

IMPACT OF VALUE ADDED SERVICES ON TELECOM SERVICE PROVIDERS – A STUDY ON ALTRUIST TECHNOLOGIES

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Abstract

The study was aimed at identifying the impact of Value added Services of the profitability of the Telecom Service Provider. Mobile value-added services (VAS) are those services that offer differentiation and the ability for mobile operators to charge a premium price. Mobile VAS include non-voice advanced messaging services such as SMS, MMS, MIM, and UM and wireless data services based on wireless data bearer technologies such as WLAN, GPRS, WAP with VAS applications including mobile gaming. Mobile VAS also includes voice-based services such as PTT.

After the research it can be said that Value Added Services contribute a major chunk of profits for operators and the younger generation are the most important target audience.

Industry body ASSOCHAM estimates that mobile value added services are poised to grow by over 65 per cent to touch Rs 8,200 crore (\$2 billion) by the end of this fiscal from Rs. 4,950 crore in the last fiscal. With such a huge potential it is imperative that content providers come out with new contents so as to increase their market share and penetration.

Keywords: *Value added services, Factors influences, Satisfaction level of customer, Demographic Factor, Indian mobile telephony market*

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INTRODUCTION

Mobile phones today have moved beyond their fundamental role of communications and have graduated to become an extension of the persona of the user. We are witnessing an era when users buy mobile phones not just to be in touch, but to express themselves, their attitude, feelings & interests. Customers continuously want more from their phone. They use their cellular phones to play games, read news headlines, surf the Internet, keep a tab on astrology, and listen to music, make others listen to their music, or check their bank balance.

Thus, there exists a vast world beyond voice that needs to be explored and tapped and the entire cellular industry is heading towards it to provide innovative options to their customers. Spoilt by choice, the mobile phone subscribers are beginning to choose their operators on the basis of the value added services they offer. The increased importance of VAS has also made content developers burn the midnight oil to come up with better and newer concepts and services.

SCOPE OF PAPER

Accessing people when they are on the move' was the basic premise for the need of mobile telephony. The world over, voice contributes about 90 percent of revenue. Although voice revenues are falling, the overall revenues for an operator have increased, thanks to a whole host of value-added services (VAS) that operators have launched.

Amongst all the VAS, short messaging service (SMS) has proved to be the rabbit pulled out of a magician's bag. Individuals require bits of information from time to time. Such information may either have a utility value or fun value. News, jokes, travel, horoscope, P2P messaging are the best examples of such services

LITERATURE SURVEY

According to Sethi, (2006) Telecommunication is one of the prime support services needed for rapid growth and modernization of various sectors of the economy. Although the sector has grown rapidly in recent years, its growth needs to be accelerated further. It is equally important to accelerate structural changes in this sector in line with trends in other countries to ensure that the telecommunication services are not only made available

on the scale needed to sustain rapid growth in the economy as a whole but also that the quality and cost of these services come up to the requirements of a modernizing economy.

According to Singh, Telecommunications is a prime support service needed for rapid growth and modernization. It is also one of the fastest growing sectors in India and has immense potential for growth. The telecommunication activity is commercial in nature and people are willing to pay for it. Deregulation and competition are key elements in telecommunications reforms all over the world and will be a guiding principle to the evolution of policy in this sector in coming years.

Private investment is expected to play a major role supplementing the efforts of the public sector in expanding capacity and also providing competition within the system. The quantum of investment by the private operators would basically be determined by the rate of return on such investments both basic as well as value-added services.

The telecom sector has witnessed some fundamental structural and institutional reforms in the past decade. Telecom equipment manufacturing was completely deregulated in 1991; Value added services (including cellular services) were thrown open to private sector participation in 1992. Basic services were opened to private participation in 1994 by dividing the country into 21 Telecom Circles and allowing one private operator per Circle to compete with DOT. An independent Telecom Regulatory Authority of India was set up in 1997.

Telecommunications has emerged as an important driving force in a modern economy. Considering its vital importance, the Government adopted the National Telecom Policy Declaration in 1994. The Government has placed great emphasis on the rapid growth of this sector by introducing major reforms.

The telecom network in India today is not small in absolute terms. With over 12 million lines, it is the 14th largest in the world. Yet it suffers from an abysmally low penetration of 1.3 per 100 population when the world average is over 10. More than 2.1 million consumers are in queue waiting for a telephone line.

All this would need a rapid expansion and up gradation of the existing network. If the telecom network in India is able to grow at even the current annual growth rate of 20 percent for the next five years, it would rank among the six largest networks in the world. This in absolute terms would mean an addition of 30 million more basic telephone lines a number which is expected to be second only to China. India has also expressed its first commitment to make large investments in value-added services by opening up this sector. All this would place India among the leading countries in terms of equipment purchase.

