

MOBILE VALUE ADDED SERVICES IN INDIA

Dr Uma Narang

PG Deptt of Commerce, P G Government College, Chandigarh

E-mail : naranguma@gmail.com

Abstract

Mobile phone is a technology product of today's generation. It has become an integral part of everyone's life. Today it has moved beyond its fundamental role of voice communication to a variety of non-core services, which in telecommunication parlance are called Value Added Services (VAS). Value Added Services are enhanced services, in the nature of non-core services, which add value to the basic telecom services. In addition to benefiting consumers, MVAS is likely to become a tool for additional revenue, service differentiation, and customer retention for service providers. In this paper, an attempt has been made to study the level of awareness regarding MVAS among people, most preferred as well as used MVAS. India's Mobile Value Added Solution (MVAS) market is expected to almost double to \$9.5 billion by 2015 compared to last year (2012). MVAS industry will grow at CAGR of 25 percent between 2012 and 2015--reaching US\$9.5 billion in 2015, from an estimated US\$4.9 billion in 2012. In this paper, attempt has been made to explain the level of awareness regarding MVAS among people and to understand the current state and future outlook of the MVAS industry.

Introduction

India is a country of a billion plus people with needs spanning across basic facilities. Mobile VAS industry in India is undergoing a lot of structural changes. Mobile VAS industry is poised to grow and contribute greater revenues to the telecom industry. Over the last 5 years, the telecom industry has understood the importance of MVAS. Given the declining Average Revenue per User (ARPU) and increasing competition among operators, it's imperative to focus on alternate revenue streams. That's where the need for capitalizing on the Value Added Services Market is felt. The Indian telecom market has tremendous growth opportunities. There is no doubt that the mobile phone is the technology product that has touched the highest number of Indians to date. The Indian telecom sector has seen an exponential growth in the last few years. Telecommunications had traditionally been a voice communication service.

Mobiles today have begun to replace roads in our Country. There is immense scope to develop Utility MVAS services in the country that will bring M-education, M-health, M-banking, M-governance, M-agriculture and other mobile services through digital highway to all sections of our population.

The growth of an infrastructure sector such as telecom has a multiplier-effect on the entire economy of the nation. Fortunately the telecom sector in India, since its liberalization in 1991, has registered an unprecedented growth and is therefore valued at \$100bn today, contributing significantly (13%) to the GDP. Globally in terms of mobile subscriptions, India is the world's second largest wireless market after China.

The key is to identify constraints that may restrict the development of MVAS services and put in place a conducive policy framework and supporting infrastructure for MVAS services to grow and reach all corners of the country. Since the sector requires high investment with long gestation periods, it is crucial that the sector be given an 'industry status'. The growth seen by the Indian mobile telephony sector over the last decade has been nothing short of extraordinary, particularly in its ability to be a great leveler in voice communication access to most sections of the population. The industry today stands on the cusp of another revolution called Mobile Value Added Services (MVAS). MVAS, hugely popular for messages, mails, music, entertainment, gaming and other similar services, have the potential to be used in areas which help bridge the digital divide and foster inclusive growth in India.

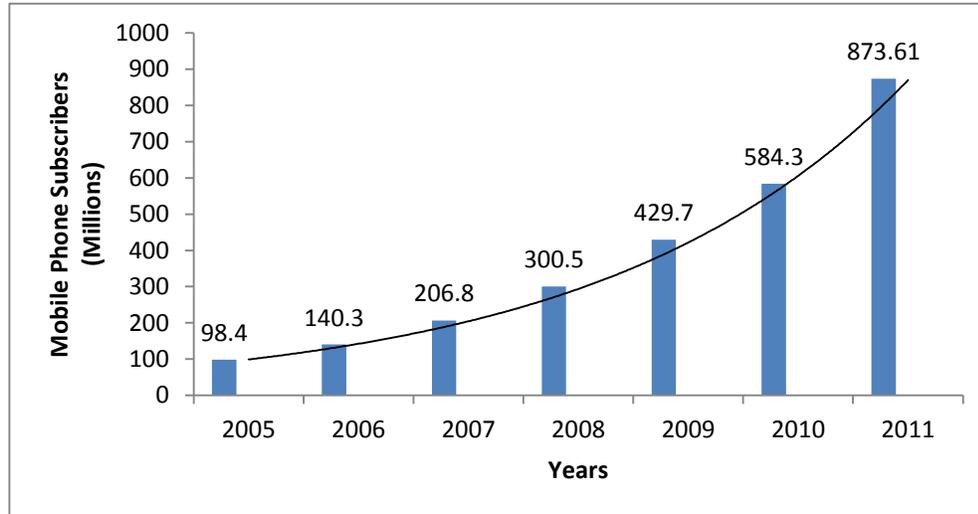
As we have seen, Telecommunication has moved beyond providing just basic voice calls. The mobile phone has evolved from a mere communication device to an access mode with an ability to tap a plethora of

information and services available in the ecosystem. This is the reason why it is now being referred to as the 'fourth screen', after Cinema halls, Television and PC.

