

Reinventing to Remain Relevant

Value-added service companies have been quick in adapting to changing telecom industry and consumer needs, writes **Gulveen Aulakh**

In 1997, a company called One97 launched a service that looked novel then. It allowed Bharti Airtel's subscribers to know who gave them the call that they missed on their mobile phone.

More than a decade and half later, providers of value-added services (VAS) on telecom networks offer much more, from helping you to book movie tickets to watch the TV while on the go.

The value-added segment has walked alongside, and often ahead of, the ever-changing telecom industry, continuously reinventing itself to remain relevant.

One97 now owns paytm, an app that allows the user to recharge prepaid mobile accounts on credit and shop for apparel. Others like OnMobile, Hungama and Mahindra Comviva have undertaken strategic shifts to adapt to the changing consumer needs as they moved from offering ring-back and caller tunes to becoming content aggregators, app makers and online retailers or marketplace providers.

As players who are still relying on traditional services like ring-back tones, caller tunes may not have a future, and end up becoming redundant like SMS at some point, say analysts tracking the sector. There are fewer takers now for once-popular offerings such as astrology predictions, cricket scores or even Bollywood news.

"Today, customers don't have to go to a mobile operator's portal or dial-in any VAS service to access any information, which is freely available on the Internet," said PWC's telecom leader Mohammad Chowdhury.

Over the next five years, a large majority of content that consumed by

users will come from games as well as education and user generated content such as shared videos that users will access through apps, say analysts. Players in this segment will have to think of products around video and social media to stay relevant in the future, they say.

Hungama Digital Media, which in 1999 launched marketing portal-hungama.com, has gone through the changes, metamorphosing into a leading global aggregator, developer, publisher and distributor of Bollywood and South-Asian entertainment. "While the aspect of mobility has led to tremendous innovation, it's a fact that every industry and company has to reimagine the business," said Chief Executive Neeraj Roy.

With smartphone usage growing at a fast clip and telecom companies pushing more for higher-paying data services, VAS companies are also focusing on developing data-based offerings.

"Smartphone has become the basic consumer device, which will open up a lot of opportunities going forward," said One97 Chairman

and Managing Director Vijay Shekhar Sharma.

According to PWC's Chowdhury, while the revenue from core VAS may have reduced for mobile operators, their data revenue has been rising on the back of increasing use of apps on smartphones and digital VAS services.

For Idea Cellular, VAS made up 17.8% of overall revenue of Rs 7,561 crore in the quarter ended June this year. While the share of data in total revenue has risen over 3 percentage points to 11.5% in the past quarter, that of non-data VAS has fallen 2.4 percentage points to 6.4%.

Non-voice services made up for 17.6% of Bharti Airtel's overall revenue of Rs 22,219 crore in the quarter through March this. Of this, the share of VAS and messaging was 5.6%.

Manoranjan Mohapatra, chief executive at Mahindra Comviva that offers mobile messaging and broadband



Indian operators' contribution of non-voice revenue is half of Asian peers

Non-voice revenue as % of ARPU

India	16%
Emerging Asia	32%
Emerging markets	30%
Developed markets	43%



Barriers consumer face for adopting data services

High charges	35%
Current handset doesn't support	21%
Low awareness	14%
Ineffective content	11%
Not upgrading to 3G	10%
Services not available in local languages	5%
Current network does not support	5%

(Respondents who face barriers in using data services 1,331)

Source: PWC-IIMA Survey on Consumer Value, 2014 done on 2,152 respondents

based solutions, said operators are making incremental investment on improving data networks, directionally making way for data-based VAS.

For instance, Vodafone is offering a plethora of music via streaming which requires an Internet pack. "We're working with operators to sell more data to users by changing their mobile phone usage habits," he added.

Mohapatra said the company had launched a personalisation programme about one-and-half years ago. It customises data for each user, helping increased data consumption and more revenue for the operator.

VAS industry insiders say that revenue share agreements with opera-

tors still continue since carriers own data pipes on which companies sell their products and users access the Internet. However, the share of VAS provider or app maker vary depending on the risk of the product.

While on an average a VAS player may get 18% of the revenue that an operator generates when a customer uses SMS or roaming pack, the share may go up to 50% when he uses credit based services. For instance, Airtel offers 'talktime credit' where a user can borrow Rs 10 from Airtel to make calls when the user is left with less than Rs 5 in his prepaid account. "Here the risk is higher, which is taken by the VAS provider alone," a senior executive said.