



By Kaustubh Kashyap

# The app economy

Despite being started just a decade ago, the app economy is booming and is changing the way customers interact with the world and is only set to grow faster, and faster

Ironically, telecom operators have been doing digital payments by selling airtime since they started on-boarding prepaid customers. Thereafter, they started using the airtime to sell other accessories such as wallpapers, images, contents, videos, games, etc. Economic activity through applications, for the telecom operators in the digital world, existed since they began.

The app economy in fact, was kick-started just a decade ago with the launch of the iOS App Store in 2008. With the growth of apps on both iPhone and Android smartphones, economic activity moved beyond the payment capabilities that the telecom operators provided, as users could purchase only so much from their airtime credit. The OTTs/digital companies filled the gap by offering other modes of payments – primarily credit and debit cards.

The app economy is set to rise exponentially in the next three years, with transactions expected to increase four to five times from today to \$6.3 tril-

lion, and users are set to double, to over six billion. Telecom operators must take notice of all forms of monetisation opportunities around the application economy – revenues from apps, in-app ads, direct carrier billing, and a host of mobile commerce solutions around them. Most telecom operators have realised this and are now in the process of upgrading their infrastructure to garner more share of the application economy.

## The regulatory landscape

Due to the proliferation of the application economy, users' data is going beyond the boundaries of just the country they live in and beyond the control of a single regulatory body. This often results in conflicts on the regulatory framework for the application economy. As a result, the regulators of their respective countries have been making efforts to minimise conflict by pushing commercial activities within the limits of same regulatory framework.

The regulations must create a level playing field for all the digital service providers of the application economy. A couple of ways this can be created are: Improved security of the customers' personal data, increased security around payment/check-outs with respect to transaction data, consider the option of in-country payment switches, and promote/incentivise carrier billing via telecom companies

## Monetising the app economy

There are a few of key challenges with the application economy with respect to telecom operators. These are firstly; Poor on-boarding and management of the digital companies and their customers, currently, it takes six to eight weeks to on-board enterprises.

Secondly, the success rate of the digital transactions – on average, the success rate is 60-65%, i.e. out of 100 transactions requested 35 to 40 of them fail. This not only results in poor customer experience, but also leads to other issues such as refunds, cash-backs, etc.

Telecom operators are best placed to address this dual concern – improve customer experience and increase success rate of transactions. Telcos have, in some form or the other, invested in their enterprise communication solutions, by opening their APIs, it can be used as an engagement tool with default payment check-out for the apps.

Other payment options such as direct carrier billing has a much higher success rate. There are few strong technology companies that offer smart payment gateways that boost the transaction success rates closer to 90%.

Open APIs will unlock opportunities by quick service provisioning for the enterprises, billing, rating, lifecycle management and payments for the customers of the enterprises.

By offering service-oriented architecture to the enterprises for driving the experience of their own customers basis their business needs, the telecom operators would drive down their operational costs and improve profitability, besides driving a much-improved customer experience.

## Realising the value of APIs

Digital transformation is underway in most telecom operators, as their traditional source of revenue (voice) is drying up and the alternate source (data) is not giving them returns on their investments. This initiative to-

**\$6.3tn**  
Projected future  
app economy  
revenue



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towards the digital transformation is precisely driven by the need to create new sources of revenue (app economy).

By moving towards service-oriented/open APIs architecture, a telecom provider can address all the segments of this new market: Brick-and-mortar enterprises who wish to engage with their customers digitally (banks, hospitality, health-care, etc.), B2C companies doing business via apps (like Uber, Careem, Airbnb, etc.), B2C companies doing online business (Souk, Al-Futtaim, Carrefour, etc.), and Pure-play B2C app companies (like Amazon Prime, Netflix, Wavo, etc.)

Opening the network to allow other enterprises to use the telecom providers' networks to run their own business would generate revenues from the enterprises – a completely new revenue

stream. While an engagement platform is a must, the check-out methodologies vary, based on the banked population in the country.

A basic solution such as USSD-based payments, to direct carrier billing, to advanced check-outs with digital wallets, and unified payment aggregation solutions.

By becoming an enabler of assorted services, telcos can part-take a significant pie of the application economy, in which they currently play a very nominal role. ◉

#### About the author

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