OBJECTIVE OF THE STUDY

The objectives of the present study are:

- To study the concept of VAS and the various services provided by Altruist Technologies.
- To analyze the revenue models for VAS for the services of Altruist.
- To study the consumer behavior in choosing a particular VAS.
- To determine the satisfaction level of customer for VAS.

RESEARCH METHODOLOGY

Research Design: The study is Descriptive in nature, consumer's feedback was necessary for obtaining the data. Primary data was collected by the questionnaire based market survey. A sample size of 150 respondents was used for the study but only 135 respondents filled the questionnaire completely. The final sample size was 135. The research was conducted in Yamuna Nagar & Ambala cities. Self designed and self administrated questionnaire was used as the data collection tool. The questionnaire includes combination of close and open ended question. Since the study is only meant for certain specific categories within the total population (cell phone users, in this case), a stratified random sample was used.

In the first question, respondents asked about what type of the mobile connection and technology like CDMA or GSM they used. This was the open question. The second question asked the value added services they were used. In the next question was related

to factors influences in the selection of VAS. The next question was targeted at the satisfaction with VAS.

All the respondents were aged 21 and above and it include 69 males and 66 females. 33.3% of the total respondents were students and the rest were businessmen, homemaker or service people.

Table 1: Demographic details of the respondents

Demographic Factor	Number of respondents	% age
Gender		
Male	69	51.1
Female	66	48.9
Total	135	100.0

Age (in years)		
21-24 years	55	40.7
25-30 years	44	32.6
30-40 years	23	17.0
40 years +	13	9.6
Total	135	100.0

Occupation		
Student	45	33.3
Businessman	40	29.6
Homemaker	29	21.5

Job/Service	21	15.6
Total	135	100.0

ANALYSIS OF DATA AND RESULTS

MOST PREFERRED CONNECTION & TECHNOLOGY: To find the popularity of value added services amongst the pre-paid and post-paid users. The results shows in Table 2 type of connection of prepaid is (44.5%) and (33.3%) in the postpaid connection. Most of respondents (50.4%) were using GSM handsets and (33.3%) respondents were using CDMA handsets.

Table 2: Most preferred connection & technology by users.

Type of Connection		
Respondents	Response	% age
Pre-paid	60	44.5
Post-paid	45	33.3
Missing	30	22.2
Total	135	100.0
Type of Technology		
CDMA	45	33.3
GSM	68	50.4
Missing	22	16.3
Total	135	100.0

THE FACTORS INFLUENCING THE SELECTION OF VAS: Table 3 presents the results of the analysis the factors influencing the selection of value added services. The most important factor for selection of Value Added services was perceived benefits followed by the price of the service, features, availability and quality of services. The question was asked to determine the most popular value added services. The most preferred VAS were contests, followed by caller tunes, ring tones, wallpapers in that order.

Table 3: Factors Influencing

Factors/Rank	5	4	3	2	1
Price	63	24	6	1	6
Features	21	31	27	17	4
Availability	21	6	18	11	44
Quality of Service	3	5	4	11	77
Perceived Benefit	68	24	4	3	1

VAS	Contests	Caller Tunes	MMS	Ringtones	Wallpapers	Others
Rank	6	5	1	4	3	2

CUSTOMER SATISFACTION LEVEL: Most of the respondents (34.1%) were satisfied with the price of VAS while (23.7%) respondents were not satisfied with the Value Added Services.

Table 4: Satisfaction Level

Satisfaction Level	Respondents	% age
Very satisfied	20	14.9
Satisfied	46	34.1
Neutral	16	11.9
Dissatisfied	32	23.7
Very dissatisfied	21	15.6

Total	135	100
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The Need for Value Added Services: India is going through a telecom revolution, especially in the wireless telephony segment. The adoption of mobile telephony remains unparalleled in scope, as users from diverse segments increasingly choose to exercise the option of personal mobility. The user base has been adding 3- 4 million subscribers per month. India is rapidly moving towards being an evolved mobility market with no distinction between market incumbents and challengers. Indian mobile industry is estimated to be around Rs 23,284 crore (\$5.2 billion) in FY 2004–05, an increase of 63 percent. Last year the Indian mobile industry, as per V&D estimates, was around Rs 14,267 crore (\$3.2 billion). With numbers increasing, all major operators grew between 45 percent and 86 percent. Operators having all-India footprint did pretty well, with Bharti, Reliance, and BSNL crossing the 10 million mark. In subscriber terms, all the national operators were very close to each other. Bharti led the race with 10.98 million, followed by Reliance with 10.45 million, and BSNL had around 10.16 million. In revenue terms, Bharti led the race and was followed by Hutch, Reliance, and BSNL. The top five operators, both in subscriber terms as well as revenue terms, contribute around 85 percent of the revenue. This proves the point that small and niche operators have to align with large operators or face the risk of being bought over sooner or later. It is expected that in FY 2005–06, the industry will witness another round of acquisitions leading to further consolidation. quarter on quarter. The average industry ARPU has fallen from Rs. 375 for Sept '05 quarter to Rs. 347 for June 2010 quarter, a fall in ARPU of Rs. 28 per subscriber since Sept '05 (a decline of 7%).

