MOBILE FOR DEVELOPMENT IMPACT

THE ROLE OF VAS VENDORS IN MOBILE FOR DEVELOPMENT

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Mobile for Development Impact

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THE ROLE OF VAS VENDORS IN MOBILE FOR DEVELOPMENT

KEY TAKEAWAYS

FOR DEVELOPMENT AND SOCIAL SECTOR ACTORS

Leaning on a partner VAS vendor's strong operator relationships, existing infrastructure and understanding of the local mobile ecosystem is a smart way to hedge risk, while also creating a pathway for commercial sustainability.

FOR VAS VENDORS

Working with development actors represents an opportunity to serve their mobile operator clients with the new M4D services those clients desire to launch. It also diversifies the 'vendors' portfolio' and client base, enabling them to benefit from the significant funding and content expertise available from the international development community.

FOR MNOS

Closer collaboration between VAS vendors and the development community will help enable MNOs to diversify their VAS portfolio and engage new and existing subscribers with services that offer socio-economic benefits. It will also help them to benefit from the significant funding and content expertise in the international development community by leveraging existing vendor relationships.

INTRODUCTION

Mobile for development (M4D) products and services use the mobile channel to deliver socio-economic benefits to underserved consumers in a sustainable way. The social sector (including donors, non-governmental organisations (NGOs) and social enterprises) is increasingly using mobile as a key tool to catalyse social impact. Mobile network operators (MNOs) appreciate the social and commercial opportunity M4D services present: 93% of MNO delegates to M4D Impact's Value Added Services (VAS) Workshops in 2013-2014 declared they had a positive view of M4D, with a wider industry survey showing that MNOs see mobile internet access, education, healthcare and finance as the biggest commercial opportunities in M4D (See p.18 for more detail on the M4D opportunity for MNOs).[1]

When launching M4D services, social sector actors report challenges associated with the different organisational goals, processes and vocabulary between non-profit, development or social enterprise organisations and the commercial models of the MNOs (see the **GSMA Connected Women Partnerships Insights Paper**). The difficulties in obtaining the right contact and the length of time it takes to engage and agree terms of partnership with an MNO are also common complaints.

In the mobile industry, VAS are services offered in addition to MNOs' core services of voice, SMS and data. M4D services often complement basic connectivity through offering access to other services (e.g. utilities) or information (e.g. in health, education) and are made available in addition to mobile network operators' core services. As such, M4D services are generally considered mobile VAS by the mobile industry.

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1   GSMA M4D Impact VAS Survey 2013-2014, n=176

MNOS HAVE THREE MAIN OPTIONS WHEN DELIVERING VAS:

Build their own

Work with VAS vendors or partners to deliver services

Open up their APIs to developers directly

The second approach, i.e. working with a VAS vendor, is the dominant model, with the large majority of MNOs surveyed working with VAS vendors on a substantial proportion of their VAS. Moreover, two thirds of operators reported that a quarter or more of their VAS were the result of external pitches (see Appendix 1 for more detail). This shows how important VAS vendors are in supporting MNOs not only in the implementation of their VAS, but also in pitching the ideas for services that are eventually launched.

VAS VENDOR?

'VAS vendor' is a catch-all term, which includes any third party organisation or supplier with whom MNOs work to create, integrate, launch and maintain the VAS offered to their subscribers. These third party companies may refer to themselves, or be referred to, by many different terms, including VAS providers (VASPs); third party VAS vendors; aggregators; application developers and providers; mobile media and entertainment providers; content providers and service providers. A list of VAS vendors can be found on the M4D Impact Tracker [2] **and the variety of organisations included reflects the range of companies that MNOs work with on VAS.**

However, despite the need for easier partnerships and an increased pipeline of M4D services, VAS vendors and social sector actors are usually not working together as effectively as they could. For development actors seeking to launch a commercial M4D service, leaning on a partner VAS vendor's strong operator relationships, existing infrastructure and understanding of the local mobile ecosystem is a smart way to hedge risk, while also creating a pathway for commercial sustainability. For VAS vendors, working with the development community and other social sector actors represents an opportunity to serve their mobile operator clients with the new M4D services those clients desire to launch. It also diversifies the vendors' portfolio and client base, enabling them to benefit from the significant funding and content expertise available from the international development community. Stronger collaboration and partnerships between these entities will increase the efficacy and availability of M4D services overall and all M4D stakeholders will have the chance to realise the huge social and commercial potential that M4D presents. This report outlines how leveraging the expertise and services which mobile VAS vendors offer to the mobile ecosystem can help overcome some of the barriers MNOs and social sector partners face in working together.

HOW VAS VENDORS OPERATE AND DEFINITIONS OF APPROPRIATE BUSINESS MODELS FOR M4D SERVICES

VAS vendors generally work with clients in two ways:

1. VAS vendors offer B2B clients (e.g. media companies, fast moving consumer goods corporations etc) access to back-end technology or mobile channels, such as operator billing or outgoing SMS in bulk.

2. VAS vendors deliver products, content and/or campaign services to mobile operators or other clients who seek to leverage VAS vendors' expertise in content curation and/or mobile campaign design. These services are often those commonly engaged with directly by mobile subscribers, such as daily news alerts, premium music or entertainment content, or a consumer goods advertising campaign. They can both be B2B or B2C.

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2   Click **here**, switch from 'Map' to 'Table' view, then sort the list reverse alphabetically Z-A.

In both of these scenarios, VAS vendors utilise a variety of business models to ensure revenue while maintaining flexibility to accommodate the client's service needs and risk appetite. The following section describes some of the most common business models used by VAS vendors to engage in B2C and B2B activities and offers examples of M4D services that could suit these models. By no means is this list meant to be exhaustive; rather, the variety of models described below testifies to the many ways in which development actors can engage with VAS vendors.

## VAS VENDOR BUSINESS MODELS

REVENUE SHARE

In a revenue share business model, VAS vendors and their client take a shared-risk, shared-reward approach and will split the revenues from paid services, with little or no money exchanged for the design and development work of the service. In some cases, VAS vendors may require an upfront payment to offset capital expenditure costs and/or for annual maintenance fees, the level of which will be determined by how much risk they need to mitigate. In most cases, although there is relatively little money exchanged upfront, there will be commitments on both sides e.g. the MNO may commit to a certain amount of marketing and the vendor to collating a certain amount of content.

The revenues derive from mobile subscribers' fee-based actions such as subscriptions, downloads, premium SMS and voice calls. The revenue share is usually in favour of the MNO. There are also revenue share models that do not include an operator share, such as scratch cards with access codes or memory cards containing content which are sold by VAS vendors direct to consumer retailers, who then split sale revenue with the VAS vendors who supplied the cards. Depending on the number of stakeholders involved in a service and their contractual relationships, sometimes revenue will be split between more than two parties.

Example M4D Service potentially appropriate for this business model

A mobile VAS disseminating job skills content to subscribers or an English learning service that offers lessons and tests via IVR and SMS for user subscriptions.

THIRD PARTY/REVERSE BILLING
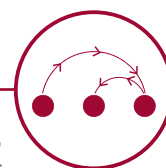
This model allows a third party content provider to send a subscriber a message, and then charge for it via the subscriber's operator airtime credit or phone bill rather than paying for sending the SMS themselves. VAS vendors who offer reverse or third-party billing architecture to their clients will often take a portion of the end-user fee if large volumes are anticipated; if not, there is often a flat-fee model for small-volume services that need billing capabilities.

Example M4D Service potentially appropriate for this business model

A 'pull' mobile agriculture service which enables subscribers to send an SMS to a short code or call into a set of recorded voice messages to receive extension information on a chosen topic.

ADVERTISING MODEL

A model in which users have free access to the VAS, funded by another organisation, who pays the VAS vendor for the communication costs and/or advertising messages to users.

Example M4D Service potentially appropriate for this business model

Childcare content offered by a trusted NGO is followed by a brief advertisement for rehydration sachets. This advertising space funds the service so that it is free to end users.

