

Unlike India, where the value-added services (VAS) industry is still evolving, the developed markets are big on VAS. For example, in the US and the UK, VAS accounts for 20-25 per cent of the operators' revenues, as compared to about 10 per cent in India.

In most countries, telecom regulations have set limits to the prices operators can charge users for interconnection calls. As a result, to increase the data revenues, operators have shifted their strategy from subscriber acquisition to increasing user spending, particularly in the VAS space.

In fact, in 2008, after years of unrealised promise, data services made the transition from hype to reality. According to research firm Ovum, data revenues (including messaging) are expected to grow by 79 per cent globally over the next five years, with the developed markets accounting for 53 per cent of the data revenues in 2013.

Nevertheless, voice will continue to remain the key revenue generator for operators due to the increasing emphasis on emerging markets, and will contribute 73 per cent of global telecom revenues in 2013. Analysts at Ovum predict that by 2013, the total service revenue of all telecom operators will reach \$1.1 trillion, up 23 per cent from 2008. The mobile data market, at \$290 billion, is expected to account for 27 per cent of the total revenue by 2013. Mobile entertainment is slated to account for 20-25 per cent of mobile data revenue.

In the coming year, the Mobile Entertainment Forum has predicted that in spite of the difficult economic landscape, the mobile entertainment industry, currently worth \$32 billion, will grow by about 28 per cent.

### **Key global trends**

While VAS applications have different usage patterns across various international markets, a common trend is the uptake of messaging and mobile music services. For instance, in markets like Europe where 3G networks have been rolled out, music and gaming are the top growth drivers, with the quality, variety and complexity of offerings continuously increasing and resulting in higher tariffs. At the same time, in Latin America, ringtones are the single largest contributor to VAS revenues. Now, with 3.5G networks being deployed all over Latin America, operators expect an increase in the adoption of mobile broadband and, along with it, a rise in the usage of mobile content, particularly music and games.

Despite the recession, the US wireless data market crossed the \$10 billion mark this year. While messaging continued to witness growth, data access (excluding data cards) and flat-rate data plan subscriptions witnessed strong uptake.

With continued price and margin pressures on subscription plans, voice ARPU will continue its downward trend and data ARPU will become more prominent. By the end of 2009, data ARPU is expected to account for over 30 per cent of service revenues. This will also lead to new business and pricing models.

Non-messaging services accounted for a high share of data revenue as of March 2009. For the US carriers, the share was 50-60 per cent. The flat-rate pricing movement that started in Japan and moved to Europe has now become prevalent in the US with industry-wide flat-rate pricing plans that include data. All the major carriers are offering flat-fee access plans for most of the new smartphones being introduced in the market.

In Israel, which has one of the highest telecom penetration rates in the world at over 100 per cent, location-based services along with music and games are the key VAS offerings.

The Africa and Middle East markets show varying trends across regions. Africa, similar to India, has a high proportion of mobile subscribers in the total telecom base, driven by faster wireless rollout, inexpensive handsets and low-cost prepaid cards. As the banking infrastructure is inadequate in Africa, mobile money transfer is a key need.

The Asia-Pacific region has the largest mobile music market in the world, which is expected to grow to over \$6.4 billion by 2010, according to the Telecom Industry Association (TIA). The Asia-Pacific, led by South Korea and Japan, also has the largest mobile video game market, which is expected to grow to \$4.6 billion by 2010 according to the TIA. Globally, Japan, the

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