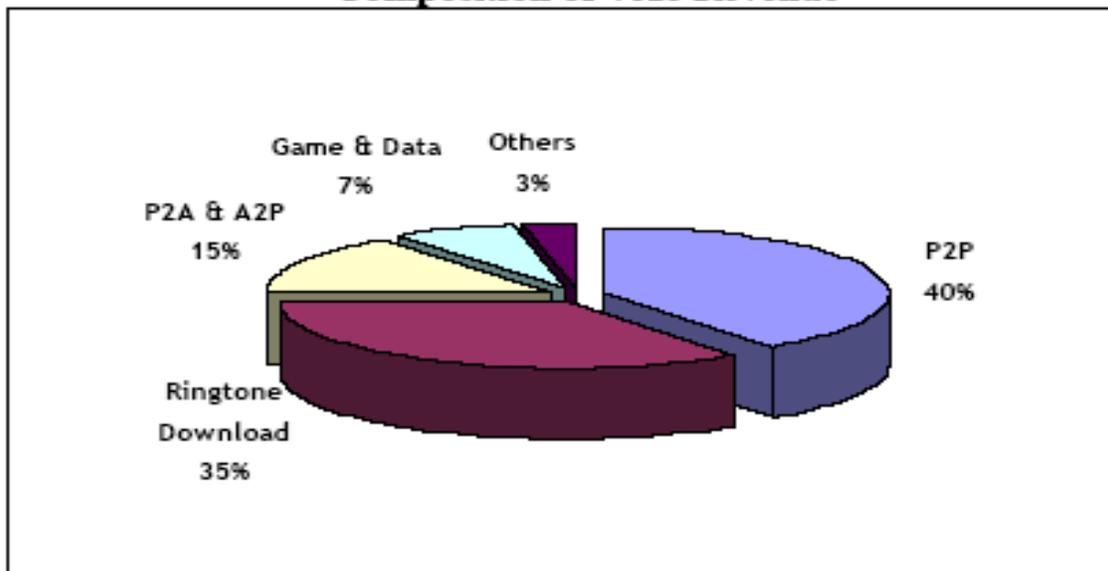
THE ROLE OF VAS

There is now a critical mass of users in the Indian mobile telephony market who are experienced mobility users.

- **Personalization of the digital world and digital devices** :With increasing pressures and stress on individuality, mobility users also want to carry forward their individuality to their mobile device.

- **Reduction in call rates & CPP initiation:** CPP (Calling Party Pays) was an important initiative which unshackled the mobility market and allowed many more subscribers to enter the mobility category.
- **Market efforts driving VAS:** For the operators, success of VAS has become important for their growth. This has led to a sharp focus on marketing.
- **SMS contests:** Television is another culturally entrenched constant in the life of the average Indian..
- **VAS- Definition & Market Size:** Mobile value-added services (VAS) are those services that are not part of the basic voice offer and are availed off separately by the end user.
- **Current market size:** The current market of mobile VAS in India is estimated at Rs. 2850 crore.

Composition of VAS Revenue



Mobile VAS in India can be further categorized into the following broad categories:

- **P2P:** Person to Person SMS, the most common form of mobile communication apart from voice
- **Ring tones:** This is inclusive of monotones, poly tunes, and true tunes and also includes CRBT (Caller ring back tones).

- **P2A & A2P:** P2A (Person to Application) SMS inclusive of messages sent by end users for contests & for seeking other information like news & updates.
- **Games & Data:** Games include download of one play games offered by Reliance & full play games offered by other operators; Data include download of wallpapers & logos
- **Others:** Include MMS (Multi Media Messages) & subscription charges for WAP services. Though the mobile subscriber base has grown by over 95% (August 06 over August 05) it is believed that relative growth in VAS revenues will be lower.

CONCLUSION

According to the Cellular Operators Association of India (COAI), the mobile subscriber base in GSM and CDMA has grown from 88.48 million in January 2006 to 93 million (GSM 65.2 million, CDMA 27.82 million) in February. But behind the scenes all the telecom operators are struggling to increase their average revenue per user.

Consumer behavior: The consumer behavior for selecting VAS as identified through primary research is related to the age, occupation and education of the consumers. Future of VAS: Currently, the number of mobile phone subscribers in India is rising at an average of 6 million each month. India added 6.57 million mobile subscribers (including GSM and CDMA) in May 2007, taking the total number of mobile subscribers to 178 million and this represents a huge opportunity for content providers.

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