



MVAS & M-COMMERCE IN INDIA 2010 – TRENDS & OPPORTUNITIES

November 2010

Confidential © IndiQuest Research



Created by:

IndiQuest Research Pvt. Ltd.

6th Floor, MET Bldg, Gen. A.K. Vaidya Chowk,

Bandra (W), Mumbai 400050. t: +91 22 67060823

w: www.indiquest.co.uk | e: IndiQuest.Services@indiquest.co.uk

TABLE OF CONTENTS

Executive Summary	4
1 Overview of the Indian Telecom Industry.....	6
1.1 Growth of Wireless Subscribers in Recent Years	7
1.2 Market Penetration	8
1.3 Growth Forecasts of Wireless Subscribers	9
1.4 ARPU Achievements and Outlook	9
1.5 Mobile Value Added Services (MVAS).....	11
2 Mobile Value Added Services.....	11
2.1 MVAS Market	13
2.2 MVAS Segments	13
2.2.1 Entertainment VAS.....	13
2.2.2 Information VAS.....	14
2.2.3 M-commerce VAS	14
2.3 MVAS Access Modes	14
2.4 Mobile Internet in India	16
2.4.1 Internet Users in India.....	16
2.4.2 Mobile Internet Users by Category	17
3 Mobile Commerce.....	17
3.1 Evolution of M-commerce.....	17
3.2 Global Scenario – M-commerce	17
3.3 Drivers	18
3.4 Mobile Commerce Application.....	21
3.5 M-Commerce Activity 2009.....	21
3.6 Mobile Payments	22
3.6.1 Application of M-Payments in Businesses	22
3.6.2 M-Payments Global Market Size	23
3.6.3 Mobile Payments in India	24
3.6.4 Generic Model of M-Payment Application service Provider	24
3.6.5 Mobile Payments Value Chain	26
3.6.6 Mobile Payments Business Models:.....	27
3.6.7 Case Study: Citi Tap and Pay	32
3.7 Mobile Banking.....	35
3.7.1 Global Mobile Banking Market:	35
3.7.2 Mobile Banking Services in India.....	36
3.7.3 Popular Mobile Banking Services in India	36
3.7.4 Indian Mobile Banking User’s Income Profile	37
3.7.5 Mobile Banking Market Growth Forecasts:	37
3.7.6 Major Hurdles for Growth:.....	39
3.8 Mobile Money Transfer.....	40
3.8.1 Mobile Money Transfer Value Chain	40
3.9 Mobile Ticketing.....	44
3.9.1 Market Size of Mobile Ticketing:.....	46
3.9.2 Mobile Ticketing in India.....	46

4	3G and its impact on MVAS.....	47
5	M-commerce – Road Ahead.....	48

The enclosed material is copyright of IndiQuest and must not be copied in whole or in part for any purpose without the express written consent of IndiQuest.

Confidential © IndiQuest Research

Executive Summary

Indian Telecom industry has witnessed robust growth over the past decade. Among various sub-sectors within this sector, viz; the fixed telephone service and cellular/mobile services, Mobile telephony services have exceeded all expectations. Market research firm iSuppli Corp estimates that 97 percent of the country's population of 1.26 billion could subscribe to mobile phones by 2014. Many factors like the advent of low-cost handsets, declining tariffs, conducive competitive environment and favorable regulatory policies have provided great impetus to the sector in terms of subscriber base. Despite the hunky dory numbers of an ever increasing subscriber base which has positively impacted the industry revenues, telecom companies are still facing the challenge of shrinking margins which has considerably brought down the 'Average Revenue per User'¹(ARPU).

This negative trend has compelled telecom companies to focus on alternate revenue streams. This clearly justifies the recent shift from provision of pure basic services to a combination of this service with value added services. Operators in India are now focusing on creating a basis for differentiation which could hold them in good stead with respect to competitors. This situation has led to the telecom operators increasingly focusing on 'Mobile Value Added Services' (MVAS) which is expected to trigger revenue growth for the telecom operators. The MVAS market in India is expected to generate INR 5,400 crore by the end of 2010. MVAS can be broadly be classified into three sub-segments, namely: information VAS, entertainment VAS and commerce VAS. This report is wholly dedicated to commerce VAS.

Mobile Commerce is still at a very nascent stage in India compared to its Asian counterparts like Japan & China and Europe and the US. The good news though is that with increasing disposable income in India and a higher estimated GDP growth rate at over seven percent in the next few years, mobile commerce or m-Commerce is set to take off in a big way in the country. However, we cannot ignore the bottlenecks the industry experiences which could curb its huge growth potential. Noteworthy is the fact that the industry has been unable to identify a business model which could serve the interests of all the stakeholders within the value chain. Another issue hampering the growth is the miniscule subscriber base of mobile internet, which is the core requirement for facilitating mobile commerce. Interestingly, analysts also attribute the substandard telecom equipment and poor domestic mobile Internet infrastructure as factors posing significant barriers in the growth of this industry.

The report attempts to provide an eagle's-eye view of the Indian MVAS sector with specific emphasis on m-Commerce. The report follows a bottom-to-top approach and provides comprehensive information about the state of the Indian telecom industry and growth prospects. The report tries to answer some important questions like:

- What is the current market size and growth prospect of the Indian telecom industry?
- What is the market penetration of telecom in India and estimated growth in future?
- What is the current market size and growth prospect of MVAS and M-payments?

¹ Average Revenue per user is a measure used primarily by consumer communications and networking companies, it is the total revenue divided by the number of subscribers.

- What are the different kinds of business models in existence?
- Which is the most favourable business model for the Indian market?
- What is the implication of the growth of m-Commerce on marketers?

To provide a better understanding of the Indian market, the report includes some interesting case studies and results of pilot studies conducted in the m-Commerce domain.

The all-encompassing study culminates exposing the high growth potential in m-Commerce compared to e-Commerce primarily due to two reasons:

- Everyone who has a mobile handset and mobile connection can participate in m-Commerce activity.
- The penetration of mobiles is almost five times that of personal computers and is increasing at a faster rate than the latter.

Confidential © IndiQuest Research