



## Interview

### Q&A: OnMobile's Arvind Rao

Indian value-added services (VAS) player OnMobile Global signed a global frame agreement with Vodafone in early-2009 (*Vodafonewatch*, 2009.03 and 2009.04), establishing a platform to roll out ringback tone (RBT), voice, and other services to OpCos and *Partner Markets* affiliates across the Group empire.

Building on an earlier partnership with Vodafone Essar in India, the deal has now seen OnMobile enter four other Group markets — Egypt, Romania, South Africa, and Tanzania.

*Vodafonewatch* spoke recently to Arvind Rao, Chief Executive of the company, to check on the impact it has achieved in those markets, and the challenges of persuading individual OpCos to adopt its services — difficulties that have typically faced vendors (and even Group divisions) attempting top-down buy-in to a Group-level agreement or initiative at divisional level.

**Can you give us a brief introduction to OnMobile and the propositions you bring to your operator partnerships, as it's not always clear exactly which services are being rolled out in each market?**

*So, fundamentally, you can put our products into three or four buckets.*

*The first is what we started out with, which is speech recognition-based voice portals and IVR [interactive voice response] solutions. In many large emerging markets, whether it's Africa, India, or Asia-Pacific, people's first experience of the internet and interaction with the internet is going to be through the phone; and it's going to be using voice — not data — just because of familiarity of usage and because the end-users' sophistication and education levels are much lower than in advanced economies like the US, UK, and Japan. So, we started with voice portals, enabling you to dial a number and you can just speak to the system in a natural language — whether it is one of 16 Indian languages or Bahasa in Indonesia, Arabic in the Middle East, or Bengali in Bangladesh — and you can do a wide range of things: listen to jokes; read horoscopes; or listen to a cricket commentary. You can do a lot of stuff that you would normally do on the internet, but with a speech interface and speech navigation. So, that was the first product that we launched when we started the company in 2001.*

*Then, somewhere in 2005, we launched ringback tones and that really took off like a rocket. That has become our largest product line today. And we have introduced some variations of ringback tones — for example, you can have reverse ringback tones, which means that when you call me, you listen to the song you picked, rather than the song I picked. Then we have something called 'social ringback tones'; which connects you into Facebook. Then we have launched: ad ringback tones, where you listen to an ad instead of music; and corporate ringback tones, where corporates can give out messages, whether it's about their products or a new offering, or whatever they want to do. So that's the whole ringback tone thing.*

#### INTERVIEW

**Arvind Rao,  
Chief Executive  
of OnMobile Global**



Source: OnMobile.

#### INTERVIEW OPPORTUNITY

***Vodafonewatch* encourages interview opportunities with industry executives willing and able to share their organisation's (and their own) commercial, product, industry, technical, or strategy insight.**

Across our industry report services, we every month interview CxO and other level executives at operators, service providers, and vendors.

We ask simply that you have something to share that is interesting and relevant to an industry audience, which includes your peers up to the highest corporate, commercial, operational, and technical levels at operators and other key players.

Besides *Vodafonewatch*, our report services include:

- *BTwatch*.
- *Cloud Service Provider Report*.
- *Deutsche Telekomwatch* (including T-Mobile, T-Systems).
- *Telefónicawatch* (including O2).

Please contact us via your direct editorial or client contact, [info@marketmettle.com](mailto:info@marketmettle.com), or channels listed online at [marketmettle.com/contact](http://marketmettle.com/contact).



## News from EMC

### EMC POSTS RECORD Q1 AS BIG TRENDS ALIGN

EMC showed itself positioned squarely at the intersection of two IT supertrends — cloud computing and Big Data — as the company reported its best-ever first quarter, helped by increased demand for backup and recovery solutions, high-end and mid-tier storage products, and *Big Data* warehousing and analytics products.

Virtualisation player VMware, which is majority-owned by EMC, grew sales by 33%, and EMC reported “increasing customer traction and an expanding pipeline” for its Vblock converged cloud computing architecture offered via its VCE joint venture with Cisco, Intel and VMware.

“For the fifth consecutive quarter, EMC achieved our financial ‘triple play’ — gaining market share, investing aggressively to take advantage of the rapidly emerging opportunities offered by cloud computing and Big Data, and improving profitability.”  
 — David Goulden, Chief Financial Officer, EMC.

