



Mobile Apps Will it be the new ARPU driver?

ON AVERAGE, VAS CONTRIBUTES around 9 to 10 per cent to the revenue of an Indian operator, about 90 per cent of which is coming from SMS. Declining ARPUs are forcing the operators to rethink their VAS strategies. Companies like Virgin Mobile with a youth focussed mobile service feel that VAS revenue will increase for all operators. Virgin Mobile will be focussing on mobile commerce and social network apps.

The VAS market is set to grow at 16.6 per cent each year until 2015, according to a recent Frost & Sullivan report. Against this background, it is not surprising that the Indian operators are looking at app stores to turn around their ARPU figures. A number of Indian service providers, like Bharti Airtel Ltd, have launched their app stores; Reliance Commu-

nications Ltd has tied up with Getjar, the second largest app store in the world after Apple.

Most of the VAS companies in India are focused on the entertainment side, but CanvasM, a joint venture between Tech Mahindra and Motorola, has decided to work on the utility as well as the financial inclusion side of the business. It feels that utility VAS will play a key role in increasing the contribution of VAS to an operator's revenue. CanvasM has launched a white-label application store for both service providers and handset manufacturers. The company has around 25,000 applications in the app store and is in talks with Indian service providers and handset vendors. Like most application stores, about 60 to 70 per cent of the applications are going to be free. CanvasM has developed an integrated platform, and the

company's applications are both device and service provider friendly.

Nokia's Ovi Store is now generating two million downloads every day, as the company prepares to shift to a 60:40 revenue share for developers that will see Nokia absorbing the operator's cut. About 90 per cent of Ovi Store users are accessing a localised version of the store, says Nokia. The company has launched a new version of Ovi Store for the N8. It has also stated that it's keen to fund more innovative apps for its Ovi Store via its Open Screen Project Fund. The company has described the fund as "your app godmother" in its pitch to developers.

Mobile apps, both free and paid, have experienced exponential growth in recent years. Pyramid Research is forecasting that this growth curve will continue through

2014, though the mobile apps market will evolve differently in different regions.

The research agency states that although paid apps have increased substantially in volume with the emergence of app stores, free apps have really boomed. In 2010 we project that 36 pc of paid apps will be downloaded through app stores and 86 pc of free downloads will take place through them. Advertising revenue as a result has increased substantially, and app stores are working on monetizing this opportunity.

This domain is also witnessing a lot of entrepreneurial energy with many start-ups being seeded in the mobile app space. One such start-up is HazelMedia, which develops mobile applications products across a variety of devices and platforms: Incorporated in July this year, the company is focusing on the financial services and healthcare verticals. Bangalore based Aquilonis, which is among the few companies that spotted the potential of this market back in 2007, is considered a success story and an inspiration for other start-ups. SourceBits is another well-established Indian developer in Bangalore. It provides design and development services for iPhone, iPad, and Apple Inc, Mac environments, as well as other mobile operating systems (Android, BlackBerry) and web platforms. An important challenge for these companies is to survive in what is becoming a cluttered market. With so many start-ups, consolidation is on the cards. TelecomLive spoke to the leading players in the mobile app domain on trends, demand and future projections.

App for blocking unwanted calls **Rahuldev Rajguru, Aquilonis Technologies**

With the complete and absolute failure of India's "Do Not Call" registry, a nice opportunity has been created for Aquilonis to promote its XBLOCKR application. XBLOCKR allows its users to discreetly duck, drop and divert unwanted calls. It also helps you block spam and promotional SMS that chokes up your Inbox. Compatible with over 300 handsets

and across platforms such as Symbian, BlackBerry, Android and Windows, the application even simulates an error message to avoid offending the caller. It's available on Microsoft Marketplace for Windows Phone, Nokia's Ovi and Airtel App Central, and priced at Rs 349. The company claims to have 100,000 users, and received 5,000 downloads in the first week itself. XBLOCKR occupies minimal space in the handset memory and works real time.

SLAs & revenue model:

XBLOCKR is one time license purchase. You pay once and use it for lifetime. Also, all product upgrades are free that includes new features. The product is sold in diverse ways, on our website, app stores as well on the retail outlets. The license is locked to the IMEI of the phone. The revenue model varies in all of them. App stores usually take 30 per cent cut on the revenue. We have a transfer pricing mechanism with the retailers where they can sell the product for upto Rs 349, that is the retail price. We have special pricing for enterprise as well.

