Mobile Value Added Services 2012
India
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The Indian MVAS Market size is INR 26,000 Crore and is estimated to touch INR 33,280 Crore by 2013. The MVAS Market has seen a growth of 32% over 2011. It is estimated to see a growth of 28% in the next year.

Even though the ARPU has declined over the years, the per user spent on MVAS has gone up by 28% in the last one year. It is now 27% of the ARPU. The dependency on Voice services is reducing and to increase the ARPU, the emphasis must be put on Data services such as MVAS.

The MVAS Market can be divided into two major categories: Current MVAS (63%) and Emerging MVAS (37%)
- The Current MVAS consists mainly of CRBT (27%) and SMS Based application (17%)
- The Emerging MVAS consist mostly of Mobile Apps (10%) and Games (8%). These have enhanced content and require higher data usage.

As of March 2012, there were 48 Mn Mobile Internet users in India. It has been growing at the rate of 17%. Affordable mobile devices and cheaper data subscription rates are the main drivers for this rapid growth.
Methodology

The research team at eTechnology Group with IMRB International conducted the research in 2 steps, Primary and Secondary Research.

Depth interviews were conducted with stakeholders of Mobile VAS industry. These included telecom operators, technology enablers, content owners, aggregators as well as content providers. Secondary research was simultaneously conducted for in-depth understanding of the market. Various sources used during secondary research include annual reports of telecom operators, websites of bodies such as TRAI, DoT (Department of Telecom), and press releases, business news, articles and interviews of various stakeholders published in media.

The Indian MVAS Industry

Uptake in MVAS Spends:
Currently, the Indian mobile telecom market comprises of 96% of Pre-Paid consumers. As large as 80% of their monthly mobile expenditure is spent on voice services. Of the rest, majority goes for SMS and CRBT related MVAS services. Thus, the user is left with very little amount to spend on other MVAS application. Hence, the need to raise the awareness and make the MVAS affordable for the common mobile user to increase adoption is all the more imperative.

The per user spent of MVAS has increased by 28% over last year even though the ARPU has shown a decline over the years. Currently it stands at INR 24 per month per user. The percentage share of per user spend on MVAS in ARPU has been increasing gradually.

1 ‘The Indian Telecom Services Performance Indicators’, TRAI, 13/04/2012
We can say that ARPU is directly proportional to the expenditure on Voice services (which includes calls, sms etc.) and Data services (mainly MVAS). Thus, the increasing share of MVAS spent per user in ARPU means that the dependency on Voice services is reducing. The ARPU has been declining over the year, primarily because of the decreasing voice rates. In December 2011, the ARPU was INR 96 for GSM services and 73 for CDMA services. Although it has shown some signs of growth, it has not been able to achieve the earlier figures. This growth has been fuelled with the increased spends in MVAS. In the coming years, even though the ARPU will increase by 5 - 8%, there will be reduced contribution from the Voice services while the Data services will take a major portion of the ARPU. In this wake, the operators are increasingly moving towards the alternative revenue streams such as non-voice based services.

We have already started witnessing this trend with most of the MVAS applications built in and heavily promoted.
**MVAS Size**

The MVAS market has seen significant growth in the past few years. The rate of adoption of MVAS has been higher than the rate of growth of new mobile subscribers. The total market size of the MVAS market was INR 19,700 Crores in 2011 and will grow at an average rate of 28% to reach INR 26,000 Crores by 2012. This market size considers purely the MVAS services.

**MVAS Categories in India**

With this immense growth of the MVAS market, 2 popular categories have emerged in the market:

**Current MVAS:**

- **ASTROLOGY**
- **BOLLYWOOD**
- **CRICKET**

We can call these the ABC of MVAS.

**Emerging MVAS:**

- **DOCTOR**
- **EDUCATION**
- **FUN**
- **GOVERNANCE**

These can be called the DEFG of MVAS.

