



THE EVOLUTION OF CARRIER BILLING

THE CHANGING
LANDSCAPE OF
PAYOUTS IN CARRIER
BILLING SINCE 2011



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All to play for in mobile carrier billing

With the ubiquity of mobile devices today, the ability to process payments from these devices has emerged both as a significant challenge and opportunity for operators, content creators and consumers. Yet despite a good proportion of digital content being delivered via mobile networks, mobile operators are largely cut out of the value chain of these transactions – which, according to Juniper Research, are expected to reach 700 billion USD by 2018¹. Instead it has fallen to a number of third parties – including Silicon Valley software companies – and credit card processors to handle the bulk of mobile payments.

Mobile carrier billing is increasingly being seen by mobile operators as the key to claiming a significant role in the value chain of mobile payments, especially in Europe. This is because when compared to other payment alternatives such as credit cards and PayPal, mobile carrier billing is often the most convenient and frictionless payment method around for consumers, and it's catching on fast. Carrier billing allows mobile users to buy digital goods and services worldwide, and even physical goods such as mobile tickets in some markets, and charge the transaction to their mobile phone bills. It is also enabling millions of people around the world without access to a bank account (there are more than 2.5 billion unbanked adults worldwide²) to participate in the mobile economy when other payment methods are leaving them behind.

From a merchant's point of view, carrier billing adoption generates an uplift in transaction volumes and ultimately revenue because consumers like mobile payments since it is an extremely low-friction way to pay. It also enables merchants to reach a far wider and diverse user base and achieves a higher conversion rate for both first-time and repeat users³ when compared to other payment methods such as credit cards.

With the argument for mobile carrier billing now firmly understood by mobile operators around the world, and with the industry now working together with operators to move them from the Premium SMS model to the more advanced Direct Carrier Billing model, Onebip felt that now is a good time to reflect on the maturity of the global carrier billing industry, and in particular, to see how markets around the world compare and what can be done to drive maturity further.

¹ Juniper Research, [Mobile Payments for Digital & Physical Goods](#) (07/01/2014)

² Juniper Research, [Mobile Content Models: OTT & Operator Strategies 2013 – 2017](#)

³ Juniper Research, [Mobile Content Models: OTT & Operator Strategies 2013 – 2017](#)

While there are many ways in which the maturity of mobile carrier billing can be measured, this report focuses on the evolution of payouts offered by carriers to merchants. Expressed as a percentage, payouts are defined by Onebip as the revenue share offered to merchants by carriers for transactions made with the billing technology. A 60% payout for example means that a merchant will receive 60% of the revenue for a transaction made by a user in the merchant's store that has chosen to pay using mobile carrier billing technology.

It is worth noting the factors that both directly and indirectly affect mobile carrier billing payouts:

- Volume of transactions
- Service category
- Business Model (One-time or Subscription payments)
- Price points
- Mobile operator
- Pre-paid and post-paid users
- Negotiation with mobile operators by mobile payment service providers
- Promotions
- Pilot programmes that test new payouts with certain merchants.

