

App payments will shore up mobile carriers' falling content market share

LONDON, UK: According to the latest forecasts from Informa Telecoms & Media, operators will see their share of mobile content and commerce revenue drop from 44% in 2011 to 31% in 2016 globally.



The operators' market share will shrink in areas such as mobile music, mobile games, mobile TV/video, mobile messaging, location-based services and chat/social-networking over the next five years, as these services go increasingly "over the top." This fall in market share would be more precipitous if it wasn't for the growing role that operators will play in mobile app payments.

The app stores have unseated the operators from their former dominance in the mobile content space, but carrier billing - app-download and in-app payments charged to mobile phone bills - will allow operators to claim an increasing share of revenues over the coming years. Although operators have been firmly shut out of Apple's game-changing mobile apps ecosystem, all the other players that have jumped on the mobile apps bandwagon, including Google, Microsoft, Nokia, RIM and Samsung, need carrier billing to get paid for downloads from their app stores. Only Apple benefited from the precedent, through iTunes, of having a direct billing relationship with millions of digital media users.

Don't miss the opportunities

"But operators could miss out on the opportunity afforded by carrier billing if they don't make it more affordable and accessible to app-store owners and developers, and if they do not introduce more efficient and flexible systems than the clunky and unreliable PSMS," says Guillermo Escofet, senior analyst at Informa Telecoms & Media. "More compelling alternatives are already appearing in countries such as Russia, where instant-payment terminals in streets allow users to turn cash into e-money to spend on digital goods."

The slice of app revenues going to operators will grow from 10% in 2011 to 17% in 2016. "Not because operators will increasingly act as a direct retail channel for apps, but because they will increasingly act as enablers of paid-app downloads on third-party stores," says Escofet.

The need for carrier billing is becoming all the more pressing as app stores push further into emerging markets, where bank accounts and plastic money are rare, and premium SMS is for most the only means of paying for digital goods on phones.

Emerging markets make up the lion's share of mobile subscribers globally, and that proportion is constantly growing. Moreover, the app stores that have embraced carrier billing are the most relevant to emerging markets, such as Nokia Store, Google Play (formerly Android Market) and BlackBerry App World.

Informa predicts mobile content revenues (total data revenues minus Internet access and P2P messaging) to grow from US\$40.7bn in 2011 to US\$131bn in 2016. Informa's forecasts only take into account direct end-user revenues - i.e., money paid by users for content and services - and do not include indirect revenue sources, such as advertising.

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