and dragging it as an icon on to the home screen of a phone, is a more cumbersome process than clicking in an app store – particularly if it also involves setting up a new account.

All other things being equal, most users would prefer to shop in an app store. That is precisely why Apple wants to prevent media companies from charging more for the same content or services in its store than they do on their own websites: when it comes to competing on user experiences, it knows it will win every time. The antitrust interest this has sparked will be an early test of Apple's influence over the tablet market.



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The second reminder of how the new mobile and social platforms are progressing was this week's experiment by Warner Bros to [rent out movies on Facebook](#). Paying \$3 to view a full-length film within the confines of a Facebook page may not seem like everyone's idea of a fun night. But there is one overriding rationale to bringing the movie to the social network: that's where the people are. *The Dark Knight*, the first film Warner has made available this way, has 2m Facebook fans. Since all these people have felt a need to declare their fondness for the movie in public, the most hard-core among them may want to watch it within a social context, where friends can see their viewing habits.

Like Apple, Facebook also has a potentially powerful weapon up its sleeve in the form of a payments system. The only way to rent *The Dark Knight* is with Facebook credits, an in-network currency that has been used up to now mainly in games (and for the use of which Facebook takes a 30 per cent cut.) In January, the payment system was opened so that developers could build it into their apps.

These are very early days and it is unclear how widely Facebook's currency will take hold. But, like Apple, this is one more way to extend its control of its users' online identity, and one more reason media companies will be forced to play by its rules.

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