MANAGED SERVICES

When a VAS vendor is engaged to provide end-to-end delivery of a service for a completely flat fee, or (more commonly) an almost-flat fee that is tiered by volume to facilitate future scale-up of the service. Unlike a revenue share, in this business model VAS vendors receive payments either upon delivery or on a set timeline basis to manage all aspects of a mobile service, including research and design, content provision, platform development, deployment, measurement and customer relations/ quality assurance. This business model is often used for non-commercial services that don't charge users, such as government services.

Example M4D Service potentially appropriate for this business model

A maternal health training service that enables health workers to call a number to listen to relevant recorded voice messages via IVR. Whereas content may be provided initially and ultimately verified by the source NGO, government or academic institution, all other aspects of service creation and delivery are managed by the VAS vendor.

PLATFORM ACCESS FEE

For VAS vendors who have ready-to-use platforms for services such as two-way messaging or audio libraries, they will offer clients such platform access for a fee, either priced on a per-use basis or by volume and service complexity. This is sometimes referred to as PaaS (Platform as a Service).

Example M4D Service potentially appropriate for this business model

A mobile agriculture service where the academic institution that generates the content also makes it mobile-ready and disseminates it to the relevant segments of its user base via the vendor's platform.

CHANNEL / WHOLESALE ACCESS FEE

Similar to a platform access fee, VAS vendors can sell access to specific mobile channels (such as bulk outgoing SMS, USSD sessions or audio callbacks) for a set fee priced by volume. For channel access, the clients will generally hand over whatever content they want sent out to the VAS vendor, who does the actual process management in-house, versus using a platform, where the client maintains content and process authority.

Example M4D Service potentially appropriate for this business model

A local women's NGO wants to send a one-off SMS to its supporters to mark International Women's Day.

HYBRID MODEL (CAMPAIGN DESIGN AND MANAGEMENT)

Some VAS vendors have in-house market research, localised content knowledge and user experience expertise and for those clients looking to leverage these, mobile campaign design and management is a hybrid of managed services and revenue-share wherein VAS vendors will often take a flat-fee plus a smaller share of service revenue to work deeply with a client on custom service design for a client's bespoke VAS product or mobile campaign. Such a business model is often used in mobile advertising for consumer goods products, in which high set-up fees for custom content or content licensing warrant an initial upfront investment from the client.

Example M4D Service potentially appropriate for this business model

A behaviour change campaign promoting hand-washing via SMS coupons for sachets of soap, complemented by radio advertising in partnership with a health NGO and a multi-national consumer goods company that sells soap.

THIRD PARTY-CONTENT/CONTENT LICENSING

VAS vendors often have relationships with a range of localised content and entertainment providers, often based in the geographical areas they specialise in – i.e., if a VAS vendor has strong services across West Africa, the company may have local staff in individual countries dedicated to keeping tabs on what is popular in that market, as well as sourcing and managing local content providers across a spectrum of localised content interest areas. VAS vendors also have internal capacity and experience in managing the complex, multiple stakeholder relationships involved in sourcing and curating third-party content and licensing from both a legal and logistical perspective. They then use this content in B2C or B2B services, for B2B services such as mobile advertising campaigns and pure direct-to-consumer services like job alerts.

Example M4D Service potentially appropriate for this business model

A maternal health VAS aiming to engage subscribers to change harmful childbirth practices using new lyrics to popular songs. The vendor oversees the licensing of the tunes for use in the service.

The following diagram looks at the business model question from the opposite angle, giving example M4D services and appropriate business model options to explore.

Potential business models for development organisations looking to work with VAS vendors

SCENARIO 1

You are an international NGO working in Zambia with local partners to develop entrepreneurship training content. You're interested in distributing this content via mobile and would be open to exploring charging a fee to ensure sustainability. This work has no set end date and is viewed as a long-term initiative.

OPTION A

REVENUE SHARE
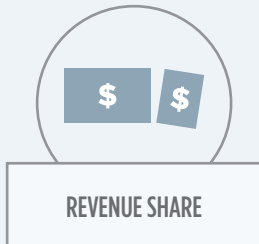
- Ensures vendor buy-in to make the service a success via marketing and other expertise
- Does not require on-staff ICT and marketing expertise
- Potential to scale content to regional markets via vendor

OPTION B

PLATFORM ACCESS FEE

- Gives NGO ability to fully manage content distribution
- Requires NGO to take on service marketing and promotion
- Requires on-staff ICT expertise

OPTION C

CHANNEL ACCESS FEE + THIRD-PARTY BILLING

- Lowest-touch option with least control over content distribution or management
- Only for one-way distribution
- Not a long-term solution for robust end-user engagement

SCENARIO 2

You are an NGO and have just won a 4 year contract to develop the agriculture sector in eastern Pakistan. Part of your scope of work is to launch an SMS and IVR-based educational service targeting female farmers. You have agriculture content and ICT experts on your team.

OPTION A

HYBRID MODEL
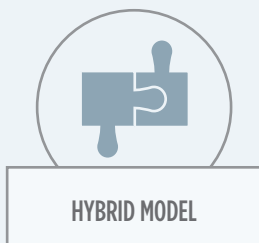
- Gives NGO ability to fully manage content distribution
- Vendor takes on service design, marketing and promotion, increasing service uptake in tough segment
- Leverages staff expertise

OPTION B

PLATFORM ACCESS FEE

- Gives NGO ability to fully manage content distribution
- Leverages staff expertise
- Requires project to take on service marketing and promotion
- No help in service uptake

OPTION C

MANAGED SERVICES

- Vendor accountable for success of service
- Project ensures quality of content, vendor does rest
- Potential for long-term rev-share if content and market need proven by uptake

SCENARIO 3

You are an international NGO working in Jordan on gender-based violence. You are specifically interested in running a short-term, catchy, mobile-based awareness raising campaign targeting rural youth and families. You do not have any ICT experts on your team, but you do have good content expertise.

OPTION A

MANAGED SERVICES + THIRD PARTY CONTENT/CONTENT LICENSING

- Vendor accountable for success of service.
- Third-party content such as popular media content drives end-user uptake

OPTION B

CHANNEL ACCESS

- Likely least-expensive option for a short-term service
- Low-touch means low burden on project staff for the messaging component
- Need a reliable partner
- Only for one-way distribution
- Project bears full burden of campaign design, so need to bring in a consultant or train staff for this aspect

SCENARIO 4

You are a DFID partner and have 2 years left in a 5 year project supporting public-private economic development partnerships in Bangladesh. A private sector partner is interested in funding a mobile-based alert system for local companies to subscribe to public tender alerts from the government. You have no ICT expertise on staff.

OPTION A

MANAGED SERVICES

- Vendor accountable for success of service
- Project brings partners together to develop use case, vendor does the rest
- Once system is built, maintenance costs can be marginal

Given the number of ways in which VAS vendors do business, a typical business cycle varies from one VAS vendor to the next. For VAS vendors for whom revenue shares with mobile operators make up the bulk of their business, continuous pitching is normal, with a close personal relationship with counterparts on the operator side key to business success. Having a personal relationship with operator clients is also valued for the business insight it yields: operators may share details about their annual focus or roadmap with trusted suppliers, so that suppliers can serve these needs. For VAS vendors with less of a pure focus on revenue share, formal pitching on a quarterly or bi-monthly basis can be the norm, with ad-hoc pitching common for VAS vendors with expertise in specific niche technologies or content areas that have less-frequent development cycles. A key highlight of many of our interviews with vendors was the focus on transparency with the client – VAS vendors will often informally talk through new service ideas with clients to ensure strategic alignment and test interest before greenlighting development internally.

BENEFITS OF CLOSER COLLABORATION BETWEEN THE DEVELOPMENT COMMUNITY AND VAS VENDORS

The benefits that those in the social sector and development community reap through working with VAS vendors include:

BENEFITS FOR THE DEVELOPMENT COMMUNITY IN WORKING WITH VAS VENDORS

GREATER EFFICIENCIES

Significant savings in time and resources: the VAS vendor manages the relationships and technical integration with MNOs and facilitates approval of content.

Experience of the VAS vendor in managing complex partnerships and navigating landscape of local content providers, with strong networks and deep reach into local markets.

HIGHER QUALITY OF SERVICE AND SERVICE UPTAKE

Strong service design and campaign management expertise, with capacity to develop and deploy solutions end-to-end.