While the television screen dominated our lives for the longest time, and the PC and the internet empowered urban India to take its place on the global business stage, it is the mobile phone that Indians have taken up with gusto. The current status and growth indices are shown in the following:

Growth and Current Status

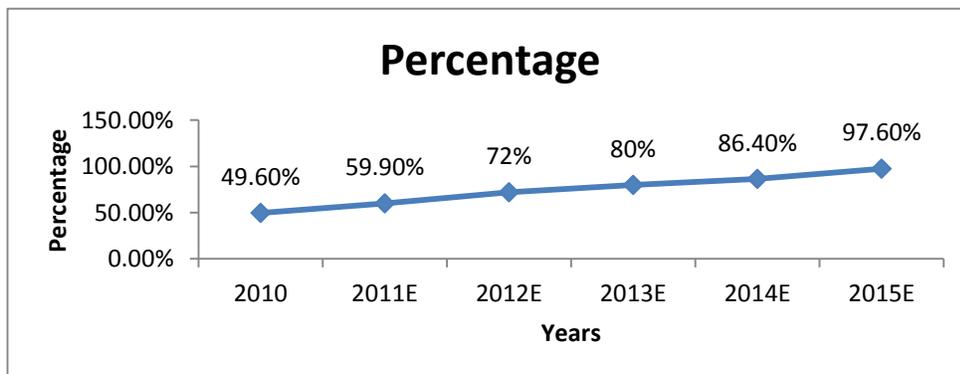
Number of Mobile Phone Subscribers in India (Millions)



In recent years, the mobile phone has become a ubiquitous communication channel (Friedrich et al. 2009). The penetration and adoption of mobile is almost 100% in many western and few Asian countries (NetSize, 2009). In India as on Feb 2010 mobile phone

subscriber base was 558 million, out of which 407.9 million were GSM users and remaining 150 million were CDMA users (COAI, 2010).

The number of telephone subscribers in India reached 874.68 million at the end of May 2011 out of which 840.28 million are wireless subscribers. The low cost of the mobile device and service ensure the masses can avail the services through MVAS platform. The significant change in lifestyle, changing user habits and increasing popularity of social networking sites etc. are shaping future telecom industry. The mobile phone industry has been reporting a continuous increase in penetration as shown in the chart below.

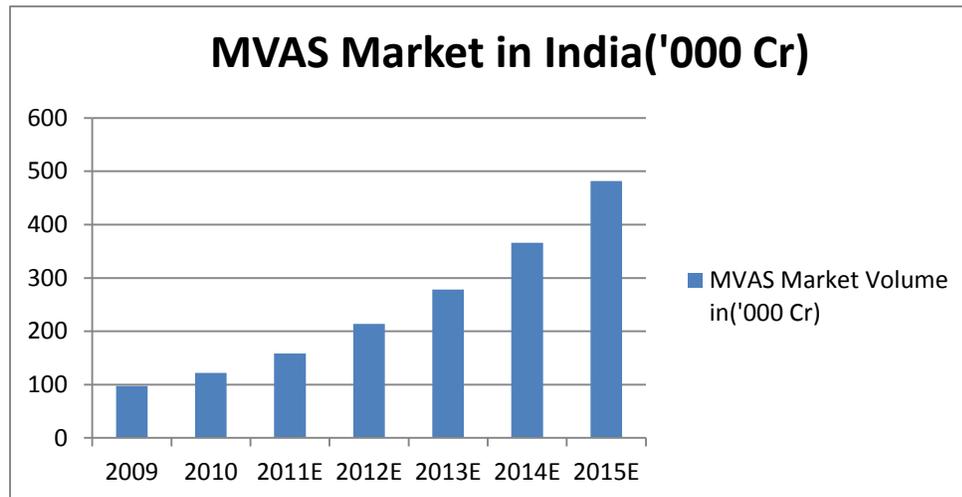


Mobile Phone Penetration in India:

Source: TRAI

MVAS includes all services including ring tones, SMS, music, internet browsing, games etc., provided to the end customers beyond standard voice calls. There is huge potential in MVAS in India and it is estimated that the Indian Mobile Value Added Services (MVAS) industry is estimated to grow to Rs. 48,200 crores by 2015 from the estimated size of Rs. 12,200 crores in 2010 (Refer figure given below).

Mobile Value Added Service Market in India (Rs. Crores)



MVAS service can be divided into three categories:

Information Based Services are primarily those services in which the mobile phone is used to disseminate information to the public at large. The

consumer plays a passive role in information based services. e.g., Epidemic Alerts, Disaster Management updates etc.

Application Based Services are primarily those services which have some level of interactivity and entail the end users (subscribers) playing an active role to consume the service e.g., Checking status of payments, Language training on the mobile, etc.

