



ADDENDUM ARVIND RAO

VAS to the rescue

Three themes dominate mobile VAS sector — music and entertainment, search and discovery, and social networking

2006: *The mobile VAS industry in India was estimated at Rs 2,850 crore (IAMAI).*

2010: *The mobile VAS industry is predicted to exceed Rs 10,000 crore.*

THESE mind-boggling numbers reflect the transition of value-added services (VAS) in the mobile industry into an increasingly core component of a telecom operator's offerings. As consumer expectations rise and cut-throat competition force telecom service providers to slash tariffs, low charges and a good network are no longer enough to attract subscribers. Users are looking to get more out of their mobile phones—more value, more functionality and more entertainment—and in a telecom market like India where the plethora of choices has made the customer truly a king, operators have no option but to enhance the subscriber's experience of mobile services through VAS. And as the mobile user base sustains its northward march while ARPUs (average revenue per user) continue to dip, there is no time like now for operators to establish their hold in the market through innovative, personalized and differentiated services.

In line with the heightened focus on VAS, services too have evolved from ringtones and wallpapers, to ringback tones, sports, m-ticketing, audio cinema, etc. The Indian VAS industry has something for every

user. Regardless of age, economic status or location, every subscriber has services that have been developed to address his/her need for entertainment, information and utility. From Kashmir to Kanyakumari, operators are offering services tuned to local preferences and requirements. The value-added services available today are also aimed at users of low-cost, basic handsets, since these are most prevalent today. It is therefore unsurprising that some of the most popular value-added services are SMS/voice-based, such as ring-back tones. However, as feature-rich phones become more



affordable and operators offer attractive data plans, services such as integrated social networking are gaining traction.

These trends highlight the three themes that dominate the Indian VAS industry today—music and entertainment, search and discovery, and social networking. We believe that despite the blistering growth the VAS has witnessed, there continues to be tremendous potential at the intersections of these themes—for example, music that can be shared on social networking sites, or a dynamic phonebook that provides a single platform for various networking needs. This integration will bring in a new dimension to VAS by going beyond adding value to the mobile user experience, to truly enriching their daily lives.

As new and innovative services/applications continue to be developed, the telecom industry as a whole is reaching an inflection point. High-end features that were once available only on smartphones are now part of mid-range handsets as well. As more handset manufacturers enter the market and competition increases, prices are dropping significantly. Alongside the availability of affordable hardware, high-speed connectivity on the mobile has become a reality. Consumers expect nothing less than an internet-like experience on the mobile and operators are scrambling with attractive plans to cater to this high-margin segment of the market. On the other hand, rural India has almost leapfrogged the internet revolution and entered the mobile revolution directly; the mobile phone is their “first screen” for basic connectivity, information, utility and entertainment.

Affordable feature-phones, broadband speeds on the mobile and innovative, personalized services—in the next three-five years, these will drive an explosion in the VAS industry. As operators turn to premium value-added services in order to bolster sagging revenues and consumers demonstrate growing comfort with conducting day-to-day transactions on the mobile, the VAS industry will witness scorching growth. However, the biggest beneficiary of this will be consumers who will, once again, gain from the hunger among operators to address more of their requirements through better, faster and more valuable services.

The author is chairman, CEO and co-founder of OnMobile, and also a member of Internet and Mobile Association of India (IAMAI).