



VOICE & DATA

M-commerce: The Next Big Hope!

M-commerce needs a much-required fillip to boost its services

[Ritu Singh](#)

Wednesday, May 09, 2012

At a time when the Indian telcos are leaving no stone unturned to cut each other's throat in the race of acquiring and retaining more and more customers by using cheap tariff and lucrative VAS apps as weapons, they have perhaps, so far overlooked other lucrative avenues to increase their bottomline. One of these is m-commerce.

The country and the industry has so far been gung ho about its telecom success story and still chants numbers like 900 mn mobile customers, 10-15 mn new user additions on monthly basis, and a growth rate of 10-15% y-o-y, the same operators have somehow missed another huge number-around 700 mn.

Yes, that's the figure that depicts the number of Indian population who still do not have access to bank accounts. And this number can be tapped, that too easily, by the operators in collaboration with prospective partners like banks, handset vendors, and VAS players, using the ubiquitous digital device-mobile phones.



If leveraged properly, the [m-commerce](#) opportunity could prove as a savior for the already bleeding Indian telcos who are marred by numerous factors like declining ARPU, unexpected failure of [3G](#), and regulatory disturbances. And m-commerce definitely seems to be such service that has the potential of catapulting the Indian telecom service providers on the right growth trajectory. "A large part of the ecosystem will include telecom service providers and banks shifting focus to include m-commerce as a part of their mainstay businesses," says Neel Chowdhury, CMO & VP, Obopay.

The increasing demand of utility transactions on mobiles, primarily due to continued penetration of mobile phones and the growing need for real-time cashless payments gave birth to m-commerce. India has more than 900 mn mobile subscriptions; it has just 240 mn people having bank accounts, 20 mn credit cards, 88,000 bank branches, and 70,000 ATMs. Of the households without a bank account, 42% have at least one mobile phone.

M-commerce: A Growth Area Touted as the next generation of e-commerce, mobile commerce today enables customers to transform their mobile into their wallet. As a vast segment of the Indian population who neither had a landline nor a bank account today have made a generation leap and not only do they own a mobile handset, but are also slowly attempting to transact on their mobile phone. With this reality, the estimated market size of the m-commerce in the country is pegged to be around `400 crore.

The total potential revenue opportunity through mobile commerce can reach `20 bn in 2015, according to the IAMAI 2011 survey and this is only the beginning. So, clearly mobile commerce has rapidly emerged as a major growth area for mobile operators. **Kalyan Banga, Manager, Product Development, Netscribes India** says, "Although mobile commerce market in India is in nascent stage, m-payment and m-banking segments have shown significant growth over the last few years. Initiatives taken by the government and financial organizations to reach India's unbanked population can ensure tremendous growth in the latter segments."

M-commerce in India is primarily dependent on network operators who can effectively enhance and advance the usage of its services, which has resulted in collaboration and partnership models in domains like banks and telecom operators and technology provider. The market expansion in this domain has to be nurtured, offering a wide scope in increasing revenue for m-commerce players and telecom operators.

"In order to fully leverage the potential of mobile for financial transactions it is important to use the mobile network, widespread distribution network and innovative services mobiles offers," says Sridhar Rao, business head, mobile commerce, [Vodafone](#) India.

The recent [airtel](#) ad of a girl buying bags after her mother comes to her rescue 'through mobile' or the one showing a friend helping another with mobile money through his mobile for a drink are just examples of companies trying to tap the m-commerce market in the country.

Operators' Play

Talking of the country's largest integrated telecom operator Bharti airtel, the operator launched its [airtel money](#) services by airtel M Commerce Services early last year in Delhi/NCR and Chennai and it was subsequently rolled out to 300 cities and across 20,000 outlets earlier this year. The service offers its customers with diverse usage across sending money and spending in different categories such as food, entertainment, travel, and utility payments nationally.

[Vodafone](#) entered into the segment in 2010 offering m-shop a marketplace to avail a range of goods and services from 2010. It also offers M-Paisa a bank account on mobile from 2011. The services have been accepted by wide sections of the society in both urban and rural markets. Vodafone has partnered with HDFC Bank for the M-Paisa bank account on mobile. Vodafone also separately provides a wide variety and suite of VAS services for its customers.

Idea has partnered with [Axis Bank](#) to launch its banking platform Idea MyCash will use Idea's network of 10-lakh points of sale. Under the scheme, a customer can open a no-frills bank account of Axis Bank at Idea's outlet by submitting minimal documents.

Corporation Bank in association with Tata Indicom and PayMate announced the launch of 'Green Money Transfer'-a unique person-to-person mobile money transfer service, in early November 2009. "We tied up with Indian Bank for green money transfer. We have got the license for mobile money through prepaid card and we will rollout mobile money soon.

Vendors are also coming forward to technologically support the entire system. Ericsson will be adding Ericsson Money Services to its expanding range of managed offerings for carriers. This is not just a hosted service, but an end-to-end process that the company is set to create a global ecosystem that makes sending money person-to-person as simple as sending an SMS.

Many operators are in the process of setting up the right system and platform to tap this through significant financial commitments in this space through investment in a mobile money platform and have already signed MoUs with a couple of banks.

BSNL that has the maximum rural penetration in the country has still not taken up the initiative and leaving a plethora of opportunity untapped. The entrance of PSUs in the space is bound to mature the space and redefine the business.

Kalyan Banga, Manager, Product Development, Netscribes India believes, "M-commerce services stand to gain immense traction in India, if rural and sub-urban population and their needs and preferences are properly catered to."

Key Takeaways

- M-commerce market today pegged at ₹400 crore
- Estimated to touch ₹2,000 crore by 2015 (IAMA)
- Total number of m-commerce users at present 35 mn (Frost & Sullivan)
- Total number of banked customers—240 mn
- Total number of unbanked customers—700 mn
- 4 of 15 operators offering the service
- PSU operators missing from the action

If leveraged properly, the M-commerce opportunity could prove as a savior for the already bleeding Indian telcos who are marred by numerous factors like declining ARPU, unexpected failure of 3G, and regulatory disturbances