Enablement Based Services are primarily those services that enable the mobile phone to deliver services almost similar to those provided through a physical infrastructure. In this category, the mobile phone forms a close substitute of the physical channel available for delivery of the service e.g., Person-to-person payments. In most cases, these types of services would require an enhanced safety mechanism, including highly secure encryption technologies.

There is no doubt that the prices of mobile phones have reduced to a great extent. Even smart phones and i-phones (3 G Enabled Handsets) are available at affordable prices. Service providers are facing tough competition in the market due to awareness amongst consumers for quality and diverse services. They have realized that only those will survive which will provide value added services and maintain quality standards.

Now-a-days, consumers are aware of the latest technological developments in mobile phones. With the increase in the development of smart phones and i-phones (3 G Enabled Handsets), the penetration in both urban and rural areas has been increasing. In order to provide information at affordable prices, the demand has been seen not only in educational institutions, banks etc. but also in hospitals as well.

Objectives of the study are:

- To study the level of awareness regarding MVAS among people
- To study what kind of MVAS the people are using
- To understand the current state and future outlook of the MVAS industry
- Data Collection

- A sample size of 100 persons between the age of 18 - 40 has been selected. The data has been collected with the help of questionnaire and observation. The study has been restricted to Chandigarh only.

Analysis and Interpretation

1. 100% respondents were using mobile phones and 35% of the respondents were having dual sim handsets and 44% of the respondents were having two handsets.
2. 75% of the respondents said that mobile phone has become a necessity, 25% of the respondents said that mobile phone is a status symbol and they change their mobiles within a short period of time.
3. 69% of the respondents change their mobile phone within a period of few months of usage, 22% change their mobile phones within a year and 9% change their phones due to any problem in the handset.
4. The price range of the handsets used by 60% was between Rs 6000 to Rs. 15,000. 36% respondents were having the handsets priced above Rs. 15,000 which included i-phones, smart phones. 4% respondents had handsets priced below Rs. 4500.
5. 100% of the respondents consider MVAS to be the main revenue source for the service providers.
6. 38% respondents are using Airtel network, 42% of the respondents are using Vodafone network, 5% of the respondents are using BSNL, 9% of the respondents are using Tata Docomo, 3% of the respondents are using Idea network and 3% are using Reliance network.
7. 71% of the respondents said that they shift their network in order to try new services. Mobile Number Portability Service helps a lot in this direction. 29% of the respondents do not shift their networks.
8. 100% of the respondents are aware of MVAS. They use SMS service to communicate with their friends. About 60 - 75 a day SMS have been sent by 71% of the respondents. 16% of the respondents said that they send even more than 100 SMS a day and 12% said they send upto 50 SMS a day. 1% respondent send 0 - 25 SMS a day.
9. With regard to the frequency of changing ringtones, 100% of the respondents use ringtone MVAS. With the affordable prices, 69% of the respondents change their ringtones once in a period of 1-2 months, 20% of the respondents change their ringtones once in a period of 6 months and 11% of the respondents said that they do not change their ringtones.
10. 72% of the respondents use mobile phone for internet browsing, 28% of the respondents use broadband connections, use plug and play connections and even go to cyber cafes.
11. 53% of the respondents use gaming MVAS. They download the games. 47% of the respondents do not use gaming MVAS.
12. 69% of the respondents are aware of m-commerce services, 48% of the respondents are aware of m-education services, 37% of the respondents are aware of m-health services, 31% of the respondents are aware of m-agriculture services, 22% of the respondents are aware of other services like m-agriculture services, m-governance services etc.
13. 73% of the respondents said that they cannot use MVAS due to high service charges. 68% of the respondents said that there are problems of speed, quality etc. of MVAS.

Thus, this analysis provides the information about the MVAS in India. It is clear that there is a huge potential in MVAS and people are very much aware of this. Most of the people change their service provider for want of value added services. Because people expect a lot in various areas such as m-commerce, m-health, m-agriculture, m-infotainment and m-education. SMS and internet browsing are the most preferred MVAS. The service providers can capture a good market share in the coming years by providing maximum quality service alongwith affordable 3-G mobiles. There is also a huge scope in gaming, education, ringtones, m-books, m-content and other related value added services. They should concentrate on speed of delivering MVAS also.

References

1. Deloitte ASSOCHAM Report on MVAS and TRAI
2. Friedrich, R., Grone, F., Holbling, K., and Peterson, M., (2009), The March of MobileMarketing: New Chances for Consumer Companies, New Opportunities for MobileOperators, Journal of advertising research, Vol. 49, 1, pp.54-61.
3. Netsize, (2009), Convergence: Everything's going Mobile, Informa Telecoms & Media, Vol. 10, pp.1-159.
4. Telecom Regulatory Authority of India, The Indian Telecom Services Performance Indicator, April - June 2011
5. www.trai.gov.in
6. www.indiatelcomnews.com