Handset vendors & apps

It is becoming clear that handset vendors can no longer rely on mobile phone sales to sustain growth in the developed markets. They will have to look at other opportunities such as getting involved in enabling content creation and offering services through application stores and, most importantly, the Internet. This trend has already started, with a number of device vendors including Nokia, Apple, seeking to create end-to-end ecosystems by linking their devices to the services they offer. Not only will this move enable them to differentiate themselves by offering users an enhanced experience, but it will also create new revenue opportunities either from delivering their own services or teaming up with mobile operators.

This development indicates that the industry is entering a new era in which product differentiation will shift from hardware to software. Vendors that have prepared themselves for this radical change will find themselves in a better position than



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those that continue to differentiate their products on the basis of hardware.

App development

The actual process of application development can be difficult. Developers face challenges with deadlines, ensuring data security, coordinating different development tools, and employing training and implementation. Applications have been developed using various coding languages, such as C/C++, Java, Net, and others. With a variety of programming options, it's necessary to determine what tools will be most useful for a project. Every mobile content or application you make has to be ported on hundreds of mobile phones. The compatibility of an application to a certain mobile device is the utmost concern. This is because every mobile handset has a certain kind of configuration and the application has to suit the same.

Open Source

Open source is a good way for business to achieve greater penetration of the market. Companies that offer open source software are able to establish an industry standard and, thus, gain competi-

tive advantage. It has also helped build developer loyalty as developers feel empowered and have a sense of ownership of the end product. It also helps companies to keep abreast of all technology developments. It is a good tool to promote a company's image, including its commercial products.

The challenge is to cater to the regional & global audiences

Jagdish Mitra, CanvasM

There has been a lot of traction which is built up due to mobile apps. We have been getting enquiries from all over the world for the same. We have been able to engage with few operators/OEM on this and more are in the pipeline. There are players who have the app stores, but now the stores are moving from single market place existence to multiple market places. Operators who haven't been in this space need the same. The focus now is to capture the regional customer base as well as the global base at the same time and cater to the two segments differently.

Ecosystem

As market conditions become increasingly competitive, the

importance of partnerships between apps store, operators, developers and handset vendors is essential for survival. Need for conducive business ecosystem for content and service developers, innovative technologies (VAS developers), and handset manufacturers cannot be underestimated. It is becoming clear that handset vendors have to look at other opportunities, such as getting involved in enabling content creation and offering services through application stores and most importantly the operator. This trend has already started, with a number of device vendors - including Nokia, Apple, Samsung, LG, RIM, Sony Ericsson and Motorola seeking to create end-to-end ecosystems by linking their devices to the services they offer. Not only will this move enable them to differentiate themselves by offering users an enhanced experience, but it will also create new revenue opportunities either from delivering their own services or the outsourced apps store or teaming up with mobile operators to deliver these services.

We will be looking at region based apps. This is the key to have exponential growth in different demographics across the globe. With our presence in various markets we need content for the local consumers. The challenge is to find good contents. The developers are focusing on the international market; however, we feel they should focus equally on the local content, as well. As for the platforms, it is relatively easy to train people on the open source platforms, hence a boon to write apps. Books, utilities are used more and for a longer period. Entertainment/games have a shorter shelf life. Games are popularly downloaded apps followed by Entertainment.

iAD

Judging by what iAds has accomplished so far, it seems that the advertising platform could actually be a tremendous success for both Apple and the companies



that choose to advertise through it. If Apple can get out of its own way and find a way to streamline the creative ad development process, it may even be able to go head-to-head with Google and AdMob and take a significant slice of the lucrative mobile advertising pie.

India will be a high volume market for content publishers: **GetJar**

The total mobile app market globally is 6 billion downloads in 2009 worth \$ 4.1 billion according to survey commissioned by GetJar and published by Chetan Sharma Consulting. We estimate that the Indian market is probably around 70-80 million downloads a month in 2010 although the value is unknown. India is growing incredibly rapidly and today accounts for more than 20 pc of GetJar's traffic. The market has grown nearly 400 pc in the past year for us. As India adds over 10 million subscribers and 3G begins to rollout we believe India will be a very high volume market for content publishers. We also anticipate that data rates will come down, operator/carrier revenue shares will be reduced and more consumers will take smart phones.

Large app stores like GetJar or Ovi will provide more than enough content for consumers regardless of segmentation. Our focus is to bring the best quality content to mass market consumers. We don't currently segment between rural versus urban consumers. We do, however, have a significant amount of content we think is relevant for rural Indian consumers through news, weather, entertainment, productivity and religious applications.

Most demanded apps

Those apps that have the highest added value or provide the best entertainment are most in demand: social and messaging apps, news, sports, games and productivity are all already very successful. We also believe enter-

tainment will be huge once studios embrace mobile as a marketing tool and bring content to the platform.

