



The importance of partnerships to mobile operators' value added services

Julia Burchell, Community Manager
Alex Smith, Community Analyst

jburchell@gsma.com
asmith@gsma.com

Information and advice for M4D stakeholders seeking partnerships with mobile operators

Introduction

In order to drive sustainability and success in the mobile for development (M4D) sector, M4D products and services need to reach scale (see [Scaling Mobile for Development: harness the opportunity in the developing world](#)). As can be seen from the GSMA Intelligence, Mobile for Development [deployment tracker](#), M4D products and services can cover anything from an mHealth IVR service delivering agricultural information, to mobile money transfers, to data bundles serving the needs of rural women and many, many more. Key to achieving scale in these services is partnerships between organisations to leverage the complementary skills, services or capabilities of each. Those creating products and services in M4D - or 'M4D service providers' - can range from entrepreneurs, social enterprises, mobile network operators, mobile industry vendors to non-governmental organisations (NGOs) and government departments (see [Mobile for Development: A diverse stakeholder mix](#)).

Mobile network operators (MNOs) are central actors on the M4D stage, primarily as the providers of the network through which M4D products and services are delivered. However, their large customer bases, strong subscriber billing relationships, heavyweight marketing capabilities and extensive distribution networks also offer strong opportunities to augment pilot-size service delivery into scaled, commercial ventures, for both non-MNO M4D service providers and the MNOs themselves.

Non-MNO M4D service providers that seek a partnership with an MNO usually seek these partnerships in order to leverage the MNO resources described above to deliver at scale an M4D service that delivers mobile information access or capabilities beyond basic connectivity. As such, the M4D services they are offering would be generally be considered mobile value added services (VAS) by the mobile industry.

This report analyses quantitative and qualitative data to enable M4D stakeholders to better understand MNO views on VAS and how this diverse community can better partner with mobile operators for mutual benefit. It shows that:

1. Operators primarily see VAS as a revenue opportunity
2. Operators think financial inclusion represents the biggest commercial opportunity in mobile for development but also see potential in other sectors
3. Operators believe successful partnerships with third party providers are crucial
4. Finding appropriate business models is key

It then offers basic guidelines to non-MNO M4D service providers considering approaching MNOs for partnerships.

MNO views on VAS and the M4D opportunity

We conducted a survey across 38 countries with a total of 85 respondents working in mobile value added services in emerging markets. Four key findings emerged from this.

1. Operators primarily see VAS as a revenue opportunity

Respondents overwhelmingly supported the idea that revenue was the most important rationale for launching a VAS. When asked to rank revenue, customer loyalty, brand relevance, churn and market intelligence from 1 to 5, revenue had the highest average score by a significant margin (3.3). In contrast, of the five, gathering market intelligence was seen as the least important role of VAS in the operators' view. Proving that mobile for development services have revenue generating potential is therefore hugely important for those looking to deliver them.

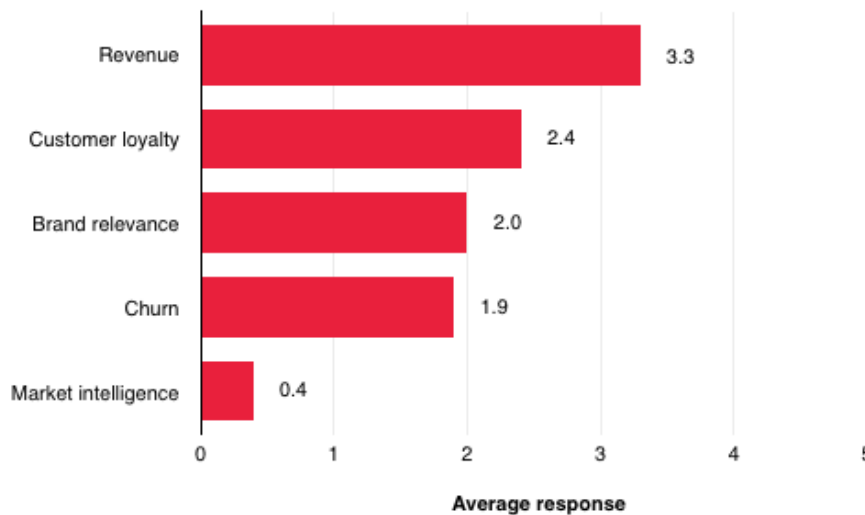


Figure 1: Which represents the important role of VAS (1=least important; 5=most important)

Source: *Mobile for Development Global VAS Survey, November 2013*

2. Operators think financial inclusion represents the biggest commercial opportunity in mobile for development, but also see potential in other sectors

Operators were asked to choose the mobile for development area which represented the largest business opportunity. Perhaps unsurprisingly given the number of high profile successes of the sector, the majority opted for products and services related to financial inclusion (33%). However, operators also clearly saw the potential for other areas, with significant proportions opting for education (26%) and health (18%). Despite the increased interest in the potential for delivery and support of government services through mobile in the wider M4D community, no operator felt that democracy/good governance represented the largest business opportunity.

