

## Asia-Pacific Mobile Operators Can Create New Revenue Streams with Direct Operator Billing

Operators can tap consumers who are looking for easy-to-use payment options.

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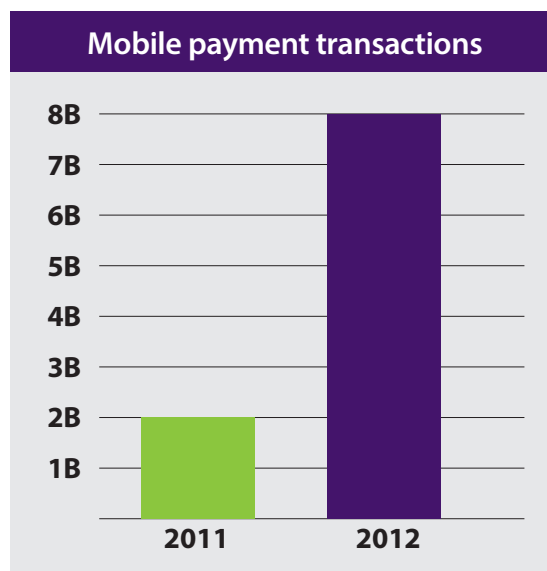
**I**t's no secret that mobile payments are big and getting bigger. Just how big are they?

More than 212 million people around the world use mobile payments in some form, with mobile payment transaction values in excess of \$171.5 billion, "Forecast: Mobile Payment, Worldwide, 2009-2016" report from Stanford, Conn.-based technology research firm Gartner, Inc.

"We expect global mobile transaction volume and value to average 42 percent annual growth by 2016, and we are forecasting a market worth \$617 billion with 448 million users by 2016," said Sandy Shen, research director at Gartner, in Gartner's announcement of the report. "This will bring opportunities for service and solution providers who will need to cater to the local demand patterns to customize their offerings."

Shen predicted the mobile payments market will experience fragmented services and solutions for the next two years. Technology providers will have to cater their solutions to the local market that will be using different access technologies, business models and partners, and under different regulatory conditions.

Growth opportunities are highest where smartphone adoption has a deeper penetration, and there are fewer legacy systems for



consumers to leave behind. In countries that have skipped the wired telephony stage, mobile payments are much more popular.

A report from Basingstoke, England, based-Juniper Research, "Mobile Payments for Digital & Physical Goods: Opportunity Analysis 2012-2017," highlights regional adoption of mobile payments. North America and the Far East and China account for 70 percent of the total gross merchandise sales transaction value. Juniper's report indicates that mobile transactions in the Far East and China are expected to grow 15 percent by 2017. On the Indian

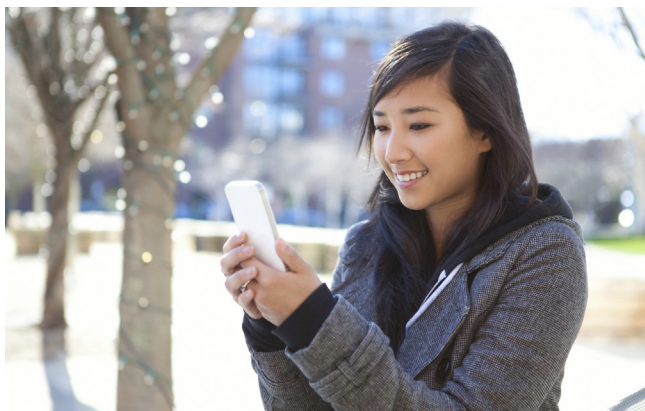
Subcontinent, average annual growth is expected to exceed 50 percent.

Gartner's Shen noted that SMS remains the dominant access technology in developing markets because of the constraints of mobile devices and the ubiquity of SMS. Meanwhile, Web/WAP is the preferred access technology in North America and Western Europe, where mobile Internet is commonly activated on user devices. Gartner expects Web/WAP access to account for about 88 percent of total transactions in North America and about 80 percent in Western Europe by 2016.

In emerging markets, where credit and traditional banking are under penetrated, carriers should consider deploying direct operator billing (DOB) for e-commerce as a means of improving margin, locking in customers (both consumers and merchants) and accessing potentially substantial new streams of revenue with unbanked subscribers, according to Gartner's "Hype Cycles Special Report."

Because direct operator billing lets users make payments for goods and services with a single acceptance without the need to enter credit card numbers or use SMS, DOB provides a higher level of service and customer engagement compared to premium SMS (PSMS).

Keep in mind that direct operator billing is nothing new. For decades this has been the way telcos charged for additional services such as long distance and pay-per-minute numbers. With the advent of smart phones, direct operator billing lets users make a purchase via their phone from compliant merchants without entering credit card data. Such transactions are typically quick because the carrier has the



user's data and is relatively simple compared to other payment methods.

Direct operator billing provides opportunities that are not possible with PSMS, according to Nic Stirk, SLA Mobile's CEO.

"DOB allows operators the opportunity to rebuild value-rich relationships with their customers, grow revenue, engage further with existing customers and access new market segments," Stirk said.

This white paper, sponsored by Kuala Lumpur, Malaysia-based SLA Mobile, provides an overview of the capabilities that DOB offers for mobile operators and merchants.

### How DOB works for carriers

With DOB, operators become the center of the mobile-payments ecosystem rather than ceding that ground to other players in the marketplace. Carriers can position themselves at the heart of the value chain and generate revenue from the various ecosystem partners.