Communication apps like eBuddy, nimbuzz, mig33 and Facebook that help consumers stay in touch are very popular. Productivity apps like Opera Mini (browser), Netqin (anti-virus), Bluetooth File Transfer (back-ups) are popular. Yahoo and Google are also popular (content and search). Games/sports apps around cricket are very popular. One of our most popular apps is dictionary which is a reference app developed by an Indian developer. Of the mapping apps, Google maps is very popular and we get more than 10 million downloads globally.

Challenges

The challenge is to source content that is local and relevant to local tastes. Although most



consumers like or want instant messaging, games and news applications, they will be strongly motivated to get contents like local news, entertainment and sports which may currently be not available. GetJar is working on several deals to source local Indian contents to address this opportunity.

Relation with developers

The most valuable service that we provide to developers is distribution on a massive scale. For example, Facebook has achieved 80 million downloads with us, whereas the majority of apps have 30+ million downloads, even very small developers can get millions of users.

To put this into context, a one-man developer in India providing an Indian-English dictionary has

more than 5 million downloads. You can use any business model to monetize when you have users - paid, cross/upselling, virtual goods, ad supported, freemium, premium, subscription, etc. One of the most important differences between GetJar and other app stores is that GetJar doesn't take the industry standard 30 per cent revenue share - we don't take a share at all. If a magazine offers a news app at \$10/mo subscription, the developer of that app will have to pay 30 pc for distribution with other app stores, whereas with GetJar he can keep 100 pc of what he makes. Our Pay Per Download (PPD) business model is hugely successful, it allows running the whole app store without requiring a mandatory revenue share. GetJar's strategy in this respect is to remain open, cross platform and to source local as well as international content.

3G & mobile apps

Higher data speeds mean: Increased frequency of downloads; Download of richer, more interactive content; Viral adoption of content; Mass market adoption of mobile content; and Development of mobile as a marketing medium for large local and international brands to communicate with Indian consumers.

Our app store to have mass market appeal: **Vodafone**

The global application market was worth \$ 4.2 billion in 2009, and it is expected to be \$ 6.8 billion by the end of 2010 with free applications constituting 82 pc of the total downloads. Asia accounts for about 40 pc of global application downloads with India and China accounting for majority of these downloads. App downloads in India are characterized by unique charging models featuring micro-charging and this is likely to continue in the future.

The application store has been a global phenomenon ever since Apple launched its iTunes store. It is a great way to provide innovative

offerings regularly to our customers. It fuels customer engagement and encourages them to come back for more. We are working closely with our partners to constantly provide new and superior applications to our customers.

Application stores are designed to facilitate promotion of the most popular content and easy content discovery. The same principles have been used for designing the Vodafone India application store. We have already introduced improved convenience features such as 'tabbed browsing' with Newest Apps, Top Apps and Just for You Apps which offer a customized set of applications as per consumers' preferences. While

comfort and convenience of the users' daily lives, are in the pipeline. We intend the store to have a mass market appeal and hence have priced our applications accordingly. For the rural market, there is great scope for utility driven apps like weather updates, information on mandi rates, etc., in the rural areas. However, the challenge is to create awareness and to educate people on using apps.

3G will see the enhancement of bandwidth sensitive applications. Apps which provide a good experience today will be refined to provide a greater experience in a 3G environment.

Ecosystem



browsing, all the relevant information about the selected application will be mentioned upfront for the convenience of the customer. The store also features promotional banners featuring the hottest apps in the store, while a strong search engine enables customers to quickly locate what they are looking for.

We will focus on locally developed applications which provide relevant information in local languages. We aim to develop our application store in a way that it appeals to our customers across segments. Our application store in India has already seen hundreds of thousands of downloads by enthused customers. Many more apps, which will enhance the

Vodafone is a part of the JIL (Joint Innovation Lab) initiative, worldwide, wherein developers globally are encouraged to join the JIL application developer community to develop and provide apps. This concept will be gradually extended to India and soon create a community of developers who develop and supply apps for Vodafone in India.

We will enable smartphone experience on basic handsets:

Airtel

Mobile apps have been traditionally available through app stores run by handset manufacturers and these were typically offered on smartphone devices. This is also

how the adoption of mobile apps grew in Western markets. India, however, is a market led by feature handsets. With the launch of Airtel App Central, Airtel has catalysed a paradigm shift by offering its 130 million subscriber base the opportunity to experience how mobile apps can make their phones smarter. Mobile apps will truly change the experience of basic handset-users as they utilise apps to convert their basic GPRS enabled handset into a smart phone.

