

VAS

Analysts and operators talk about the current revenue trends and future opportunities

What is the total market size of the Indian VAS industry? What kinds of growth opportunities are there for the operators and VAS players? The market size of Indian VAS industry (excluding peer-to-peer messaging) is approximately \$ 1 billion out of which about 50 pc is contributed by premium content, says Santhosh Kr Sinha, Industry Analyst, ICT Practice, Frost & Sullivan, South Asia and Middle East. Entertainment, mainly music and ring back tone, will continue to be the major contributor. Text based services are the largest contributor of the revenue with P2P and B2C SMS contributing over 70 pc of data revenues and the rest is contributed by premium content. Entertainment services, which includes Ring Back Tone and Music contributes approximately 65 pc of premium content while information services contributes about 20 pc.

Opportunity, Mr Sinha says lies in the area of information content including m-Commerce/m-Payment. Planned rollout of high speed network, availability of functionality rich handset at affordable prices, operator's increased focus on VAS to increase ARPU are some of the factors which will contribute to the growth of this industry, Mr Sinha feels.

According to him OnMobile is

the largest player in market with approximately 30 pc of market share. One97, Cellebrum and Comviva are other major players in market with over 10 pc market share. The rest of the market is highly fragmented with each player having less than 5 pc market shares. As far as the future



Santhosh Kr Sinha
Industry Analyst, ICT Practice
South Asia and Middle East
Frost & Sullivan

projections are concerned, the data revenue is expected to grow to 17 pc of overall mobile services revenue by 2012. Contribution of premium content is estimated to grow at a CAGR of 25 pc during this period and would contribute approximately \$ 2 billion of revenue by the end of 2012.

Another forecast by analyst firm KPMG Advisory Services Pvt Ltd pegs revenues from VAS

services at Rs 5,500 crore. Says Philip Jose, Manager, Business Performance Services, on an average, VAS constitutes 7-9 pc of operator revenues in India, significantly less than international operators, while it is 20-25 pc in the international context. SMS constitutes 45 pc of total VAS revenues, and is growing at 30 pc per annum. Mr Jose is of the opinion that there is a potential for VAS revenues to grow to 13,000 crore in five years time, linked to popularity of new services such as EDGE and 3G. The growth opportunities for VAS players and operators are as follows:

- ☆ Caller ring back tones (CRBT) also known as caller tunes constitute 30 pc of VAS revenues in the country
- ☆ Bulk SMS and competition SMS constitutes 15 pc of VAS revenues, and is the second largest contributor to VAS revenues
- ☆ Other opportunities for VAS operators are music downloads and cricket-themed VAS content
- ☆ Data services such as email and internet browsing are gaining popularity, with higher penetration of GPRS enabled phones, and lower costs of GPRS access.

Apart from analysts, VAS operators also debate the trends and growth opportunities in this feature.



Dr Debasis Chatterji
CEO

Voice VAS is going to be the biggest

NetXcell Ltd uses SMS, IVR, WAP and GPS to provide attractive services on mobile like news, business news, stock updates, horoscopes, movie reviews, jokes and downloading of ringtones, picture messages, operator logos, etc. NetXcell was the first to introduce 'Cricket on Mobile', 'Advertising on Mobile' and 'Exam Results on Mobile' in India and these services are the most popular VAS. After analyzing the Indian mobile industry, NetXcell has identified around 100 SMS informational and entertainment services.

Latest trends

Video Streaming, Mobile Advertising, Cell Broadcasting are

some of the latest in the offerings which have been deployed in the international markets. Once 3G is launched in India, we will see a lot of bandwidth intensive services like video streaming. VAS revenues are expected to increase with the launch of these services as the market will initially react to these services and might be stagnant after a few years ahead.

We have existing relationships with all telecom players and we are in the process of signing deals with the new telecom players who have been offered licenses. Our new products AD axis, Streaming Video Server, ICM and M-infinity are our next gen platforms addressing the growth areas. Mobile advertisement is a huge growth area and with 3G on the anvil, our video streaming server can serve the service providers and media companies.

Competition

VAS market in India is crowded with lot of players claiming to be offering similar services. In the mature markets, companies concentrate on developing products and services themselves rather than trying to just do a commissioning job. We are respected in the industry both within India and abroad for the technological advantage we carry as all the products are self developed.

Rural traction

The rural market is typically low cost high spread market. At present

about 98 pc of new customer acquisition is happening in rural and semi urban sector where voice VAS is going to play a major role as people may not be English friendly. Typically, some kinds of voice infotainment services are in good demand.

Multi lingual functionality

MobiSmart is the first hosted voice exchange in India that enables you to communicate to any number of people regardless of location, language or mobile device. MobiSmart works as an automated voice dialer with voice and language of your choice.

MobiSmart platform has been used by several media companies + FMCG + infrastructure companies for reaching out to customers, employees, etc., in regional or local languages. These services are apart from regular operator offerings that we have like In/Out Bound Voice Portals + IVR + Mobile Radio platforms that we operate in India and Abroad.