Strong VAS marketing experience and capabilities, with ability to manage below-the-line marketing campaigns and bring other private-sector relationships to the table, such as multi-national companies with interest in the base of the pyramid (BoP) market segment

IMPROVED SUSTAINABILITY AND IMPACT

Improved likelihood of sustainability through business case development based on the VAS vendors' commercial knowledge and experience

In our interviews it was clear that there are benefits on both sides of the relationship, as well as on the local private technology ecosystem and the potential for broader social impact more generally.

Through our interviews with VAS vendors who are currently working with the development community, it was clear that although M4D makes up a very small contribution to overall business, VAS vendors working on M4D services are enthusiastic about this area and see real business benefits from working with the development community. These include:

BENEFITS FOR VAS VENDORS OF WORKING WITH THE DEVELOPMENT COMMUNITY

REVENUE & ACCESS TO CAPITAL

Diversified revenue flow, as more revenue comes from new managed services agreements, the model usually favoured by their development community partners

Access to risk capital to invest in new services for untapped markets

BETTER UNDERSTANDING OF USER NEEDS STRENGTHENS OFFERINGS TO MAINSTREAM CLIENTS

Increased understanding of user needs at the Base of the Pyramid (BoP) enable vendors to better advise MNOs, media and other clients as well as improve delivery of other content geared towards underserved audiences. E.g. learning how to make content in SMS/IVR menus easier for users to find and navigate can inform and improve the design of other mainstream services

OPERATIONAL IMPROVEMENTS

Positive impact on business operations in terms of transparency and accountability, as contracting requirements with the development community necessitate accounting and other business process practices to be held to an international standard
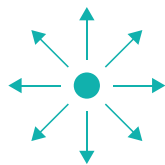
DISTRIBUTION

Social sector organisations often have substantial on-the-ground networks, which can offer new channels for distribution

.

REFERRALS & REPUTATIONAL BENEFITS

Increased business from conventional clients, who see VAS vendors as more reputable and of more importance due to referrals from and partnerships with major international organisations

Good internal PR and positive impact on internal employee engagement

Closer collaboration between the development community and VAS vendors will help enable MNOs to:

BENEFITS FOR MNOS OF CLOSER COLLABORATION BETWEEN THE DEVELOPMENT COMMUNITY AND VAS VENDORS

DIVERSIFY THEIR VAS PORTFOLIO	ENGAGE NEW AND EXISTING SUBSCRIBERS WITH SERVICES THAT OFFER SOCIO-ECONOMIC BENEFITS	BENEFIT FROM SIGNIFICANT FUNDING AND CONTENT EXPERTISE IN THE INTERNATIONAL DEVELOPMENT COMMUNITY BY LEVERAGING EXISTING VENDOR RELATIONSHIPS

RECOMMENDATIONS

As VAS vendors play a central role in the mobile ecosystem when it comes to MNOs' portfolios of non-core mobile services and due to the benefits described above, we have the following recommendations:

1. **For development and social sector actors,** leaning on a partner VAS vendor's strong operator relationships, existing infrastructure and understanding of the local mobile ecosystem is a smart way to hedge risk, while also creating a pathway for commercial sustainability.

2. **For VAS vendors,** working with development actors represents an opportunity to serve their mobile operator clients with the new M4D services those clients desire to launch. It also diversifies the vendors' portfolios and client base, enabling them to benefit from the significant funding and content expertise available from the international development community.

3. **For MNOs,** closer collaboration between VAS vendors and the development community will help enable MNOs to diversify their VAS portfolio and engage new and existing subscribers with services that offer socio-economic benefits. It will also help them to benefit from the significant funding and content expertise available from the international development community, in a manner that leverages their existing vendor relationships.

Whereas we recommend that M4D stakeholders and VAS vendors should explore opportunities to collaborate more closely, it is important to recognise the challenges of doing so. Our interviews outlined a number of such challenges and from these, we have collated the following guidelines for partnership, to help M4D stakeholders and VAS vendors work together more effectively.

BEST PRACTICE GUIDELINES FOR PARTNERSHIP BETWEEN VAS VENDORS AND DEVELOPMENT COMMUNITY ACTORS

BUSINESS MODEL

VAS Vendors

- Consider fixed fee managed services business models as a primary business model for working with the social sector to account for lower usage volumes
- Understand margins could be significantly thinner when working with development community actors than with conventional clients

Development Community

- Consider managed services as a primary business model
- As donor funding can be unstable, consider agreeing set-up fees as part of the payment structure to protect any initial investment the VAS vendor makes

OPERATIONS

VAS Vendors

- If not in place already, consider establishing framework agreements with MNOs to minimise the number of pitches necessary. This enables quicker trialling and iterations of M4D services to expedite improvements
- Insist on clear roles and responsibilities with the social sector partner
- Invest in hiring staff or contracting consultants with development sector experience to manage M4D client negotiations and/or ongoing relationships

Development Community

- Understand all aspects of offering a mobile service: it's not just about great content, it's about making it mobile-ready, delivering it in the best way at the best time, technical integration, data protection, distribution, and customer care
- Incorporate customer care functions into the planning and project roles
- Don't overlook user testing; consider using external agencies for support (e.g. in recruiting subjects) and to ensure objectivity
- Invest in individuals who have the experience and skillset to manage the VAS vendor relationship – e.g. who understand business processes and technical documentation
- Consider acting as the main M4D content point of contact for VAS vendors on your project/service, possibly by managing other development content providers or NGO stakeholders to reduce management burden on VAS vendor and increase your value-add
- To expedite the flow of work later in the project, at the outset, try to map where the 'silos' are in your organisation or from where your internal hurdles may come, and take steps to mitigate the impact of these later on

UNDERSTAND PARTNER CONTEXT/MARKET DYNAMICS

VAS Vendors

- Fixed fee managed services business models will likely be easier for the social sector organisation to allocate resources for the project as they will know what payments are from the outset. Revenue shares may not be suitable for projects which preclude the end-users being charged
- Understand that donor funding can be unstable – consider up front fees as part of the payment structure to reduce risk
- Sign off on payment terms before implementation

Development Community

- Understand there may be regulatory issues governing how VAS vendors interact with users
- The VAS vendor marketplace can be volatile, therefore, ensure you research the market and verify the strength of vendors' businesses before engaging them (see Appendix 3 for Considerations for selecting a VAS vendor)

LOCAL CAPACITY BUILDING

VAS Vendors

- Understand and articulate clearly the value of the service to both partners/customers and end users
- Do not assume a full knowledge and appreciation of the power of technology
- Be ready to demonstrate your technology to show its potential impact (particularly if dealing with government partners)

Development Community

- Do not automatically import solutions from the developed world or 'copy and paste' solutions from other markets: VAS vendors in-country/in-region have local knowledge and contacts that can be useful in tailoring to local needs
- Consider offering capacity building for VAS vendors/innovative tech companies in-country to support them in working with international NGOs/donors

SERVICE SUSTAINABILITY

VAS Vendors

- Build in data analytics to measure:
  - The social impact of the service to support the social sector organisation's reporting requirements
  - The direct and indirect benefits of the service (e.g. churn reduction, increased usage of core voice/sms etc) to persuade all parties (VAS vendor management, MNO, development community) of the benefits of M4D VAS

Development Community

- Be prepared to invest – understand that there are high costs involved in developing and maintaining a quality service
- Leverage VAS vendors' commercial and market knowledge to build a sustainability plan together
- Clearly articulate the value of your on-the-ground networks, content expertise etc. and explore how this can be leveraged in the partnership to support the distribution and uptake of the VAS
- Be prepared to trade-off some level of customisation for scale. VAS vendors offer ready-made platforms and products that can be customised to varying degrees for each service, but the more customisation required, the more it will cost, impacting the extent to which you can scale within your budget

It is important for development actors and social sector organisations to understand that MNO engagement will likely still be required, even when working with a VAS vendor e.g. negotiating common short codes, approving content, marketing and pricing etc.

CONCLUSION

There are a number of benefits that VAS vendors and development actors have experienced from working together. Therefore, we have recommended that development and social sector actors and VAS vendors collaborate more closely to increase the efficacy and availability of M4D services overall. This will serve not only their goals, but those of MNOs and the broader M4D ecosystem, to realise the huge social and commercial potential M4D presents.

