



Apps to Go - Mobile Operators muscle in on AppStore & Android Market

AT MOBILE WORLD CONGRESS 2010 in Barcelona leading Mobile Operators announced the formation of the *Wholesale Applications Community*. The stated goal of this new GSMA group is to "... establish a simple route to market for developers to deliver the latest innovative applications..." to their customer base. The Mobile Operators intend to "... seek to unite members' developer communities and create a single, harmonized point of entry ..." so that developers to join and distribute via a single distribution point.



The idea is very understandable from a Mobile Operator perspective. Over the past 30 months, they have watched first iPhone users and then Android users download millions of applications, in many cases generating good revenue for the Application Market owners and the developer partners. Mobile Operators feel that they carry the traffic but seldom see any real financial benefit from providing access to "their" customers. Worse, the (profitable) "bill on behalf off" (BoBo) model has ceased to have any real relevance in most markets as application stores (and micropayment solutions) proliferate.

Which brings us to the real challenge for Mobile Operators – the customers are not really theirs any longer (were they ever, really...). Sure, they still own a billing relationship for services provided and perhaps still for some third party applications or services. But increasingly

customers have customer relationships with third parties **directly from the phone**, over the cellular network. Can Mobile Operators be expected to sit back and allow this to continue?

Of course, there have been lots of previous attempts to plug the dyke. We have lived through the Walled Garden, the "on-deck" vs "off-deck" app and game environment, Brew style closed systems with certification requirements, etc. Fact is though, in those days data services accounted for a very small portion of ARPU, inhibited by restrictive practices, high cost and charges and difficult discovery.

Tek Elements believes that things have moved on quickly from the days when Mobile Operators could dictate to customers, OEMs and ISVs how they would interact. The Apple AppStore revolutionized all this, made everything easy (in a very familiar iStore like setting) and pulled the rug out from under the existing market. Once the mold was broken, it was not going to be easy for Mobile Operators to recast it in the same way. Mobile devices have become consumer fashion items – much more than just a communications tool. This consuming public will not accept the old kind of restrictive relationship.



Offering access to 3 billion potential customers may be powerful marketing material – but it is also misleading. While the 24 Mobile Operators may potentially cover 3 billion users, only a small fraction of these can afford data services and the



paid content which drives ARPU (and this initiative). Most of the 3 billion buy airtime by the \$ - and for those customers, SMS is the main/only application.

For the Wholesale Applications Community initiative to succeed (that is, to attract both developers and high value users), the Mobile Operators will need to accept that this market is multi-choice oriented. This means that they will not be able to oblige Apple, RIM, Microsoft or the Android community to join or enable shared access. In fact, the very fragmentation the GSMA seeks to "control" or eliminate is actually driving market growth. Ultimately, and perhaps fittingly, neither technology nor openness will decide the fate of this initiative – customer preference will.



Tek Elements expects that this battleground to be messy but very interesting. We will be watching will interest.

Click [here](#) to read the GSMA press release.

ABOUT TEK ELEMENTS:

We are a highly nimble consulting firm serving telecommunications and information technology clients from our offices in Silicon Valley California and Johannesburg South Africa. Since our foundation in 2005, we have been helping clients looking for assistance with Go to Market, Marketing, Competitive Analysis, Partnering, Sales Readiness and Emerging Market strategies & tactics. Our advice is both analytical and actionable, leading to a high degree of implementation success.

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