



Sandeep Chandrasekar Seshadri,  
Senior Business Analyst –  
Communications, Media & Entertainment  
practice,  
Infosys Technologies Ltd



Deepak Swamy,  
Head Strategy, Communications,  
Media & Entertainment practice,  
Infosys Technologies Ltd

# Monetising Application Marketplaces:

## Early Mover Strategies for Mobile Operators

### WHAT'S NEXT AFTER RINGTONES?

Many mobile operators around the world seek to offset declining voice revenues by increasing customer share-of-wallet. Today's raft of value-added services has primarily focused on low unit-price content such as ringtones and wallpapers. But with the market for ringtones on the decline, mobile applications appear to hold most promise for the next wave of revenue generating services.

The adoption of increasingly sophisticated handsets by Generation-Y'ers and tech-savvy users is starting to create application "real estate." New programming platforms such as Google's Android and Apple's App Store are beginning to drive developer interest in creating innovative mobile applications. Apple Corp's App Store, for example, has attracted millions of downloads of its applications and is likely to drive significant revenues in 2009, the first year after launch.

The key question for mobile operators is how to address and monetise the applications opportunity most effectively. Application developers and ecosystems are already busy developing applications from motion-enabled gaming to mobile payments and personal health software. Mobile operators therefore need to look at new business models to exploit this opportunity.

The tremendous success of Web 2.0 based services such as Myspace, Facebook, Twitter and YouTube and the evolution of application stores, led by Apple, indicates that the opportunity for mobile operators is significant but may require rapid action to gain an "early mover" advantage. New application marketplaces are springing up, driven by high consumer demand. Operators, who until recently controlled the content and applications available to their customers, are losing control over marketing and distribution.

### HAS THE 'WALLED GARDEN' COOKIE CRUMBLLED?

With the newer generation of smartphones, the web browsing experience has moved away from a simple WAP-based access to a more PC-like experience, bypassing the "On-Deck/Off-Deck" debate of years past. Today, with browsers on many smartphones providing a near-PC web experience, not only has mobile web usage grown but the utility of social networking and other applications on mobile is creating new demand drivers that put internet companies squarely in charge of the customer relationship. Are there avenues that still remain for the operator to prosper in this environment? The answer will depend largely on the operators' ability to compete with internet companies in providing applications that bring value, utility and fun to consumers.

### BUILDING BRIDGES: INNOVATION ECOSYSTEM FOR MOBILE OPERATORS

In the current model, mobile operators are "conduits" rather than "innovators", missing opportunities to monetise the interactions they enable. Faster service innovation is the key to increased customer loyalty, reduced churn and unlocking new revenue streams. Many in-house approaches to service innovation have struggled to deliver the goods. Mobile operators need to transform themselves by opening up their networks and application ecosystem to innovation. Rapid transformation of service creation capabilities can often be achieved by partnering and collaborating with best-in-class third parties to create a service 'Innovation Network'.

A successful 'Innovation Network' (diagram 1) combines three key principles: Open, Partner-Monetisable, and Application-Focused.

*Openness* implies an explicit departure from the walled garden model and the adoption of an "internet-like," model to create applications.

*Partner monetisation* means offering a compelling value proposition to all constituent stakeholders - independent software vendors (ISVs), advertisers and media buyers, and subscribers. The operator's business case also needs to be sound and able to show incremental, rather than "big-bang", investment returns.

*Application Focused:* the 'Innovation Network' should focus less on 'enablers' and capabilities and more on the creation and distribution of applications that add value to the customer relationship.

The 'Innovation Network' is more than just a business model. It is an environment in which operators, ISVs, content owners and advertisers are brought together with infrastructure/platform providers to collaborate and drive new service ideas to market.

All partners engaged in building the 'Innovation Network' need to discard any pre-conceived ideas of capabilities and focus their development energies on what customers are willing to pay for.

Innovation network partners have the potential to change the way new services are incubated and sold by working collaboratively to develop and monetise new applications. With rich BSS-based information about users, their geography, their usage, and their behaviour, mobile operators can leverage their innate advantages to conceive and market differentiated application offerings. A focus on "value innovation" remains key to success.

An 'Innovation Network' also creates opportunities for operators to work with a new breed of system integrators who bring significant strengths and competencies to the game. Such "next-generation" application integrators can introduce vertically integrated, monetisable propositions and accelerate the launch of differentiated services.

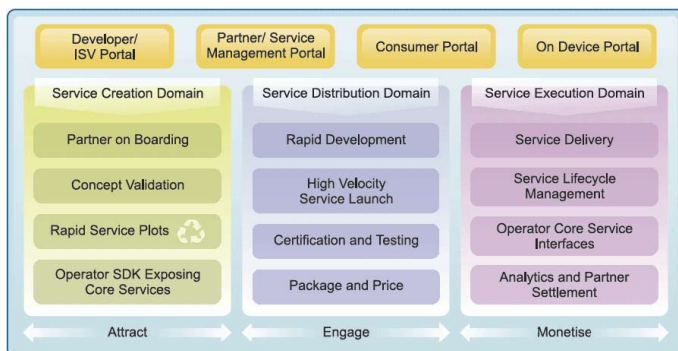
By working collaboratively operators can build new 'Innovation Networks' to:

- Develop, launch and support new application ideas
- Increase service portfolio diversity and potential revenue opportunities
- Enable quick-turn projects to deploy value-added services
- Increase service experimentation while reducing risk and managing costs
- Integrate best of breed third parties with optimised 'on-boarding' processes
- Provide visibility along the value chain for better service launch predictability

### THE WAY FORWARD

Mobile operators can monetise emerging opportunities in mobile applications by creating 'Innovation Networks'. Evolving application marketplaces combined with rapidly growing consumer demand for innovative applications and composite mash-ups, indicate that competition in this segment is likely to be stiff. Operators need to find ways to create open 'Innovation Networks' that attract and retain a variety of partners with whom to collaborate, build and deliver new services and value to subscribers.

Diagram 1 - Conceptual view of an operator's "Innovation Network"



This article was included in the show dailies at the Mobile World Congress 09 and was not written by the GSMA.