Sponsored by

**EMC<sup>2</sup>**  
 where information lives<sup>®</sup>

*The third one is data, which comes out of a couple of acquisitions that we have done in France — there was a company called Voxmobili, which made phonebook, phone back-up, network address book, and social address book products that have been deployed by operators such as T-Mobile and Orange.*

*Then there is the video unit — we bought a company in California called Dilithium, which has 180 patents and some of the most cutting-edge technology for video optimisation and content transcoding; and it’s been deployed in many operators around the world, so we’re ramping that unit up as well.*

### OnMobile trying to start flow of emerging markets VAS innovation into Europe...tackling resistance

**Where is the partnership with Vodafone at now; how many territories are you now in?**

*We partner with Vodafone today in India, South Africa [Vodafonewatch, 2009.07], Tanzania, Egypt [Vodafonewatch, 2011.01], and Romania [Vodafonewatch, 2009.07] — emerging market countries.*

*But what is more important [than the number of countries] is the level of impact — so, for example, if I take Vodafone Essar, probably their flagship emerging market operator, the bulk of the value-added services that Vodafone Essar provides (when I say ‘bulk’, I mean 60%–65%–plus) is all done by OnMobile. And that translates into roughly 4% of their top-line, which is not a bad impact, given the margins.*

*Between India, South Africa, and Egypt, we actually power and manage a [significant proportion] of Vodafone’s global content VAS revenues...[If] you take [Europe Region operations such as the] UK, Germany, Spain, [or] Italy, these are very large OpCos from a revenue standpoint, but, in terms of value-added services and content services, the revenue contribution is negligible.*

**So it’s been difficult to get buy-in in more mature markets?**

*We’re hoping to change that because we are launching with two large [unspecified] telcos in Europe, so, in the next six months, we’re hoping to bring the Asia experience to Europe and actually show people that it’s possible. That’s actually what I’m hoping. We’ve done it before; we’ve been given the opportunity by two large telcos in Europe; we’re going to go live, and we’re going to try and show the rest of the European carriers that it’s possible.*



## Operators facing tectonic shifts, amid disintermediation threat by Google, Apple et al

### What is the business case that you bring to a telco partnership?

*The critical thing from a telco operator standpoint is that the writing is on the wall that unless they build out walled gardens or offer innovative services to consumers, they're going to become pure commodities, and over-the-top players like Google and Apple are going to eat their lunch.*

*So, let's say that that's a given. The second step is, if you're the CEO, how do you actually implement that strategy? Do I do it in-house or do I do it through a wide range of outsourcing specialists? Do I go domain-by-domain and pick the top specialists and do a deal with them? That has been a critical question from an execution standpoint because telcos, while they have a lot of money and a lot of market cap, and very strong brands, they're typically very bad in innovation, moving fast, and launching new services.*

*What worries me is that you have these people like Apple and Google and Nokia — they have very clear aspirations of where they want to be. Now Nokia, maybe one could argue, is not the animal it was six years ago, so maybe Nokia's running into the same malaise as the telcos, but if you look at Google and Apple they're really just going for it. Telcos take time; they don't move fast. I give all these legacy telcos at best another, I would say, three-to-four years. If they haven't significantly changed their line-up momentum, if you want to call it [that], they're going to be too late.*

*That's what really worries me, many times I think about it. You don't see the [changes]... it's almost like the continental shelf shifting under you.*

*When I look at ringback tones, I'm happy to say that many of these operators are now realising that there's no point trying to do it themselves, in-house — so, for example, the entire Vodafone Egypt ringback tone system had been developed in-house at great cost, and they found that, over a period of time, they just couldn't match the technological innovations that we did. So, after a lot of negotiation, they finally outsourced that thing to us, and the actual results are pretty stunning. This has been one of the biggest success stories in Vodafone emerging markets in the last year. Within one year of taking over the service, we have doubled revenues and users.*

*In Telefónica, also, we signed a very large project for Latin America [shortly after the Vodafone deal, in mid-2009]. About six or seven of the countries in Latin America had in-house developed RBT systems, and they have replaced all of them. So, operators are slowly realising that it makes more sense, both from a skills and an expertise standpoint, as well as a capital deployment standpoint, to actually work with external specialists rather than trying to do it in-house.*

“

*Telcos take time; they don't move fast. I give all these legacy telcos at best another, I would say, three-to-four years.*

*If [by then] they haven't significantly changed their line-up momentum, if you want to call it [that], they're going to be too late.*

“

...