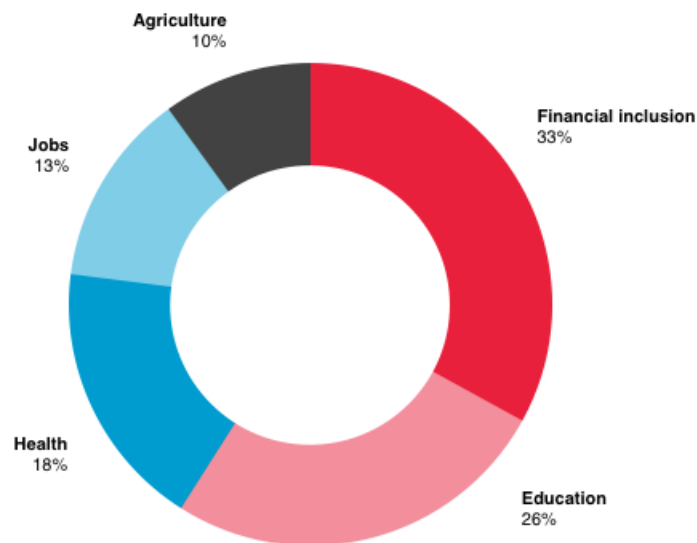


Figure 2: Which sector represents the biggest opportunity?

Source: *Mobile for Development Global VAS Survey, November 2013*

3. Operators can't work alone, successful partnerships with third party providers are crucial

Operators were convinced that partnerships were necessary to deliver successful VAS. Only 8% of respondents felt that operators didn't need third party providers and that they had the capability to do everything in house. In fact, 94% agreed they were interested in partnership, and that the VAS department was the right place to engage operators. Indeed, operators were supportive of the view that the primary role of the mobile operator is to provide access to the network for these third parties (84% agreement).

Non-MNO M4D service providers should note that the location of the 'VAS department' within operator organisational structure varies considerably between companies, operator groups and markets (you can explore [which operators are working in your country](#) in map or list form via the Organisations tab on the GSMA Intelligence, Mobile for Development website). In some operators, VAS will be managed by a separate department focussing purely on VAS; in others it may sit in the same structural area as other business units, such as marketing, data services or business development. Therefore, effort to understand the

structure of the target operator and determine the right contact will be necessary but worthwhile.

4. Finding appropriate business models is key

It is clear that delivering commercially successful VAS is difficult. Operators largely rejected the idea that there is insufficient consumer demand. Only 38% agreed with the idea that a lack of demand was one of the biggest barriers they faced when delivering VAS. Conversely, the majority (57%) of operators agreed with the idea that a lack of right business models was the biggest barrier. This supports one of the key reasons for the existence of GSMA Intelligence, Mobile for Development. While the number of products and services being launched across all M4D sectors has been increasing annually since 2005, successful business models remain rare. It is clear that finding these business models is crucial if scale is to be achieved.

Points to consider when pitching an M4D VAS to an operator

To establish a partnership with mobile operators, it is imperative to understand and communicate clearly as much information as possible about your proposed business model and how it fits with that of the operator; what it offers to the operator and what you need from the operator to deliver on this. It is important to give evidence of your commitment to a professional, enduring, commercially viable partnership.

Partnerships: tenacious professionalism required

Whether you are a start-up company, single entrepreneur or an NGO, if you are seeking a partnership with an operator you will need to operate on commercial lines. For those with very little experience of working with the mobile industry, the following tips may be useful:

- **Do as much of the work for the operators as possible** – assume you are approaching time-poor people.
- **Speak operator language** – be very clear about what's in it for them. Present information in terms of penetration, churn reduction, how it contributes to its innovative brand image etc.
- **Do a preliminary business case.** How did it work in other countries? How would it work in yours? Based on this operator's coverage, network etc. show what you expect the impact would be
- **Be clear what you are bringing to operator:** e.g. innovation, expertise, a ready formed client base, on the ground presence and reach etc.
- **Be clear what you want in return:** e.g. technical expertise, distribution, use of the mobile platform, marketing support (see box out 1), resource in terms of money/people's time, capacity on network etc.
- **Prove you are reliable,** business-like and an enduring partner that isn't going to pull out at the last minute

- **Offer the operator something concrete.** When you pitch, have one concrete idea that you are trying to achieve. Remain open to new ideas, but don't treat the meeting as a brainstorm
- **Be tenacious with follow up.** When you leave the meeting ensure there are clear follow-up actions, push to agree these and to follow them up. The most successful vendors are tenacious, remind them weekly by phone, email and travelling in person
- **Face-to-face meetings** are often most effective, so if possible work in person

(For more detail, see the forthcoming GSMA mWomen Insight Paper: MNO - Social Sector Partnerships in March/April 2014).

