

Do the numbers add up?

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When I read the monthly phone subscriber numbers published by the Telecom Regulatory Authority of India, it sometimes feels like tracking the relentless upward trend of the Dow Jones Index or the Sensex during an uninterrupted bull run. Every month you get to read how the Indian mobile market is busting the charts and is going through the roof. At the moment there are 217 million mobile users in India and by May 2008, that number will be 250 million, says Sridhar Pai of Tonse Telecom, a telecom research firm in Bangalore.

Clearly, today's mobile phone is not your plain old phone that generated a single stream of revenue. Today, mobile phones generate multiple sources of revenue from both data and voice. In India the mobile phone is your camera, your music player, your mobile wallet and your Internet access point, and of course, your primary communication device.

The mobile value added services (VAS) market in India has grown in a significant way. Once again the numbers speak for themselves. Pai believes that for 2007 the Indian VAS market is about \$900-950 million, out of which about 35% (\$300-325 million) comes from music. Operators and companies are looking at new VAS services like Kirusa's voice-based SMS, JiGrahak's mobile payment or TeliBrahma's location-based service (LBS) Genie. All these companies rolled out their services earlier this year and are expecting to see a significant growth in the next 12-18 months.

"In 2007, the mobile landscape in India has matured and it has become clearer with ARPUs (average revenue per subscriber) dropping as volumes increase. Most of the subscribers added are from the bottom of the pyramid with low usage, resulting in reduced ARPU. Operators are focused on acquiring customers. The fall in ARPU will continue unless operators look at alternative revenue streams like VAS," points out Inderpal Singh Mumick, CEO of Kirusa.

The path towards success for new VAS companies is not without hiccups. Pai says mcommerce trials will continue, but will be looked at with the classic 'desi eye of disbelief'. Pai has a point that there may be a bit of skepticism about using your mobile phone for e-commerce transactions, but that has not deterred venture capitalists from investing in companies like JiGrahak. Ashish Gupta, managing director of Helion Venture Partners, an investor in JiGrahak, says, "I am personally very excited about the possibility of completing transactions on a mobile phone — for example, buying a train ticket, a cinema hall ticket, a ticket from MakeMyTrip, pay one's utility bills, recharge the phone, check the bank balance, etc. The ability to "transact" delivers for a large number of people what the internet has delivered to a select few."

What about LBS, the new buzz word to hit the Indian mobile VAS landscape? Pai thinks that LBS will be in trails and the eco-system will get broader and deeper. Pai's observations are in line with what Bangalore-based TeliBrahma has been doing. It has deployed and tested its mobile deal search engine 'Genie' in Bangalore and a Bluetooth-based mobile advertising platform for retailers at premier shopping malls and shopping streets in India.

"Mobile services have moved beyond the voice/music downloads, the next big wave which we foresee by end of next year is retailers using the mobile as a platform to create disruptive modules for adding value to consumers and operations," says Narasimha Suresh, CEO of TeliBrahma. Suresh reels off numbers to support his observation and says that organised retail is growing by 25-30% each year while the number of malls has increased from 95 in 2005 to 230 in 2007. With this scenario we need to wake up to that reality called mobile advertising, one of the hot trends fuelling retail growth in the country.

While voice-based SMS, mcommerce and mobile advertising are likely to rake in money, it seems that music VAS will

continue to be a strong revenue generator for companies and operators. But, that is not deterring entrepreneurs from creating new and innovative user-friendly VAS solutions for mobile users. Where are these new, innovative mobile companies located? It seems like Bangalore is the hub for many mobile startups in India and every week there is a new mobile VAS company that quietly makes its appearance in stealth mode.

But, why is Bangalore the hub for mobile startups? According to Pai, Bangalore has always been a great mix of contemporary and tradition, IQ and chic. That is what you need for innovation. Mobile is about innovation. And that innovation mantra seems to have created a testbed for mobile startups in India. Is it any surprise then that this weekend the Mobile Monday Bangalore chapter has a mobile demo organised where mobile companies will unveil their products and services for maybe the first time?

These mobile startup folks are also keeping track of the bull run of the mobile market and want to tap into it. You cannot ignore the fact that almost 20% of the Indian population has access to a mobile device and the aspiration and need to be connected and stay connected is going to drive the revenue in the mobile VAS market.

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