To mitigate the potential challenges involved in implementing relationships between VAS vendors and development community actors, we have offered guidelines for partnership in this report. To facilitate better understanding, communication and connections between the development community and VAS vendors, we also include the following appendices:

1. Background Guide: Mobile VAS and the M4D VAS Opportunity for MNOs

2. Glossary of Mobile VAS and International Development terms, phrases and concepts

3. Link to list of VAS vendors and Considerations for selecting a VAS vendor

4. List of development organisations interviewed and recommendations for engaging with them

5. Survey methodology

We look forward to building on this work with the VAS vendor, MNO and development communities and invite comments and feedback to m4dimpact@gsma.com and ict4d@dai.com
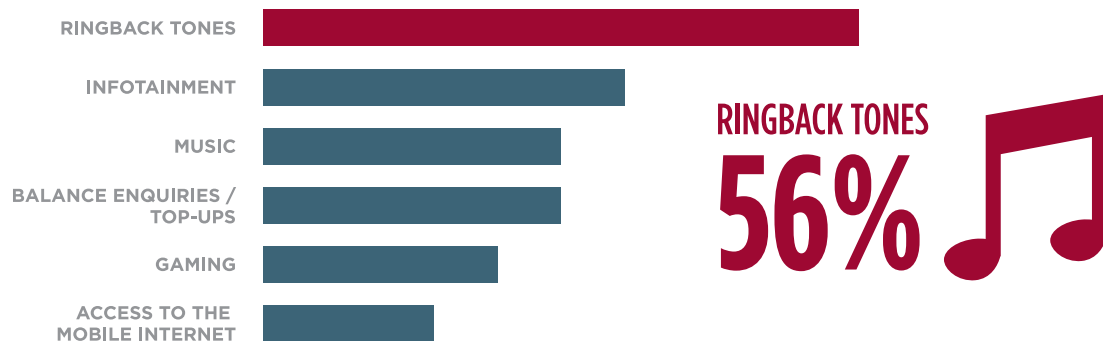
APPENDICES

APPENDIX 1: BACKGROUND GUIDE: MOBILE VAS & THE M4D VAS OPPORTUNITY FOR MNOS

WHAT ARE MOBILE VAS?

In the mobile industry, mobile value added services (VAS) are services offered in addition to mobile network operators' (MNOs') core services of voice, SMS and data. They generally aim to add value to the standard service offering, generate new revenue streams and help MNOs differentiate from one another while encouraging the subscriber to use core services more. Commercial examples of VAS include ringback tones (a service that enables users to play a piece of music for their callers to hear while waiting for an answer), music, news and sports content delivered via SMS, USSD, IVR and smartphone apps (see glossary in Appendix 2 for detail on these and other terms). Whereas smartphones support all of the above delivery technologies, VAS for basic and feature phones are primarily delivered via SMS, USSD and IVR. Some feature phones can connect to the mobile web (via WAP technology) and apps can make use of this; however, the slow speed of access means they are not popular and operators are keen to move customers towards smartphones for the much better user experience of apps using data on more advanced 3G and 4G networks, though cost is still an issue for most end users.[3]

Mobile money is increasingly seen as a distinct business area for MNOs and so for the purposes of this discussion, we also make this distinction and exclude core mobile money services from our definition of VAS.[4]

TOP REVENUE-EARNING VAS FOR OPERATORS IN DEVELOPING WORLD
(% OF OPERATORS WHO REPORT THIS VAS AS ONE OF THEIR TOP 3 REVENUE GENERATORS)

RINGBACK TONES

MUSIC

INFOTAINMENT

BALANCE ENQUIRIES / TOP-UPS

GAMING

ACCESS TO THE MOBILE INTERNET

RINGBACK TONES
56%

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3   As part of this research, we collected detailed data from mobile network operators on their revenue from value added services. We are looking to run annual reports on VAS similar to the GSMA's **MMU Annual State of the Industry** reports. We will be making this data available to our operator members via benchmarking reports. If you work for a mobile operator, and would like to find out more, please **get in touch**.

4   However, we acknowledge the interplay between mobile money and M4D VAS service uptake, which will be addressed in the upcoming report 'Local content, digital skills and international development.'

Mobile VAS generally account for a fairly small share of MNOs revenues: between 2 and 8%.[5] In our 2015 survey, only around a quarter (26.7%) of the operators surveyed earned more than 10% of their revenue from VAS.[6] Globally, the majority of MNOs offer some form of VAS to their subscribers. These services can be lucrative, with ringback tones, infotainment and music as the highest revenue earners for operators.[7] Ringback tones was one of the top earning VAS for over half (56%) of the operators we surveyed.

However, our survey suggests that MNOs currently are not investing aggressively in VAS. Over the last year, over two thirds of MNOs (67.6%) report having invested 'less' or 'about the same' as last year. In the following sections we show why VAS and M4D VAS in particular present an opportunity for MNOs to overcome some market challenges.
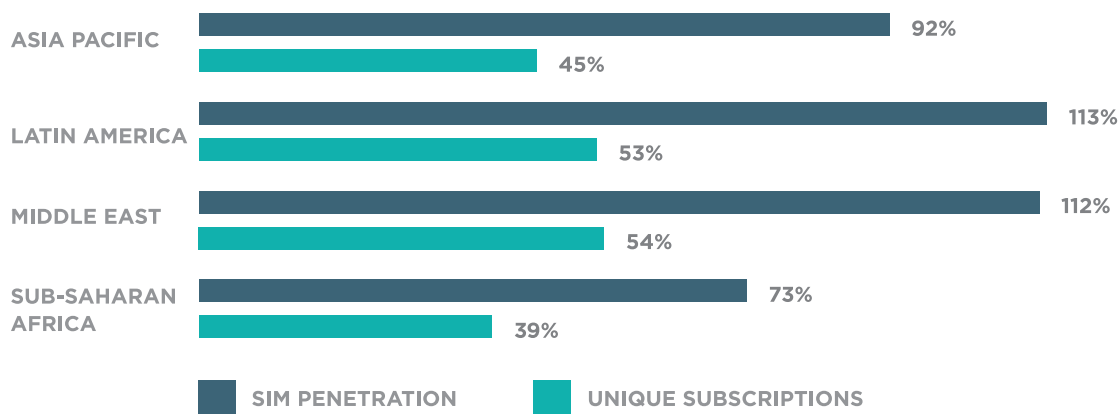
WHY VAS ARE IMPORTANT IN M4D

In order to drive sustainability and success in the M4D sector, M4D products and services need to reach scale (see **Scaling Mobile for Development: harness the opportunity in the developing world**). As can be seen from the **GSMA M4D Impact deployment tracker**, M4D products and services can cover anything from an mHealth IVR service delivering pregnancy information, to micro-insurance enabling income protection if a user falls sick, to data bundles serving the needs of rural women and many, many more. M4D services often provide more than basic connectivity through offering access to information or other services and are made available in addition to mobile network operators' core services of voice, SMS and data. As such, M4D services are generally considered mobile value added services (VAS) by the mobile industry.

THE OPPORTUNITY M4D VAS REPRESENT FOR MNOS

Mobile network operators (MNOs) in emerging markets currently face a major challenge: while the number of subscribers is still growing, the average revenue generated from each user (ARPU) tends to decline. For the industry to survive and flourish, this decline must be reversed. Mobile penetration is a key foundation to consumer growth in the mobile industry and there are two ways of looking at this: SIM penetration and the number of unique subscribers.

SIM PENETRATION VERSUS SUBSCRIBER PENETRATION (SELECTED REGIONS) SOURCE: GSMA INTELLIGENCE, Q1 2015

Region	SIM Penetration	Unique Subscriptions
ASIA PACIFIC	92%	45%
LATIN AMERICA	113%	53%
MIDDLE EAST	112%	54%
SUB-SAHARAN AFRICA	73%	39%

SIM PENETRATION   UNIQUE SUBSCRIPTIONS

If we look at the SIM penetration rate, there is not much headroom for consumer growth in many markets (and indeed in several countries it is now above 100% due to multiple SIM ownership). However, when examining the number of unique subscribers – i.e. individual human beings that subscribe to mobile services – the story is very different. In every region represented above, there is at least 45% of the population who are unconnected to mobile. If we examine just the developing world, this number rises to a projected 54% as of Q2 2015.[8]

5   GSMA Intelligence; M4D Impact Value Added Services Survey 2015

6   M4D Impact VAS Survey 2015 (n=30)

7   As reported in survey of 32 MNOs across emerging markets. Operators were asked to provide information on the three highest revenue earning VAS

8   45.91% of people in the developing world are projected to be subscribers as of Q2 2015 (Source: GSMA Intelligence)

Rather than aiming to sell more SIMs, MNOs can tap into this unconnected market by aiming to engage more human beings. There are five key issues to resolve in order to do so.