Operator participants were unanimous during a recent GSMA Intelligence, Mobile for Development workshop focussed on VAS and M4D in stating that, when considering new services and partnerships, they required detail in the following areas. Workshop participants also noted a number of significant 'pain points' or challenges to developing VAS and therefore hitting their performance targets; these are underlined in the list below. Prospective partners in M4D may benefit from paying particular attention to providing detail in these areas when forming proposals to operators.

- **Partner profile:** Who is the potential partner organisation, in terms of size, profile and track record in delivering similar services? Who could provide a reference for work they had conducted in the past? Why should the operator work with them?
- **Business case/investment:** As outlined above, robust, relevant and justifiable business plans are vital. What is the value proposition? Given this operator's coverage, network and so on, what is the projected impact in key performance areas, such as revenues, customer loyalty, brand relevance etc.? What is expected from the operator in terms of investment? What is the expected revenue share (if applicable)? What resources, such as marketing, user information, geo-location data etc. does the partner require?
 - **Demand:** What is the solid evidence that a demand for this product exists? What steps have the firm taken to discover or demonstrate this (e.g. market sizing, insight surveys or results from implementations in other markets)?
 - **Differentiation:** How does will this service differentiate itself from others in the market? How easy would it be for someone else to design a similar product or service?
- **Legal concerns:** Are there legal issues to negotiate in implementing the service e.g. intellectual property rights or customer privacy? What action has been taken/ will be needed to ensure regulatory compliance?
- **Technical implementation:** What technical specifications are required to implement? Who will host the service? Can the M4D service provider support with: generating the scope for the technical implementation of the VAS; sourcing/ planning the VAS implementation (particularly in ensuring technical engineers fully understand the service description) or executing the technical integration of service?
- **Marketing:** Can the M4D service provider support with formulating the 'go to market' strategy? If so, how? What information can the M4D service provider offer to help

gain support from the marketing department within the operator? How will the social impact of the VAS be measured and by whom?

- **Customer feedback:** How will consumer satisfaction with the VAS be monitored?

Don't under-estimate the amount of marketing needed

- Secure marketing support from the operator early on as part of any agreement
- MNO marketing is a valuable resource. Whilst above the line (TV, radio etc.) is good, it is the lower cost, below the line activities that can carry the most impact for VAS. These can include:
 - VAS ambassadors (common in Africa) which are the agents selling direct to communities paid on commission to achieve targets. These agents are trained weekly on new products and train subscribers in how to use them
 - SMS broadcast advertising directly to subscribers
 - Cross-selling - marketing the VAS when subscribers are doing something else e.g. when a subscriber checks her balance, including a call to action line at the bottom of the text message promoting the VAS in question

Over the coming year, GSMA Intelligence, Mobile for Development will continue to conduct research to better understand those working in operator VAS to support the growth of M4D services.

Appendix: Methodology

Data was obtained via an online survey sent to a database of approximately 800 GSMA contacts who worked in mobile VAS. We received 85 responses, of which 61 were suitable for analysis.

The survey doubled as application form to attend an in-person workshop focussed on VAS. To enable a mix of both operational and managerial level representatives to attend the workshop, funding to cover travel and accommodation costs was provided by our partners [MasterCard Foundation](#) and [Vital Wave](#). 12 operator representatives were selected from survey respondents via a competitive application process with an external adjudicator.

The participants gathered to better understand the role of VAS in customer attraction and engagement, share knowledge and understand how those with innovative M4D services can best work with mobile operators for mutual benefit. The four-hour event was located at the [GSMA M4D Summit](#) in November 2013 and the agenda included short presentations, group exercises and discussions.

About

GSMA Intelligence supports the digital empowerment of people in emerging markets through its Mobile for Development resource. It is a central platform of data, analysis and insight used to inform investment and design decisions for mobile services. Our work is freely accessible through support from Omidyar Network and in partnership with The MasterCard Foundation at gsmaintelligence.com/m4d



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GSMA Intelligence, 5 New Street Square, New Fetter Lane, London EC4A 3BF