*contractually,  
is it exclusive?*

*No, but we've  
never had  
a contract  
cancelled in  
ten years*

## **Challenges faced by suppliers around Vodafone's "coalition" structure**

**Our impression of Telefónica is that, at least in the last two or three years, it's been more willing than Vodafone to farm out VAS activity on a regional or Group basis, and while your Telefónica deal has progressed regionally, your agreement with Vodafone seems to have gone country-by-country, with more caution. Is it fair to draw this distinction?**

*Yes, because here's the difference. The difference is that Telefónica, in terms of the way it works and the way it's managed, it's more of a command-and-control [operation] driven out of Madrid, whereas in the case of Vodafone it's more like a coalition. Because I've had so many meetings in London with the top people at Vodafone, and all of them say 'we know the results; we know what you guys are capable of doing, but we can't force the OpCos to do it; and you have to go OpCo-by-OpCo and convince them'. That's the difference in the style in which the two companies are run.*

## **Ringback tones...the practicalities**

**So, going back to your individual deals with Vodafone and Telefónica, how do they actually work, practically? What do you have to set up when you go into a country, to deploy ringback tones, and what are you responsible for handling on an ongoing basis?**

*So all our services are run on one or two common platforms, and usually — with the exception of data, which technically can be done from outside the network — what happens is, almost all our services are inside the network. Once we go in there, we implement our boxes, we do the billing integration, we do the integration into their NOC [network operations centre], and do all the network elements, in particular the MMSCs, the SMSCs, the WAP gateways, and all that. So, depending on the size of the operator, it requires anywhere from two-to-four months to actually get the service live.*

**Do you have an exclusivity clause with either Telefónica or Vodafone, to protect those investments?**

*You mean exclusive as in they can't do it with anybody else?*

**Yes.**

*If it's Telefónica, we do. With Vodafone, we don't; but the way it works is if you look at ringback tones and voice portals, which are our core products, because they're in-network, you can only have one supplier. So, let's say I was for argument's sake Vodafone UK, I cannot say I'm going to do ringback tones with five companies. You have to pick one. That's how the circuit switching actually works — you can only have one box sitting next to the switch. So, contractually, is it exclusive? No, but we've never had a contract cancelled in ten years.*



**In Egypt, you recently mentioned that you're planning to launch your "entire gamut" of services there, after seeing success with ringback tones. Can you expand on where you are with that?**

*We've launched the ringback tones with Vodafone Egypt, and we're looking too now at the rest of the services. So, we typically lead in new markets with one of the products that we believe can give the highest bang for the buck in the short run — because that's what gets the customer excited, and they believe in what we are doing, and then they really get behind it. Because we provide white-label services, one of the big risks we run is that when we implement our technology in an operator, and we do it all on a revenue-share basis in most cases, if the operator does not promote it, we are left high and dry. Although, to date, when I think about our ten years of operation, I don't think we've had any such situation where we've been under water.*

**Can you say whether there are any more deals in the pipeline in other Vodafone markets?**

*We have signed a global frame agreement with Vodafone, so we're in discussion with them at both the headquarters level and the [OpCo level], basically all over the world. I don't see anything... I mean, some of them are in an advanced stage, and, with some of them (like, as I told you, in Europe), people are sitting and taking a 'wait-and-watch' attitude. I think that's going to change in the next six-to-nine months, once we get these two large operators deployed because, in many of these cases, what people say is that 'all this is great but it's an Asian phenomena; it won't work in Europe'.*

**In the original release on your Vodafone partnership, you mentioned that you also envisaged that you would go into *Partner Markets* operations. Have you had any luck there?**

*With many of the Partner Markets, like MTS in Russia and Safaricom in Kenya, we've been introduced to them by Vodafone, and we continue to have the dialogue, and I'm hopeful that something will come out of it. So, we have access into all the Partner Markets as well, through Vodafone.*

“

*... we typically lead in new markets with one of the products that we believe can give the highest bang for the buck in the short run — because that's what gets the customer excited, and they believe in what we are doing, and then they really get behind it*

“

...end-user pricing of 3G services today [in India] is quite high, and that's because the operators have had to pay quite a lot for the spectrum, so, until that comes down substantially, either through forward pricing or through competition, I don't see mass adoption of 3G services taking off