1. Connectivity: those remaining unconnected may not live within an area of mobile coverage

2. Affordability: the total cost of ownership is too high

3. Digital literacy: the lack of skills needed to operate a phone, associated VAS and the mobile internet

4. Cultural norms: it may not be considered appropriate for some potential users, women and girls in particular, to own and use mobile phones

5. Perceived value: potential users do not see the value in connecting

Globally, 90% of the population is covered by 2G networks[9] and the GSMA Digital Inclusion programme highlights the role of both industry and governments in overcoming the challenges of connecting those in remote, rural areas.[10] While affordability continues to present challenges, the cost of owning and using a handset is continuing to fall. The technology and development sectors are beginning to address digital literacy issues; for example, the upcoming M4D Impact report on 'Local content, digital skills and international development' and GSMA Digital Inclusion report on '**Mobile internet usage challenges in Asia — awareness, literacy and local content**', will share research into improving digital literacy skills. The GSMA Connected Women Programme and its stakeholders are working to address the barriers for women and girls. It is therefore essential that operators also tackle value perception, by offering potential users a compelling value proposition.

Delivering high quality and affordable voice, SMS and data services will be a large part of this value proposition. However, mobile VAS also present operators with a strong opportunity through offering services users want and need. Pure entertainment VAS are already popular; diversifying these portfolios with M4D VAS adds a new dimension to this offering, by offering new channels for users to gain (or increase) access to services in critical areas like health, education, financial services and utilities. In addition to the clear potential this has to improve lives, for operators, it can also be a way to encourage their subscribers to use core mobile services more. An expanding number of services are now providing compelling reasons for people to get connected and stay connected, and encouraging increased use and loyalty among existing subscribers.

In the last five years, the number of products and services that **we track** that use mobile to create positive social impact in emerging markets has increased from 670 to over 1800.

M4D INDUSTRY OVER THE LAST 10 YEARS

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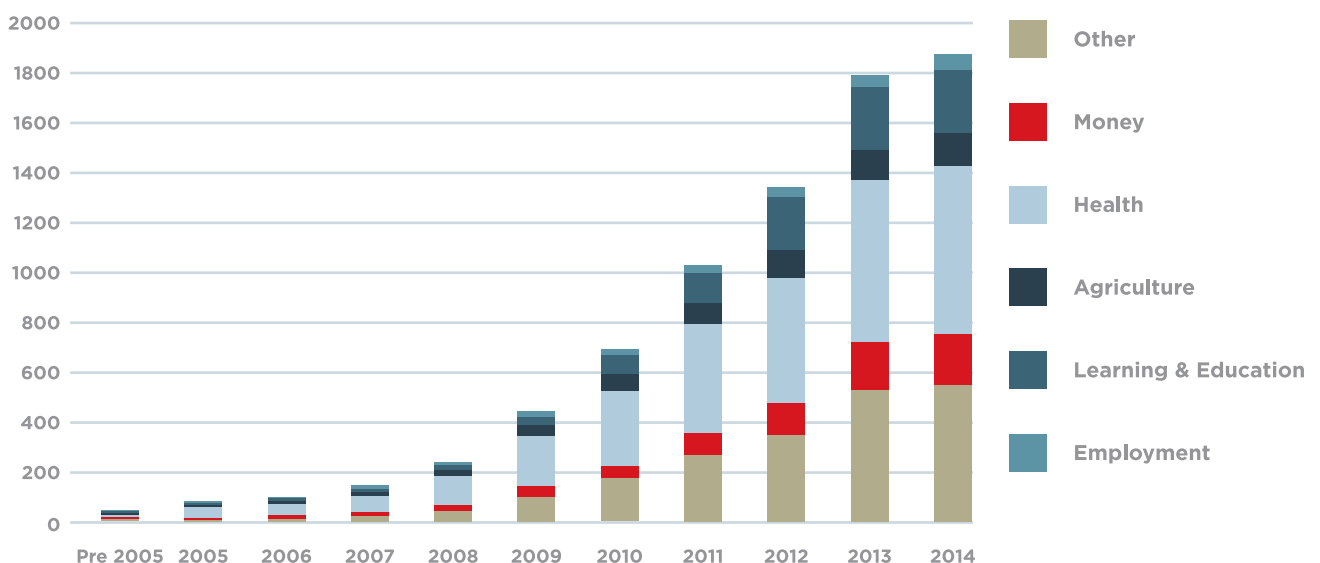
9   GSMA Intelligence, June 2015

10 **GSMA Digital Inclusion** 2014 pp.17-20; see also **Network Infrastructure & Policy**

We expect the number of M4D products and services to continue to rise over the coming years, and the services to increase in usability and sophistication.[11] The device technology these are developed for will be key to ensuring commercial sustainability and maximum social impact. Whereas smartphones are reducing in cost and the industry is encouraging adoption, the total cost of ownership (device, charging and airtime) is still prohibitive for many at the base of the pyramid. Although smartphone adoption will continue to rise, the second- and third-hand market for basic and feature phones, especially in rural areas, will remain strong for the next 3-5 years. Therefore, in order to ensure maximum reach, those developing M4D VAS should fully understand which devices are used by its target audience and consider creating versions for both feature phones and smartphones. When users do finally move to smartphones, it is important that the M4D VAS that have enhanced their lives via feature phone do not disappear, but continue in an accessible way via smartphone applications.[12]
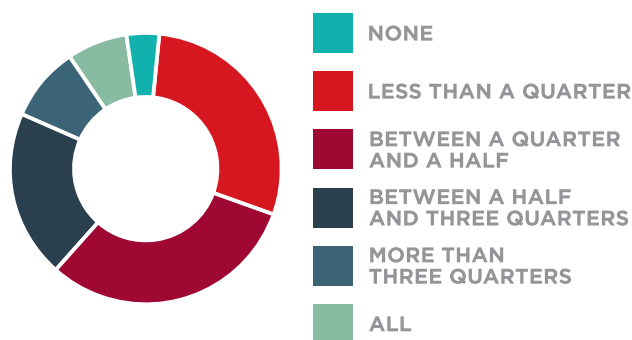
HOW MNOS APPROACH VAS

MNOs have three main options when delivering VAS: build their own, work with VAS vendors to deliver services or open up their APIs to developers directly.

- Building their own entails undertaking all aspects of service development and deployment in-house, from idea generation, to licensing content or creating it from scratch to deploying (and potentially building) all required technical systems, marketing initiatives and customer care processes.

- Working with a VAS vendor means the MNO can outsource to a supplier some or all of the service development, including content creation/collation and obtaining associated licences; service design; technical systems for service delivery and in some cases, the marketing and customer care.

- Opening up APIs involves allowing vendors or individual developers access to an MNO's interfaces such as SMS, operator billing, mobile money etc. This potentially means that VAS and apps can be developed and made available to subscribers automatically, as long as they meet technical and market criteria set by the MNO, rather than having to go through a more lengthy approval process.   The number of MNOs opening up their APIs is beginning to increase and could offer exciting potential for the M4D sector and further research, but is still an emerging model.

The second approach, i.e. working with a VAS vendor, is the dominant model: Most MNOs surveyed reported using third party vendors for a significant proportion of their services. Only 1 of 39 operator respondents we surveyed developed all their VAS in-house. Very few operators outsource all of their VAS to a third party.

Typically, operators were working with between 1 and 10 vendors, but 18% were working with 40 or more. Indeed, a significant number of VAS originate from outside the operator; two thirds of MNOs reported that a quarter or more of services were the result of external pitches, demonstrating the importance VAS vendors have in shaping the VAS that MNOs eventually launch under their brand.