The ABCs comprise Ringtones, Caller Ring Back Tunes, SMS services like live cricket updates, Horoscope updates, Voting, Contests, Wallpapers etc. These categories of MVAS have been going strong since the inception of MVAS and will continue to do so in the near future. The Indian mobile user was introduced to MVAS through these ABCs and accepted by the users. The primary reason for this is Convenience and Ease of Usage. One doesn't need to go through a lot of processes but merely a few buttons to get these services on their phones. Besides, most of these services are not dependent on the model of the mobile handset. Thus the ABCs take the highest share of the MVAS market pie and will continue to grow strong.

The DEFGs comprise applications (or in the colloquial parlance: apps) in the categories of mHealth, mEducation, applications which require higher bandwidth and mGovernance. With the new innovations in technology, these emerging MVAS will gain momentum in the near future. Most of these services are dependent on the telecom infrastructure and the type of mobile handset. As the penetration of the feature phones and smart phones increases in the Indian market we shall see higher penetration of the DEFGs.

On a broader level, we can define the Current and Emerging MVAS as:

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2 The report published previously (on July, 2011) included the revenue from dongles and mobile data access.
**Current MVAS:**

The traditional MVAS comprising mostly of entertainment and SMS based services. These can be accessed on basic phones and do not require higher bandwidth or high handset specifications.

**Emerging MVAS:**

The new age applications with enhanced content and higher data usage. These need phones with an ability to download applications and process them i.e. the feature phones and the smart phones.

Apart from these categories, mCommerce needs a special mention among the MVAS services. More than being an application / service, it will act as an enabler for the user to make payments from their mobile devices.

**Type of MVAS Users**

As the Indian MVAS market moves towards maturity, we can see two major segments of Individual MVAS users emerge:

- Individual User:
  - Mature User
  - Novice User

**The Mature Individual User:**

This user segment has used the SMS and CRBT in the past and now has moved on to using applications on feature phones and smart phones. Hailing usually from the urban areas, this user is usually an innovator or early adaptor and tries out new developments before the entire market adopts it. This group has moved on to Off-Deck MVAS applications and will download, customize and share new applications. Although lesser in number, the per user contribution of this segment is higher than the Novice Individual user.

**The Novice Individual User:**

This user segment has been using the mobile phone mostly for voice and SMS for communication or recently started using the mobile phone. This segment is usually the late majority in the adoption cycle and does not like to try new applications unless the need arises. This segment has not paid for the applications or downloaded any on the handset and prefers to use the ones pre-loaded.

This group will start using the On-Deck MVAS applications like pre-loaded games and then move on to SMS based applications. As the maturity grows, they will move on to use social networking applications on their handsets.
Many of these users will commence their journey on the Internet not from the browser on a computer but an application on a mobile handset and as they grow mature, will define how internet usage evolves.

The Maturity and the Application Usage Matrix explains how users at various levels of maturity start using MVAS applications depending on their usability. For instance, a novice user will start using MVAS from the simplest applications like SMS and games which are embedded on his/her mobile device before moving on to external applications. His/her maturity also keeps increasing as the usability of the applications increase.
**MVAS Ecosystem**
There are various types of MVAS ecosystems existing today. The major ones are:

**Operator Centric Model:**
The predominant business model for MVAS in India is Operator Centric where the Mobile Network Operator (MNO) is at the centre of the system.

In this model, the MNO takes the sole responsibility and thus, the risk of marketing the MVAS application. The price and promotions are decided by the MNO and hence, a larger portion of the revenue from the application is taken by the MNO. The Content Delivery Entities viz. the application owners and developers are paid a smaller percentage of the revenue although they are assured of volume.

In the Indian market, this model has worked so far as most of the MVAS applications were either SMS based or On-Deck MVAS types. There was very little penetration of Off-Deck MVAS applications.

**Non Operator Centric Model:**
In this model, the MNO stays outside the system. The content aggregator or the content owner may be at the centre of the system. Here, the terms are decided by the Content owner / aggregator. The MNO just provides the channel for the data transfer.

Each of these models has the risk of giving too much responsibility and power, hence revenue in the bag of one of the stakeholders. This may lead to a case of abuse of power making the end user suffer. Thus, to keep the user’s benefit in mind, one must adopt a business model with the user at the centre.