## Indian VAS sector recovers... but 3G a distraction?

**How do you think Vodafone and other operators' 3G rollout in India is going to impact uptake and usage across your mix of services, particularly the messaging and voice applications you offer?**

*I think, five years from now, will 3G services be significant in relation to overall value-added services? Yes, they will be large, but will they be more than 20%-25% of the overall value-added services market in India? The answer is no. It's not going to happen overnight or in the next one or two years, for sure.*

*I say that from our very pragmatic standpoint — first of all, the 3G network build-out is still going on, and it's not easy to deploy a 3G network on top of an overloaded 2G network. That's one reason. The second thing is that, although we have started seeing low-cost Chinese 3G handsets coming in, it's going to take a while for these to permeate into the larger market. The third thing is that the end-user pricing of 3G services today is quite high, and that's because the operators have had to pay quite a lot for the spectrum, so, until that comes down substantially, either through forward pricing or through competition, I don't see mass adoption of 3G services taking off.*

*In the long run, it will happen, but is it going to happen in the short run? No. And then the question remains that, even if people actually end up using 3G services, is there a way to actually monetise it, or is it going to be, like in the US, largely driven by Google Maps and Google applications. Operators don't get to keep much of that revenue.*

**Staying in India, 2009 seemed to be quite a rough year for the VAS sector, with new regulations [announced by the Telecommunications Regulatory Authority of India in late-April 2009, with aim to cut down on “accidental” activation of paid-for services — *Vodafonewatch*, 2009.11] seemingly having a big impact. Have those trends cleared up?**

*That's cleared up more or less. What happened is that, first of all, it wasn't just the regulatory changes. From 2003–2004 onwards, they were really boom years for Indian VAS. Revenues for everybody — the telcos and us — were growing at 50%–60% year-on-year.*

*Now, in the last two years, there have been two or three changes, which have affected the momentum of that growth. One is that the quality of new subscribers being added in the Indian market is actually quite poor. These are people who have hardly £1–£2 in their prepaid balance at any particular time, so selling them anything becomes very difficult. That's one.*

*The second thing is you have this whole concept of multiple SIMs, with people keeping two or three phones, and using one for inbound calls, one for outbound calls, one for international calls, and so on; so there's all this complexity as well.*



*And then on top of that, you have the regulator, which [wanted to change] the marketing of some of the services — whether call services or value-added services. It wanted to place some restrictions on this because there were some complaints that some people were getting subscribed for services and they didn't know what they were getting into.*

*So, most of those changes have now been implemented, and, while it had a slow-down effect for a while, it's slowly picking up again. I don't foresee a structural decrease in that over a period of time. Until these market dynamics are overcome, I think you're going to see more of a 15%–20% growth in value-added services before the 3G effect kicks in and turns it back up to 30%–40%.*

**Considering what you're saying about 3G taking time to have an impact on VAS, do you think there's a danger it could be a distraction for operators, in terms of marketing spend and management focus?**

*Yes — for example, in the last year, a lot of the attention span of senior management, as well as marketing bandwidth, has clearly been allocated towards 3G, so has there been an effect on how much effort and marketing was spent on this? Sure. We see that continuing for a year or two. It will continue, but, on the other hand, the profitability of value-added services is high enough, and people recognise that the growth is there. I see it coming back. I don't see it as a permanent aberration.*

**Okay. Just finally, there has been talk about the possibility of your venture capital backers exiting at some stage, and some speculation about what kind of partner you might bring in, if any. Have you had any interest from operators on that side of things?**

*No, nothing has developed on that. It's a relatively long-term planning thing. Clearly, we'd like to make sure it's some really nice partner who's a complementary fit, but so far we've done nothing on that front.*

*We've been approached by operators in the past. The problem is it's very difficult to align with an operator when we're already present with so many different operators. The logical candidates... would probably be players like IBM and Accenture, that sort of thing — either that, or a network equipment provider, whether it's an Ericsson or a Nokia Siemens. For them, also, their core businesses are becoming more and more commodities. They have to step into a different domain.*

• **Further comment by Arvind Rao on OnMobile's Telefónica partnership appears in the latest *Telefónica* watch (Report #55).**

“

...  
*the profitability of value-added services is high enough [in in India], and people recognise that the growth is there*