% OPERATOR RESPONDENTS STATING THE NUMBER OF THEIR VAS RESULTING FROM EXTERNAL PITCHES
SOURCE: M4D IMPACT SURVEY 2015 (N=45)

- NONE
- LESS THAN A QUARTER
- BETWEEN A QUARTER AND A HALF
- BETWEEN A HALF AND THREE QUARTERS
- MORE THAN THREE QUARTERS
- ALL

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11   The M4D Impact Products & Services Landscape: Quarterly Report May 2015 offers insights into products integrating services from more than vertical (e.g. agricultural information and mobile money payments).

12   For an in-depth discussion of technical literacy issues and the importance of localised content for underserved emerging market populations, visit the GSMA's Digital Inclusion programme page

MNOs choose to work with VAS vendors to reduce risk and increase efficiencies; they may also lack the required resources and skill sets internally. By outsourcing parts or all of a VAS development means an MNO can avail itself of technical and platform infrastructure and content licensing processes, as well as in some cases campaign management expertise and consumer insights research, without having to develop these functions in-house. The vendors' focus is on offering such technical and operational capabilities, so will invest heavily in updating them on a regular basis.

It is important to note that whether VAS are built in-house or outsourced, in order to offer a high quality service, significant investment is required at various points by the parties involved. Whether it is initial investment in the network or technical platforms, expertise in adapting these platforms for the VAS in question or in licensing the content, resources are required. Successful relationships with these mobile industry players will acknowledge and account for this in some way.

APPENDIX 2: GLOSSARY

This glossary contains terms used both within this report and in the wider development and mobile industries. It aims to help facilitate cross-sector understanding and communication. We welcome your suggestions for inclusion at **m4dimpact@gsma.com**.

MOBILE INDUSTRY

Above-the-line marketing Denoting or relating to advertising that uses channels targeting mass audiences such as television, radio, newspapers and billboards. This tends to be less targeted and more expensive than below-the-line marketing.

Aggregator (Content) A content aggregator is an organisation that contracts with an array of content providers, and redistributes licensed content.

Aggregator (SMS) An SMS aggregator maintains direct connections to the major MNOs in a market. Its customers may include VAS vendors, content providers/aggregators and B2C businesses. It delivers its customers' text messages, which they aggregate, through these connections. Working with an aggregator allows customers to connect to multiple MNOs via one company's gateways.

API (Application program interface) A set of routines, protocols, and tools for building software applications. The API specifies how two or more sets of software components should communicate with each other.

Apps A software application designed to run on mobile devices (typically smartphones, and tablet computers).

B2B Abbreviation for 'business to business,' denoting the exchange of products, services or information between businesses, rather than between businesses and consumers.

B2C Abbreviation for 'business to consumer,' denoting the exchange of products, services or information between a business and a consumer, rather than between businesses.

Basic phone Offers basic voice services (telephony/voice mail), SMS and USSD based services.

Below-the-line marketing Denoting or relating to advertising that uses channels targeting individuals personally by means such as SMS, direct mail, email, promotional events, etc. This tends to be less expensive than above-the-line marketing.

Billing integration The process through which one needs to go through in order to offer carrier billing and/or mobile money payments.

Consumer insights The collection, deployment and interpretation of information that allows an organisation to acquire, develop and retain its customers.

Content licensing Content such as music, images, news articles, is subject to copyright protection or intellectual property (IP) regulations. To enable parties other than the copyright/IP owner to

use and/or monetise the content, e.g. as part of a mobile VAS, a license must be granted from the copyright/IP owner to those wishing to use the content. Compliance with legal regulations and processes for doing so is required and depend on the jurisdiction of the licensor and licensee.

Enterprise services In mobile VAS, this denotes the provision of VAS that serve the needs of other B2B or B2C businesses (NB the term 'enterprise' can also reflect a type of technology that is of a high level of sophistication and scalability).

Exclusivity In the context of mobile VAS, exclusivity usually means that a VAS created by a third party can only be offered via one MNO in the market concerned for a specified period of time.

Feature phone Basic phone features plus: Internet enabled, supports transmission of picture messages, downloading music, built-in camera.

Indirect revenue benefit In the context of mobile VAS, this refers to the ability of a VAS to generate revenue through indirect means. For example, encouraging customers to use core mobile services more, improve customer loyalty/stickiness or improve the perception of the brand.

IVR Interactive voice response, allows the listener to interact with recorded vocal content either through voice-activated command or through their keypad.

Key Performance Indicators (KPIs) A set of quantifiable measures that a company or industry uses to gauge or compare performance in terms of meeting their strategic and operational goals.

Licensing agreement Written contract under which the owner of intellectual property (IP), allows a licensee to use, make, or sell copies of the original. Such agreements usually limit the scope or field of the licensee, and specify whether the license is exclusive or non-exclusive, and whether the licensee will pay royalties or some other consideration in exchange.

Managed services Business model in which a vendor or managed services provider (MSP) manages and assumes responsibility for providing a defined set of services to its clients either at the request of the client or proactively, as the MSP (not the client) determines that services are needed. Most MSPs bill an upfront setup fee then an ongoing flat or near-fixed monthly fee, which benefits clients by providing them with predictable costs.

MNO Mobile network operator.

Non-disclosure agreement (NDA) A non-disclosure agreement (NDA), also known as a confidentiality agreement (CA), confidential disclosure agreement (CDA), proprietary information agreement (PIA), or secrecy agreement (SA), is a legal contract between at least two parties that outlines confidential material, knowledge, or information that the parties wish to share with one another for certain purposes, but wish to restrict access to or by third parties.

Operator billing For pre-paid mobile subscribers, the charge is deducted from the user's airtime balance (most common in emerging markets); for post-pay subscribers, the charge will appear on their next mobile bill. The payments made via airtime or bills are split via revenue share between the MNO and any third parties involved in offering the service. This is a common method of charging for ringback tones, news and sports score services.

Opt in / Opt Out - Opting in or out for a service involves the end-user specifying explicitly whether they wish to participate (opt-in) or not (opt out) in a service.

Platform A structural or technological framework from which various products can emerge without the expense of a completely new framework for each one as there are a number of elements which can be effectively reused across a number of different applications.

Pull Service This is where the request for each transmission of information is initiated by the receiver.

Push Service This is where content is delivered automatically to the receiver based on the preferences they registered during the subscription process.

Requirements gathering The process through which the requirements for a service are created.

Return on investment (ROI) A performance measure used to evaluate the efficiency of an investment. To calculate ROI, the benefit (return) of an investment is divided by the cost of the investment; the result is expressed as a percentage or a ratio.

Revenue share The splitting of operating profits and losses between the general partner and limited partners in a limited partnership. In mobile VAS, this usually applies to splitting the risk and rewards of a VAS between the MNO, the vendor and any other suppliers/partners in the chain (e.g. content owner).

Reverse billing A way of charging for third party phone calls, text messages and other content in which charges are paid by the person receiving them, rather than the organisation making or sending them.

Service architecture The logical construction of the service in terms of both its technical and non-technical elements. ie the visual representations of the service.

Service Level Agreement (SLA) A Service Level Agreement (or SLA) is the part of a contract which defines exactly what services a service provider will provide and the required level or standard for those services. The SLA is generally part of an outsourcing or managed services agreement and gives the customer the right to terminate the contract - and in certain cases to claim damages - where performance standards fall consistently below an acceptable level.

Short code A short code is a 3- to 6-digit number that can send SMS and receive SMS, USSD and IVR on mobile phones. It gives a "from" number that can be easily memorized by users. Short codes must be leased from MNOs and/or a national registry for a minimum period of time. Because short codes can send high volumes of messages, MNOs individually approve every short code for its intended use which can impact the time taken for set up.

Smart phone Feature phone features plus: Graphical interface and touchscreen capability, built-in Wi-Fi and GPS (global positioning system).

SMS Short Messaging Service, allows exchange of short text messages between mobile phone devices.

Subscriber The user of a mobile service.

Subscription service Service which enables consumers to register, often via a short code, to receive regular content or updates of interest to them.

System architecture denotes the elements of a framework/platform and the connections between those elements.