"Operators can disrupt the current value chain by creating a vibrant ecosystem in which revenue is generated from a

two-sided business model, which has the operator at the center and consumers and merchants on either side,” Stirk said.

One key to creating sustainability is for operators to manage their own direct engagement with merchants. Stirk suggested that some operators might have the capability and resources to do this themselves. If not, they should partner with a technology and business company that has the ability to think and behave like an operator.

A business partner can offer features that provide a rich user experience, such as real-time charging, flexible pricing points and direct refund management. These features translate into reduced drop-off rates and increased conversion rates for merchants and other partners.

### How DOB works for merchants

With direct operator billing from a provider like SLA Mobile, carriers can give merchants the functionality to provide a seamless and secure payment experience for customers. Purchases made from the mobile device (web, app store or in-app), tablet or PC web browser will be applied directly to the carrier bill.

With PSMS, merchants are limited to the price points that can be offered. However, with DOB merchants can set any price point. In addition, a merchant can implement a price change and get almost instant feedback on the impact.

What’s more, DOB offers fast onboarding for merchants and service partners. With SLA Mobile’s solution, merchants can be connected within 24 hours, reaching new markets for their products and services almost instantly, while simultaneously offer-

### Benefits of partnering with a provider

A business partner can offer features that provide a rich user experience, including:

- Real-time charging
- Flexible pricing points
- Direct refund management

ing their existing customers a convenient, safe and fast payment solution.

Fraud protection and consumer account management are built in to the system. Consumers can set spending limits for their accounts to avoid buyer’s remorse when the bill comes. SLA Mobile’s system also identifies and manages ineligible purchases to improve operating efficiency, improve customer satisfaction and reduce refunds and transaction queries.

### How DOB works for users

Unfortunately, some carriers believe they offer DOB when in fact they’re still offering PSMS behind the scenes. Limitations include fixed price points and no support for refunds.

With DOB it is possible for the whole purchase experience to be more embedded with the user experience. There is no need to interrupt the customer experience for SMS messages to be sent and received. The purchase experience can all be managed either in app or on web. However, for regulatory reasons SMS may still be required as proof of purchase.

Overall, DOB gives the merchants more ability to innovate with the user experi-

ence they provide by supporting refunds and flexible pricing. Customers appreciate the amount of information that can be included on the mobile service bill for each transaction. Also, merchants and operators can generate deeper relationships with a self-care app that enables consumers to check their own transactions in real-time.

In developing markets, money transfer and airtime top-ups will account for most transaction volume, and money transfers will account for the largest portion of the transaction value because of the demand for secure and efficient ways of storing and transferring money. Ticketing/parking also appeals across many markets because it can improve efficiency in transacting, as well as offering user convenience. In developing markets, such as Southeast Asia, users can buy bus and railway tickets using a mobile payment service so that they can secure tickets earlier where tickets are often in short supply.

Using DOB, unbanked consumers can participate in the mobile economy with the mobile carrier acting as their payments company. Customers' loyalty will increase with a multi-channel relationship mingling communications and payments.



### Carrier's business case for DOB

For the carriers, DOB offers the opportunity to capture a significant part of the mobile commerce value chain. It's also a way to reduce customer churn because of the deeper relationship with the merchants. Creating an active payments ecosystem with the carrier at the center represents an innovative way to attract new users and increase average revenue per use from existing customers.

Consumers value the simplicity and transparency of charging purchases to their mobile phone bill. Because DOB typically offers a one-click purchase experience compared to the multiple steps required with PSMS, carriers will experience higher conversion rates than PSMS or credit card payments while enabling access to those without credit or debit cards.

Combined with increased transactional transparency and flexibility, DOB enables payment for emerging media rich content and services that PSMS cannot support.

While some carriers may fear a loss of revenue when upgrading from PSMS to DOB, any short-term challenges will be offset by a greater potential for services and content and a deeper relationship with consumers, Stirk noted.

"Operators have many assets which can be monetized and DOB is simply the stepping stone to greater things in terms of differentiating themselves against the OTT players," Stirk said.

### Evolution of DOB

Direct operator billing enables mobile carriers to differentiate their service offering and defend against the growing threat from

over-the-top (OTT) players such as Apple and Google. DOB puts carriers on an equal footing with the OTT players regarding technology and customer relationships, something that PSMS is not able to achieve.

With DOB, operators can create and manage their own dynamic ecosystem that includes partners such as developers, global app stores, payment companies, aggregators, global brands and individual merchants. Such diversity enables operators to generate revenue from a range of virtual, digital and physical goods and services. Consumer and merchant acceptance of DOB is currently in its infancy, and with early adoption and forward thinking, carriers can position themselves as major players for the future.

### Potential market sectors for DOB

- Transport
- Utilities
- Retail payments
- Print media and subscriptions
- FMCG
- Web hosting
- Classifieds
- Web payments
- Advertising
- Tickets & events
- Software
- Game subscriptions
- Charities
- Mobile learning
- Postal
- Vending
- Insurance

**About the sponsor:** Established in 2003, SLA Mobile is a technology market leader for the global mobile industry and works with the world's leading mobile operators and content providers. It operates from APAC Headquarters in Kuala Lumpur, Malaysia and European Headquarters in Belfast, UK, and is committed to innovation and identifying new and evolving opportunities. SLA Mobile works closely with its clients to create game-changing solutions that monetise network assets and translate operators' relationships with end-users into new billing opportunities. The company creates rich new services that grow revenues, engages customers and enables operators to strategically compete in evolving mobile environments.