With the increasing penetration of Mobile Internet, a User Centric Model is indeed a possibility with more emphasis on Off-Deck type MVAS application which the user can choose and select based on his needs. Hence
the need for innovative content increases all the more. Thus, with this, the need for a fair revenue share becomes all the more necessary.

User Centric Model:
A model where the user is at the centre of the ecosystem, the content owners / developers have their separate identity with short codes. They supply the application to the end user. The MNO provides the channel for download and billing. The device manufactures provide the necessary technical platform support to the content owners / developers. And ultimately the product gets delivered at the users’ end. This whole ecosystem exists in an ad-supported ecosystem encouraging digital commerce.

Global Scenario
The global ecosystem is predominantly Platform Owner centric and closely mimics the Service Aggregator Model. The distribution and delivery of the application is controlled by the platform owner or the Application Stores viz. Apple AppStore, Google Play store, Blackberry AppWorld etc. These Application Stores contain the applications in the form of a directory which make it easier to discover and download application. The payment mechanism is centralised with the Platform owner providing the payment gateway.

Although this is a convenient ecosystem that has existed for long as it is beneficial economically and provides a single point of control, it may lead to abuse of power by the Platform owner.
This type of ecosystem also leads to the much feared ‘Walled Garden’ situation where even though pleasant, the sole controller wields supreme power over the contents of the app store hereby separating it from the other application it doesn’t want on its platform. This puts a restraint on the users from using any application of their choice.

The ‘Walled Garden’ like situation can be avoided by allowing doors and windows in the ‘Wall’ by allowing the users to access the application from outside sources other than the default service provider. This will ensure no abuse of power by the service providers and empower the end user.

Thus, we see the need to have a user centric model where the application developer / owner interacts directly with the end user and the operator and the handset manufacturer are providing payment and technology support.

**Future of MVAS**

The MVAS industry has been one of the major drivers of growth of the Indian telecom industry over the last few years. And it will continue to enable the end user to do more with their mobile devices than mere make and receive calls. With focus from the stakeholders and support from the regulating authority, we can expect faster development for MVAS.

Some of the developments that we can expect in the near future are:

- **Mobile Advertisement:**
  
  o Improved connectivity will allow richer and interactive advertisement than the current SMS based advertisements. This will be less irritating and will have a higher conversion ratio. We have already started seeing this phenomenon with the introduction of QR codes in newspapers and magazines which lead the user to interactive advertisements.

- **Local language Content:**
  
  o With the linguistic diversity of India, one needs to have the content in local languages to appeal to a larger group of users. Many websites have already started offering this service to the consumers.

- **Rural MVAS:**
  
  o And last but not in any way the least, the key to the Indian market lies in the huge and hitherto untapped rural market. And Location based services, Local Language and Right Content will be the key to serve this market successfully.

Thus understanding the Indian mobile consumer and utilising the full potential of the mobile device is the next step in the Mobile Revolution.
About IMRB International and IAMAI

e-Technology Group | IMRB (a specialist unit of IMRB International) is a research based consultancy offering insights into IT, Internet, Telecom & emerging technology space.

Our continuous link with industry and a constant eye on the pulse of the consumer ensures that we can decode the movements of technology markets & consumers. To our clients we offer an understanding of the present market environment and a roadmap for the future.

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About Internet and Mobile Association of India (IAMAI)

The Internet and Mobile Association of India [IAMAI] is a young and vibrant association with ambitions of representing the entire gamut of digital businesses in India. It was established in 2004 by the leading online publishers, but in the last eight years has come to effectively address the challenges facing the digital and online industry including mobile content and services, online publishing, mobile advertising, online advertising, e-commerce and mobile & digital payments among others.

Eight years after its establishment, the association is still the only professional industry body representing the online and mobile VAS industry in India. The association is registered under the Societies Act and is a recognised charity in Maharashtra. With a membership of 125 Indian and MNC companies, and offices in Delhi and Mumbai, are well placed to work towards charting a growth path for the digital industry in India.

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