Tablet Smart phone features plus: Larger screen, increased computing power, front and rear facing cameras, additional ports (e.g. USB).

Technical integration The process through which the VAS (or any other) solution is connected and incorporated into the technical infrastructure of the MNO, enabling it to be delivered to the end consumer.

Technical Requirement A technical requirement is a statement about an intended product that specifies what it should do and/or how to do it to satisfy the needs of the users and the business. For requirements to be effectively implemented and measured, they must be specific, unambiguous and clear. More information here. The contents of the statement of requirements should be stable or change relatively slowly.

Technical specification This is a document that defines the technical capabilities of the service to be developed or delivered.

Text-to-Speech A service that generates speech using text input. The solution for such a service is usually either network- or handset-based.

Third-party billing A form of billing where an intermediary handles the payment collection between a purchaser (the mobile subscriber) and the seller of the service (likely either a vendor or an MNO dependent on the business model).

USSD Unstructured Supplementary Service Data. A synchronous message service creating a real-time M2P (machine to person) connection allowing a two-way exchange of data, mostly through menu structures.

Value Added Service (VAS) In the mobile industry, mobile value added services (VAS) are complementary services offered in addition to mobile network operators' (MNOs') core services of voice, SMS and data. They generally aim to add value to the standard service offering by encouraging the subscriber to use core services more.

Value for money The extent to which a VAS will generate revenue for the MNO/vendor compared to the amount invested in it.

VAS vendor A catch-all term, which includes any third party organisation or supplier with whom MNOs work to create, integrate, launch and maintain the VAS they offer to their subscribers. These third party companies may refer to themselves, or be referred to, by many different terms, including commercial VAS providers; social VAS providers; third party VAS vendors; application developers and providers; mobile media and entertainment providers; content providers and service providers.

Voice Basic telephony services, with voice delivered over a mobile network.

WAP Wireless Application Protocol for accessing information over mobile network. WAP browsers are typically found on older feature phones.

DEVELOPMENT GLOSSARY

Beneficiary Recipient of funds or other benefits such as programmatic activities.

Concept note A preliminary description of the ideas behind a project.

Contract A legally binding agreement, usually required if payments are involved and therefore to be expected in dealings with VAS vendors.

Donor Any entity including sovereign governments, intergovernmental institutions, private nonprofit entities, and private for-profit organisations that contributes funds.

Empowerment Building knowledge, skills and confidence of marginalised individuals or groups to enable self-sufficiency and advocacy.

Field Generally referring to the country or location of project implementation.

Human-centered/user-centered design A process in which the needs, wants, and limitations of end users of a product, service or process are given extensive attention at each stage of the design process.

Implementing partner Organisation that receives donor funds to design and/or manage activities and programs in accordance with donor goals and direction.

Local partner Locally-registered private company or NGO in the country of implementation that is a partner of the project/donor/ international NGO.

Memorandum of understanding (MOU) A formal agreement between two or more parties. Companies and organisations can use MOUs to establish official partnerships. MOUs are not legally binding but they carry a degree of seriousness and mutual respect.

Monitoring and evaluation (M&E) A process for tracking and assessing progress, performance and impact of a project. Its goal is to provide information which can be used to improve performance and delivery of results.

COMMON M&E TERMINOLOGY:

- **Baseline** An analysis describing the situation in a project area – including data on individual primary stakeholders – prior to a development intervention. Progress (results and accomplishments) can be assessed and comparisons made against it. It also serves as an important reference for the completion evaluation.[13]

- **Control group** In an experiment or impact assessment, a control group is a baseline group that receives no treatment/service or a neutral treatment/service. To assess treatment/service effects, the experimenter compares results in the treatment group to results in the control group.

- **Endline** End-point (end of project) data collection to evaluate progress since baseline and midline.

- **Impact evaluation** Evaluations that measure the change in a development outcome that is attributable to a defined intervention. Impact evaluations are based on models of cause and effect and require a credible and rigorously defined counterfactual to control for factors other than the intervention that might account for the observed change.

- **Indicator** A specific, observable and measurable characteristic that can be used to show changes or progress a program is making toward achieving a specific outcome.

- **Input/activities** The tasks, processes and resources that the project is expected to undertake or consume in order to produce outputs.

- **Logical framework ("Logframe")** A tool for improving the planning, implementation, management, monitoring and evaluation of projects. The log frame is a way of structuring the main elements in a project, highlighting the logical linkages between them and identify measurable performance indicators and the means of verifying progress.

- **Midline** Mid-point data collection to evaluate progress since baseline.

- **Outcome** Aggregate result of the outputs to be achieved by the project.

- **Output** Tangible, immediate and intended product or consequence of a project.

- **PMP (USAID)** A performance monitoring plan (PMP) is a tool USAID operating units use to plan and manage the collection of performance data. Sometimes the plan also includes plans for data analysis, reporting, and use.

- **Rapid appraisal** An approach that draws on multiple evaluation methods and techniques to quickly, yet systematically, collect data when time in the field is limited. RA practices are also useful when there are budget constraints or limited availability of reliable secondary data. For example, time and budget limitations may preclude the option of using representative sample surveys.

Participatory research Systematic inquiry, with the collaboration of those affected by the issue being studied.

Results-based aid Payments based on pre-agreed results with recipient discretion on how to achieve results and independent verification of results as the trigger for payment disbursement.

Social impact Effect of an intervention on the wellbeing of an individual or community.

Stakeholder A person, group or organisation with an interest or concern in a development project, activity or output/outcome.

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13   http://www.ifad.org/evaluation/guide/annexa/a.htm#b

Subcontract vs. Subgrant In the development context, the difference between a contract and a grant is the difference between acquisition and assistance.

When development projects issue a subcontract, they are buying something from an organisation. The project is the customer, the organisation is the seller, and they have a commercial relationship similar to the commercial relationships you have in your daily life when you buy or sell something. The project benefits because they get the good or services that they need, and the subcontractor benefits because they get paid. This mechanism gives the development project lots of control and direction over what the subcontractor does.

When development projects issue a grant or subgrant they are helping an organisation do something they are already doing. The project benefits because the grantee can expand their programming or improve the quality of the work they do, and the grantee benefits from the money/equipment/training they receive. This mechanism gives the project less control over what the grantee does. To give a mobile for development-specific example, a development project could use a subcontract to hire a company to develop an app just because they need an app. Whereas that same development project could use grants to work with local app development companies because they want there to be an ecosystem of companies who make apps that use government data for civil society purposes.

SWOT analysis A study undertaken by an organisation to identify the organisation's or project's internal Strengths and Weaknesses, as well as its external Opportunities and Threats.

Terms of reference (TOR) Description of the purpose and structure of a project, committee, meeting, negotiation, or any similar collection of people who have agreed to work together to accomplish a shared goal; also a procurement mechanism for donors to request project proposal submissions.

Theory of change A theory of change is an expression of the sequence of cause-and-effect actions or occurrences by which organisational and financial resources are assumed to be converted into the desired social results. It provides a conceptual road map for how an organisation expects to achieve its intended impact and is often displayed in a diagram.

Value for money (VFM) In the UK the National Audit Office (NAO) defines VFM as being 'the optimal use of resources to achieve intended outcomes' and for the UK Department of International Development (DFID) it means "maximising the impact of money spent to improve poor people's lives". It is about achieving best possible development outcomes over the life of an activity relative to the total cost of managing and resourcing that activity and ensuring that resources are used effectively, economically, and without waste.

APPENDIX 3: LINK TO LIST OF VAS VENDORS & CONSIDERATIONS FOR SELECTING A VAS VENDOR

LIST OF VAS VENDORS

We track VAS vendors on the M4D Impact Trackers here: **http://www.m4dimpact.com/data/organisations**. To access the list of all VAS vendors we currently track, follow the below steps:

1. Click **here**

2. Switch from 'Map' to 'Table' view

3. Sort the list reverse alphabetically Z-A

CONSIDERATIONS FOR SELECTING A VAS VENDOR

To complement the Guidelines for Partnership included in this report and in addition to standard due diligence your organisation may conduct when selecting partners and suppliers, the following considerations may prove useful for social sector organisations when selecting a VAS vendor. The list is by no means exhaustive and we welcome the community's feedback and additions to it. Please share with us at **m4dimpact@gsma.com**.