Airtel App Central also offers convenience through an easy payment mode (direct debit from talk-time balance or add to mobile bill). Doing away with the need to use a credit card helps ease customers through their first experience of the mobile app.

The success of Airtel App Central is a testimony to the customer-need for this innovation in the basic handsets segment. Airtel App Central has witnessed over 5 million downloads to-date, and it is the mini-metros like Surat, Udaipur, Pune, Mangalore and Thiruvananthapuram that are driving these downloads.

There is great opportunity in app store management

Sanjay Uppal, OnMobile

With 3G services finally scheduled to start shortly, a new era awaits mobile users with faster and more robust mobile internet and better access to data services. According to FICCI, in India, the 3G subscriber base is expected to hit 90 million by 2013, accounting for 12 pc of the overall wireless user base. By 2013, 3G service revenues are expected to generate \$ 15.8 billion, accounting for a share of 46 pc in overall wireless service revenue. It is evident that 3G will bring about the next revolutionary change in the telecom sector. It will enable consumers to experience high data transfer rates over longer distances, efficient bandwidth use, map and positioning services and multi-player gaming facilities.

As per industry estimate, global mobile app market is expected to be worth \$ 24.4 billion in 2015, growing at a CAGR of 64 pc from 2009 to 2015. Telecom giants are increasingly providing dedicated app stores for users in different areas of communications, games, multimedia, productivity, travel, and utility purposes.

OnMobile has the capabilities for end-to-end app development; our data products unit has already launched successful applications such as Phone Book 2.0. Even basic VAS services such as RBT are being enhanced with the development of RBT widgets like Multimedia RBT, Background Multimedia. Infact, OnMobile's rich communication services comprising of MMS and video alerts offer a wide range of services from news and entertainment to learning and lifestyle with a whole new 3G experience. Additionally, tremendous opportunity lies in app store management.

Ecosystem

As the portfolio of VAS in each operator's offering expands, the complexities in deploying and managing each of the products while maintaining a focus on customer experience will increase manifold. Additionally, the infrastructure ramp-up requires a significant investment which operators would much rather deploy towards adding to their networks. Similarly, handset vendors and application developers who are launching their exclusive application stores will outsource their VAS operations by partnering with reliable and leading VAS providers. In such a scenario, the VAS partner becomes increasingly important.

Is the bouquet of offerings wide enough? Does the provider have proven capabilities? How aligned are they to the operator business and how quickly can they bring in economies of scale? A VAS provider who meets these criteria can help operators, handset vendors and developers achieve increased ROI and leave them with the bandwidth to focus on core operations.

Essentially, the relationship between app store, operators, developers and handset vendors is highly interdependent. Once 3G rollout begins, this interdependence is sure to increase.

Apps

At OnMobile, the focus is on constantly developing new services that address the individual needs of consumers from different regions. As a global VAS player, we are keenly aware of the fact that consumer behaviour varies not just from one country to another, but also in countries like India, for example, one state to another. We are addressing region-specific

editing and music technicians, voice artistes with experience in recording for VAS products use state-of-the-art, in-house recording facilities to develop content. This unique Studio enables OnMobile to save on time and seamlessly develop rich content for VAS products and services.

Studio allows operators to offer differentiated services in different markets - within India itself, a user in Punjab would communicate in a different language and dialect from the one in which a user in New Delhi is comfortable with. Studio overcomes this by creating content not just in different languages, but different dialects and manners of



requirements through a variety of services and applications in a wide set of languages. For example, M-Search NXG can identify variations and nuances in Indian languages and enable operators to deliver music content more accurately.

Another example is our Futbol portal for Telefonica customers in Latin America. Cashing in on the football fever that was at its height during the FIFA World Cup, we launched a portal on football-related content in that region, especially since the game is highly popular in Latin America.

An important initiative taken by OnMobile to address the need for personalized and localized content is through the Studio. The Studio initiative comprises a dedicated team that works on developing content for markets across the world. Highly skilled recording,

speech.

If we take into account the fact that OnMobile offers services to operators in 26 countries, the enormity of the task that Studio takes on becomes apparent.

Revenue model

At OnMobile, we partner with telecom operators and offer white-labelled services on a revenue-sharing model. Operators then brand our services and take them to the consumer. The exact revenue share varies, depending on the nature of the product and the degree of adaptability required. If the product is a core network element with no direct consumer usage (a WAP Gateway for example), which is not likely to change once deployed in the operator network, then we can look into deploying a licensing model.