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Mobile Value Added Services
**Background:**

With over 900 million subscribers, the Indian telecom growth story has been well documented. While basic voice services continue to dominate there has been rapid growth in non voice services (often referred to as MVAS - mobile value added services). MVAS today accounts for about 15 percent of the industry revenues. MVAS can be broadly categorized into two types – SMS and Mobile Internet usage services and content based services. SMS and Mobile Internet (2G and 3G data services) are utility based services. The others - content based MVAS are services that allow customers to access and consume various genres of entertainment, sports, devotional and other utility services. In a way, SMS and Mobile Internet are the bearers of the content based MVAS. However, due to factors like low literacy levels, low smart phone penetration and low ARPU (average revenue per user per month) the typical content services which constitute MVAS are Caller Tunes, news updates, and entertainment services which are voice and text based. Though the MVAS adoption is limited to a select set of services, mobile internet based services are expanding rapidly and is expected to dominate the growth of MVAS in India.
Current context:

While the MVAS industry was growing at a rapid pace, the growth was driven by a 'push based' framework. The eco system comprised multiple content vendors and distributors (MVAS partners) who were associated with telecom operators and pushed services directly to customers. Processes and control was at times compromised in order to keep fuelling the growth. Customers often tried services but churned due to poor experience and disappointing content.

The fact remained that many services were forced on customers which they actually didn’t need. The industry needed to figure out how not to push services on to customers. Engagement with the customers on any MVAS was inadequate and was in focus when an operator ran a campaign. Apart from that, acquisition of customers was the primary focus, not engagement.

The Business Case:

A leading telecom company (operator) has taken the proactive to create a mobile ecosystem in which its customers are able to access MVAS services and content of their own choice and at their own will. The operator will continue to partner with the VAS vendors but in a system wherein there would be tighter controls on customer acquisition. It has also decided to promote MVAS’s with significantly higher levels of engagement. The company intends to engage its customers in conversations, creating awareness about the MVAS’s and driving usage.

The mobile operator has recently set up a subscription engine for all MVAS. Earlier, every VAS partner was connected to the operator’s billing platform, and used it without checks and balances. The control was not there at all, in terms of what the VAS partner was charging the customer. Now every VAS partner is hooked up to the subscription engine, and shares the consent of the customer with the operator. There is one confirmation that the VAS partner sends, and there is one which the operator has, and the two are tallied. This has resulted in clean acquisitions within the strict framework.

The second one is, a lot of VAS push was happening through Outbound Dialers, which were in the control of the VAS partners. The operator has taken that in-house with complete control. The out-bound dialers now only happen from the operator’s side, rather than the VAS partner’s side. With these two key controls the operator wants to build that ecosystem, and ensure that customers are not inconvenienced by services that they do not want.
The challenges:

1. These strict controls adopted by the operator have made it difficult to "push" MVAS services to customers. This has resulted in a 50% drop in the number of customer acquisitions which in turn have led to a 30% dip in MVAS revenues month on month.

2. The growth of smart phones and the uptake of mobile internet have made it possible for customers to access better MVAS from the internet either free or of better value. Handset manufacturers have entered the VAS ecosystem with powerful operating systems and associated Application Stores. This too has resulted in decline in the user base of MVAS services accelerating the decline in MVAS revenues.

3. Additionally, the industry faces the problem of lack of monetization. Although it is possible to gain significant unique users on free MVAS in India, it is not possible to monetize those numbers as users for paid MVAS is few and far between. No clear emergence of a ‘Killer content or application’ is leading to absence of demand side pull creating space for mobile content providers.

4. High awareness but low usage of VAS is another concern area. On an average, a customer is aware of 22 MVAS’s. However, only 3.4 services on an average are used on mobile. Access to requisite information about MVAS’s and ease of use are two dominating motivator for adoption of MVAS. Lack of perceived need and cost are two major barriers for adoption.
What needs to be done?

The project team will need to

- Propose and conceptualize a suite of MVAS products which would drive adoption, stickiness and revenues for airtel.
- Conceptualize methods to create "pull" for these services through customer initiated demand and discovery.
- Tailor-make these for users of smart phones and feature phones.

The key expectation is to arrive at a workable approach supported by a couple of illustrative MVAS services which would meet the objectives.