- **Does the vendor have a proven track record of similar services in similar environments?** Can the vendor demonstrate experience and offer references from running similar services in terms of service type, language, market size?

  - Some vendors may have 10M active users but this may not be meaningful if these users are for a service such as ringback tones, when your organisation is trying to launch a service with highly vetted informational content (e.g. mHealth or mobile agriculture).

  - It is also very different for a VAS vendor to work with a big (e.g. 10 million+ subscribers) MNO and a smaller operator (e.g. <1 million subscribers) in terms of scale and business model.

  - What experience do they have of the business model you are looking at for your service? Are they flexible / open to different business models?

  - Do they have existing partnerships you could leverage: with NGOs, social enterprises, aid agencies, any experience with governments?

  - Do they have experience integrating with MNOs, and in particular the MNOs you are targeting? Check their relationships with MNOs and how extensive those relationships are in terms of market/population coverage (e.g. the administration of spectrum in India means that an MNO active in one area may not be active country-wide).

  - Do they have a good understanding of the market you operate in (not only commercially, but also in terms of consumer insights)?

  - Do they have local staff or consultants based in-country who speak the language and understand the culture (and ideally are from the country in question)?

- **Can the vendor enable your service to reach and sustain scale?** Take advice from an objective technical specialist to ensure that the technical capabilities the vendor offers will meet your current and future needs (see the guideline for partnership on hiring specialised staff).

  - What systems (e.g. content management, campaign management) do they support? Do these align with your needs? Can they customise their existing application/service in a way that meets your needs and your budget?

  - Can they dedicate the necessary resources to your organisation/project? Request a clear indication of dedicated resources and ownership of the project.

- **Liabilities and Service Level Agreements.** A Service Level Agreement (or SLA) is the part of a contract which defines exactly what services a service provider will provide and the required level or standard for those services. Whereas an NGO or other social sector organisation will have an SLA with the vendor, to which they can hold them accountable, understand that most vendors will have also have an SLA with their client MNOs, to which they will be held liable. Make sure you understand where liabilities fall in the chain and consider liability insurance if this is appropriate to your organisation.

- **What reporting can they deliver?** Make sure reporting obligations are agreed and specified in the contract.

- **Future replication** Do they operate in other markets where you could want to replicate in the future?

APPENDIX 4: LINK TO LIST OF DEVELOPMENT ORGANISATIONS AND RECOMMENDATIONS FOR ENGAGING WITH THEM

We track development and social sector organisations, many of which are working with private sector organisations via various funding and partnership mechanisms, on the M4D Impact Trackers here: **http://www.m4dimpact.com/data/organisations**. To access these lists, follow the below steps:

1. Click **here**

2. Switch from 'Map' to 'Table' view

3. Sort the list reverse alphabetically A-Z and investigate organisations in the following categories

   A. Foundation

   B. Government/regulatory

   C. Non-government organisations

NGOs and implementing partners play a key role in linking VAS vendors with funding and partnership opportunities, often serving as the in-country mechanisms through which donors channel funds. Interviewed NGOs and implementing partners offered the following general recommendations for how VAS vendors could most efficiently engage with them:

- Follow one of the paths of least resistance for a VAS vendor to engage with an implementing partner, either as:

   - A subcontractor to provide project operational support;

   - A grantee for capacity building such as market research or piloting.

   - A funding recipient under a specific partnership, i.e., the project pairs the VAS vendor up with another partner the project works with, such as the Ministry of Agriculture for weather alert services.

- Ensure you have relationships with NGO or implementing partner staff at both the headquarter and field office levels, as both branches of the organisation need to be engaged to push the relationship forward

- Familiarise yourself with the language of international development so you can frame your partnership within the social impact norms of the sector. (For an in-depth look at this topic see the GSMA Connected Women **Partnerships Insights Paper** and the glossary in Appendix 2 of this report)

- NGOs and implementing partners are generally quite willing to engage with the private sector, but often will provide support outside of the typical managed services or other types of contracts VAS vendors are used to. To that end, be flexible on how you financially or otherwise want to benefit from a development sector partnership. Some examples of non-traditional funding include:

   - Strategic subsidies in an enclosed space/time to push products to market

   - Funding to test a business case, conduct market research or undergo user testing

   - Funding or expert assistance to test out new partnerships models and experiment to understand what partnerships could look like. Such funding has been used to pay for legal fees, market research, content digitisation, etc.

   - Risk reduction for new product launches with advanced market guarantees

APPENDIX 5: SURVEY METHODOLOGY

The survey data used in the analysis was obtained via two online surveys carried out by the M4D Impact team.

The first, was conducted throughout 2014 and was sent to all GSMA member contacts working in value added services across emerging markets. The served as an application to attend GSMA events, as well as a survey of operator attitudes. Over the course of 3 rounds during that year, we collected 176 verified responses from those known to be working in operators in emerging markets. These responses were drawn from 86 MNOs working in 50 countries.

Our second survey, was conducted between March and May 2015 and received 46 responses from 44 different MNOs.

We plan to begin running annual surveys of operator VAS. If you would like to take part, or to find out more, about the survey, please **contact us**.

ACKNOWLEDGEMENTS

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JULIA BURCHELL
SENIOR MANAGER, GSMA MOBILE FOR DEVELOPMENT IMPACT

Julia leads research into mobile industry partnerships in mobile for development (M4D), having joined the M4D Impact team in 2013 to oversee community collaboration strategy and activities. This followed three years specialising in mobile for development and gender, during which time she supported the launch and implementation of the GSMA Connected Women Programme (formerly mWomen), leading the programme's knowledge sharing initiatives and event project management. She brings a strong background in corporate communications to her work, having previously represented organisations across the telecommunications, utilities, accountancy and law industries. Julia holds a first class honours degree in English from University of Nottingham and an MA from Goldsmiths College, University of London.
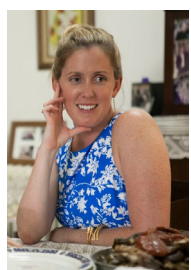
KRISTEN ROGGEMANN
PRINCIPAL MOBILE SOLUTIONS SPECIALIST, DAI

Kristen provides thought leadership in designing mobile services for support of projects across DAI's global portfolio. Before joining DAI, Kristen held advisory and business development positions within a variety of mobile for development and international development organisations, most recently as the Strategic Partnerships Manager for GSMA mWomen, driving partnership strategy at the intersection of the mobile operator and international development sectors. Prior to working for GSMA, Kristen was the Business Development Manager at Souktel, Inc. in Palestine, managing mobile partnerships in more than 12 countries. Kristen has extensive field experience in the Middle East and Africa working on mobile for development initiatives in both public and private sector contexts and got her start in international development through a Fulbright Scholarship to study women's literacy in Morocco in 2005. Kristen received her BA from Columbia University and Ed.M from Harvard University.

ALEX SMITH

INSIGHTS MANAGER, GSMA MOBILE FOR DEVELOPMENT IMPACT

Alex has been working on the Mobile for Development Impact team since February 2013. He works across all aspects of the programme: researching and writing reports as well as supporting the programme's management, marketing and events. Prior to joining, he worked in an international development consultancy and a social enterprise in London.

Alex has MSc from University College London in International Public Policy and a BA from the University of Nottingham.

ABOUT THE GSMA

The GSMA represents the interests of mobile operators worldwide, uniting nearly 800 operators with more than 250 companies in the broader mobile ecosystem, including handset and device makers, software companies, equipment providers and Internet companies, as well as organisations in adjacent industry sectors. The GSMA also produces industry-leading events such as Mobile World Congress, Mobile World Congress Shanghai and the Mobile 360 Series conferences.

For more information, please visit the GSMA corporate website at www.gsma.com. Follow the GSMA on Twitter: @GSMA.

ABOUT MOBILE FOR DEVELOPMENT - SERVING THE UNDERSERVED THROUGH MOBILE

Mobile for Development brings together our mobile operator members, the wider mobile industry and the development community to drive commercial mobile services for underserved people in emerging markets. We identify opportunities for social, economic and environmental impact and stimulate the development of scalable, life-enhancing mobile services.

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