Voice based services are going to be the biggest in VAS. With 10 million new subscribers being added every month primarily from the rural areas of India, Voice VAS is going to be the most preferred for customers. With India having around 28 languages and several dialects, voice as a form will be accepted by most of them. Even today, many FMCG companies have started reaching to their customers through voice as a medium.

Mobile financial services' demand is significant

Bharti Telesoft is the leading provider of integrated VAS solutions for mobile operators in emerging markets and its solutions touch the lives of over 500 million people in the rapidly growing markets of Africa, Middle East and Saarc regions.

Projections

A report by PwC shows that

mobile VAS in India accounts for 10 pc of the operator's revenue and is expected to reach 18 pc by 2010. Currently the VAS industry is growing at an exciting pace and India is among the top 3 countries for the mobile and Internet VAS industry. Industry estimates (IAMAI) put the size of the Indian VAS market at close to \$3.5 billion by the close of 2009.

Products

The portfolio covers mobile

music and content solutions, mCommerce, messaging, mobile Internet, roaming and calls management services. Underlying these are business support solutions that expand mobile service access via prepaid e-recharge solutions and lifecycle management and loyalty systems. Bharti Telesoft exploits its extensive experience in the VAS space to deliver managed services and hosted solutions that provide end-to-end management of service

2 Bharti Telesoft



Manoranjan Mohapatra
CEO

delivery to operators.

Overall, we see operators focusing on further streamlining their operations to gain greater efficiencies in terms of speed to market and cost of services delivery - and to this end we introduced our Managed Services and Hubbing solutions during the past year. These offerings have gained overwhelming acceptance from the market, with the Hubs solutions winning the Golden Peacock for Innovation in January 2009 and Managed Services now operational for a new operator that recently launched in South Asia.

In addition, we are introducing solutions that will radically reshape the operator network, as with our recently launched AVAN solution, which reduces network capacity utilization by up to 50 pc. Areas for focus include mobile marketing and advertising. We foresee further growth for mobile money solutions in emerging markets, with mobile users increasingly seeing their mobile phones as a 'one stop shop' solution providing access to information, entertainment and payment gateways.

Bharti Telesoft aims to be number one in its chosen markets of Africa, Middle East and Saarc. Having successfully deployed its mobiquity™ mCommerce solutions in markets across Africa and Asia, Bharti Telesoft is now

focusing strongly on delivering mCommerce solutions for the rapidly growing markets, as demand for transformational mobile financial services is significant.

Trends

Earlier VAS was restricted to only SMS but now it has diversified into various fields like audio, video, text, images and applications. Now the concept of VAS mainly revolves round music, video and text. In future, the VAS market will relate to a multitude of different offerings that enable interactivity (such as SMS, instant messaging, and chat solutions), commerce (payments, transfers, mobile money), and content (music, information, entertainment) - and underlying this will be solutions that extend the use of mobile services, such as our Virtual Phone solution and PreTUPS™ prepaid e-top-up solution, and lifecycle management solutions.

But the challenge is how do you educate the end user in how these are accessed and the benefits that these services deliver? By using our menu-driven solutions, users simply dial a string to enable navigation to content and services. Browser-based access is via USSD technology - which is available on all GSM networks. Operators will also begin experimenting with mobile marketing and mobile advertising.

As the penetration of MVAS grows in rural India, the necessity and importance of "Interactive Voice Recognition" (IVR) systems will increase. Rural users will be more comfortable with an interactive voice platform in the local language as opposed to punching numbers to exercise their options. To this end, we introduced our AVAN solution that offers a cost effective way to deploy multiple voice based applications whilst drastically reducing the operator network resource required to provide these services.

MVAS has emerged as a great opportunity to rescue the industry from the declining ARPU.

However, stakeholders across the value chain will have to work collaboratively to overcome barriers and create a business ecosystem that generates fair rewards for all the players.

The Indian Market

The flourishing prospects of the mobile VAS segment in India have led to growth in the number of VAS players in this space. Bharti Telesoft's solutions reach one in three mobile phone users in the emerging markets of Asia, Africa and the Middle East.

With the coming up of 3G, video calls and messaging are likely to have a good demand in the Indian market. We will also see music videos and music ring back tones gaining a significant following as well as video sport clips attracting a wide audience of cricket fans.

Mobile VAS in India can be broadly categorized into the following heads depending upon the significance in the contribution to the overall MVAS market enclosed with VAS Revenue contribution in June 2008: P2P SMS (37 pc), Ringtones/CRBT (40 pc), Games (5 pc), P2A & A2P or Person to application & application to person SMS (16 pc), and others (2 pc).

In rural India with the coming of 3G, telemedicine, virtual marketplace and e-learning will get an impetus. Fixed Mobile Convergence will become more relevant in a 3G world, representing a major opportunity for mobile operators to provide services in the home and office.

Global content

According to a new study from Juniper Research, the global mobile content market will be worth \$ 167 billion by 2013. Just as there is huge interest in Indian culture overseas, so there is a growing 'crossover' of demand for international content in India. Such mobile cultural exchanges are facilitated by mobile VAS and will grow more sophisticated as 3G networks are rolled out.

