



VAS: Enabling The Next Phase Of Growth

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Dwindling ARPUs and the recent 2G verdict ensured low sentiments in the telecom industry this year. VAS, however, still provides a ray of hope. With country's mobile subscriber base crossing the 900 mn mark, experts believe that VAS is likely to drive the next phase of telecom growth. (See *Mobile Line Count Tops 900M, clk2c Aims Big in Mobile Marketing, Donjin to Expand in India and Mobile VAS Market Set to Grow.*)

As the voice revenues reach a stagnant point, the operators are increasingly looking at data to outsmart competition. With technologies like 3G and 4G set to make an impact and a rise in the penetration of smartphones, one can expect the Mobile VAS (MVAS) (data products) market to explode.

While it may be early days for the VAS market in India, experts believe that the VAS revenue for operators can double in the coming years, primarily due to the penetration of data-based products and services.

"The Indian VAS market is sitting at INR 158 billion (US \$3.16 billion) today, and is poised to grow exponentially. In addition, contribution from VAS to the overall revenue is estimated to grow from the existing 10 percent to more than 30 percent in 2015. The majority of growth in VAS is expected to be driven by mobile internet, with data contributing 54 percent to the mobile VAS revenues by 2015," says Vishwanath Alluri, CEO, IMImobile .

According to a KPMG International report also, the MVAS market will grow from INR 122 billion (US \$2.28 billion) in 2010 to INR 482 billion (US \$9.04 billion) by 2015. (See *VAS Has Major Potential: Report.*)

The report adds that while MVAS in urban areas will revolve around high-end applications focused on information, entertainment and communication, the growth in rural areas will be driven through basic or utility-based services such as m-healthcare, m-governance, m-banking and m-education.

What's in store

According to experts, the VAS market in its present avatar is focused on infotainment. What is required is to develop utility-based applications and services that can add value in the ecosystem. The focus also needs to shift to data services that contribute as high as 40 percent of topline revenues for operators in mature markets. India is likely to follow a similar model.

"Carriers have been playing voice and SMS commoditization game for some time. The next phase is that of data products commoditization and this is what carriers are very good at. In addition, if carriers and major handset players collaborate and nurture MVAS startups, a billion-dollar market will get unlocked," believes Mohit Kapoor, Founder CEO of Apps Kiosk. The company is into building last-mile kiosk-selling applications and entertainment products.

While 3G may take a little more time to make a business case in India, it is still disappointing that there are very few 3G-specific applications in the market. "We have few applications which we believe are good candidates for 3G adoption in India. Some are in the 3G-video space and some are in the data-oriented space. However, I am disappointed that peer-to-peer calling has not happened here, and mobile TV is yet to take off," comments Arun Tanksali, Head - Mobile & Lifestyle Business Unit, Comviva Technologies Ltd. (See Arun Tanksali: Head - Mobile Lifestyle Business Unit, Comviva .)

Growth challenges

The growth of the VAS market is marred by many factors at present. The industry seems to be divided between aggregators, developers, content providers and operators, and lacks defined roles for each of them.

"Developers need to have their space so that they can focus on innovation and change. Today, the area of value creation and rewards is unbalanced, tweaked more in favor of operators. It needs to be balanced," says Rajesh Kaul, Co-Founder and CEO of a VAS aggregator company, TrioTech Solution.

Also, while the industry might be growing at a tremendous speed, it lacks a standalone association and regulatory body to present a unified voice to the government, service providers, investors, consumers and other stakeholders.

"Regulatory requirements often swing from one extreme to another. In the early stages of markets, regulatory environment is usually lax. We are probably in this stage right now in India. A more pragmatic regulatory environment would be needed for future market growth," Alluri adds.

Nevertheless, for the growth of VAS, operators should think of designing their infrastructure in an innovative way. They need to open up their network assets as programmable resources to the developers and businesses, in general. At the end of the day, collaboration is the key for the success of any industry.