

Ovum warning: The risk facing telcos in emerging markets

LONDON, UK: The dominant role of mobile network operators (MNOs) in providing value-added services (VAS) for emerging markets is unlikely to last, according to Ovum, one of the Datamonitor group of companies. Changing consumption patterns around mobile content and apps means that VAS business models will be disrupted in a world with 3G and LTE services and smartphones.



In a new report* the global analyst firm outlines how operators can avoid being sidelined as a result of availability of faster networks, more powerful yet affordable devices, and new channels for content and apps. Ovum reveals that the winning approach will be that of leveraging assets and adopting a more collaborative approach with developers and original equipment manufacturers (OEMs).

"The biggest driver of change is the rise of affordable 'smarter' devices and data access plans, which are driving consumers to the mobile Internet and beyond the walled-garden offerings of the operators," says Shiv Putcha, principal analyst for emerging markets at Ovum. "As a result, developers are also shifting away from the MNO orbit as they see greater opportunities through apps stores driven by device OEMs."

You can put your energy and effort into other areas for greater benefit

MNOs are attempting to combat these threats by investing in their own app stores and building developer communities themselves. But, Ovum research reveals that efforts could be better spent collaborating with developers and device OEMs in particular segments.

"The biggest opportunity for operators is within mobile entertainment services," says Putcha. "The high costs involved in the purchase of PCs, fixed broadband, and gaming consoles will drive less affluent consumers in emerging markets to opt for the mobile device as the primary screen for entertainment, creating an opportunity for telcos to grow their subscriber base with the lure of new content services."

However, Putcha foresees some bumps in the road ahead: "MNOs will face monetisation hurdles due to users' low ability to

pay and piracy, especially for content categories such as music. But by creating effective pricing strategies and offering localised content, operators will make the most of the growing consumption of video, music, and gaming services."

Elsewhere, mobile utilities (m-utilities) offer an alternative approach. MNOs, content providers, and application developers can engage with emerging market subscribers, offering them access to practical content and services that will positively impact their well-being. "From an MNO perspective, these services and applications will serve to bolster the business case and ROI of improving network coverage and expanding to rural areas, but MNOs will need to tailor services accordingly to maximise the revenue opportunity," explains Putcha.

**The Future of Mobile Content and Apps in Emerging Markets*

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