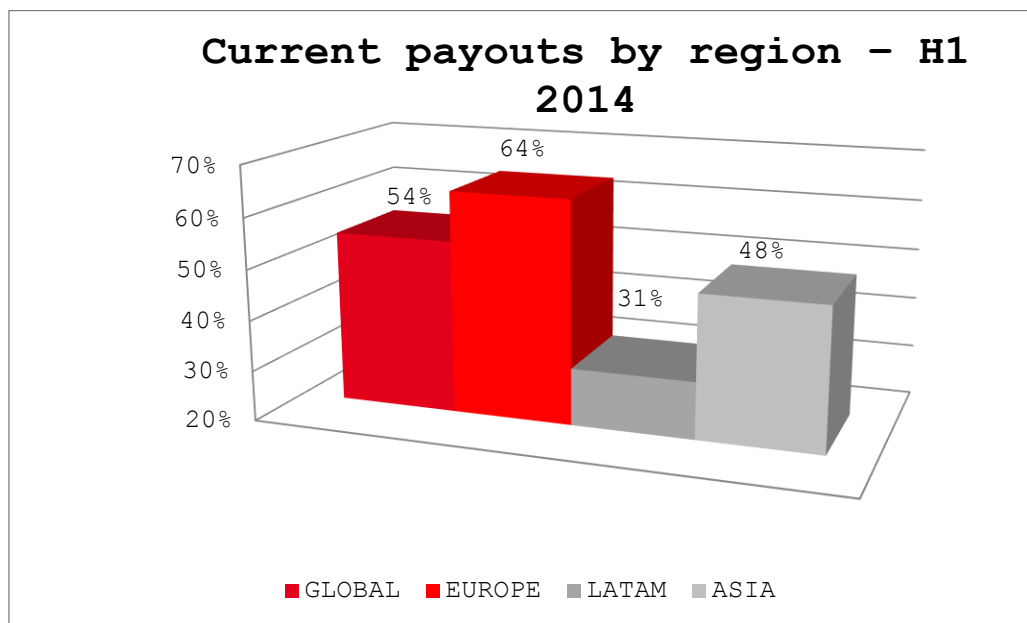
As is the universal rule in most industries and economies, when competition is highest and a technology is more established, costs tend to be lower, so higher payouts offered by mobile operators can typically be seen as a reflection of a more mature and competitive carrier billing market.

About the study

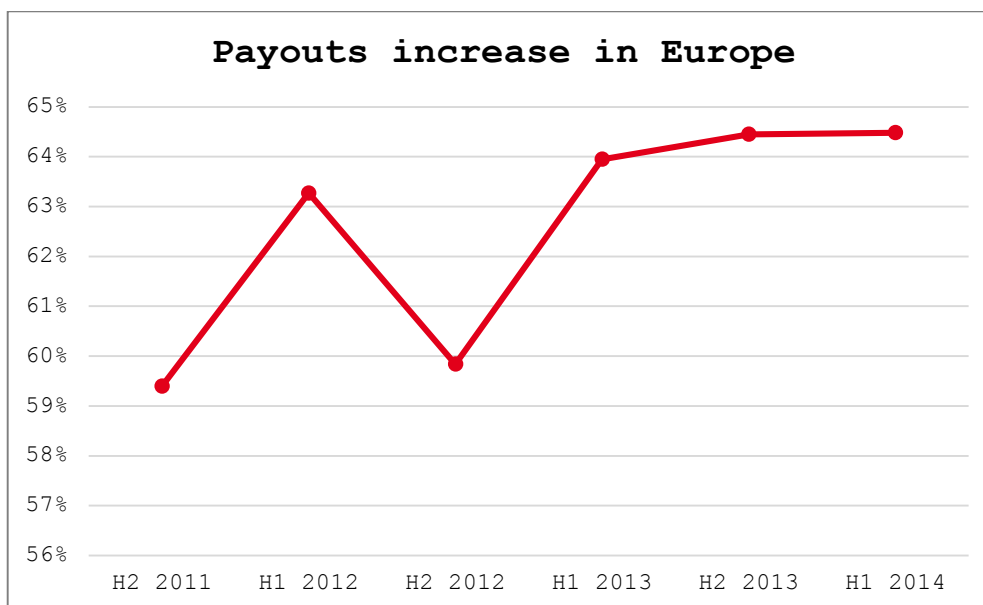
Onebip analysed all of the standard net payouts offered by its mobile operator partners in 70 countries worldwide over a three-year period from H2 2011 through to H1 2014. The average country payout figures per operator were weighted for each price point taking into account the operators' average transaction market share.

The growing maturity of carrier billing in Europe

Europe remains the world leader for mobile carrier billing by a considerable margin when compared to Latin America and APAC. The average net payout offered by mobile operators in Europe is 64%. However this does not tell the whole story as there are significant differences even within Europe, with payouts spanning from 45% to 85%.



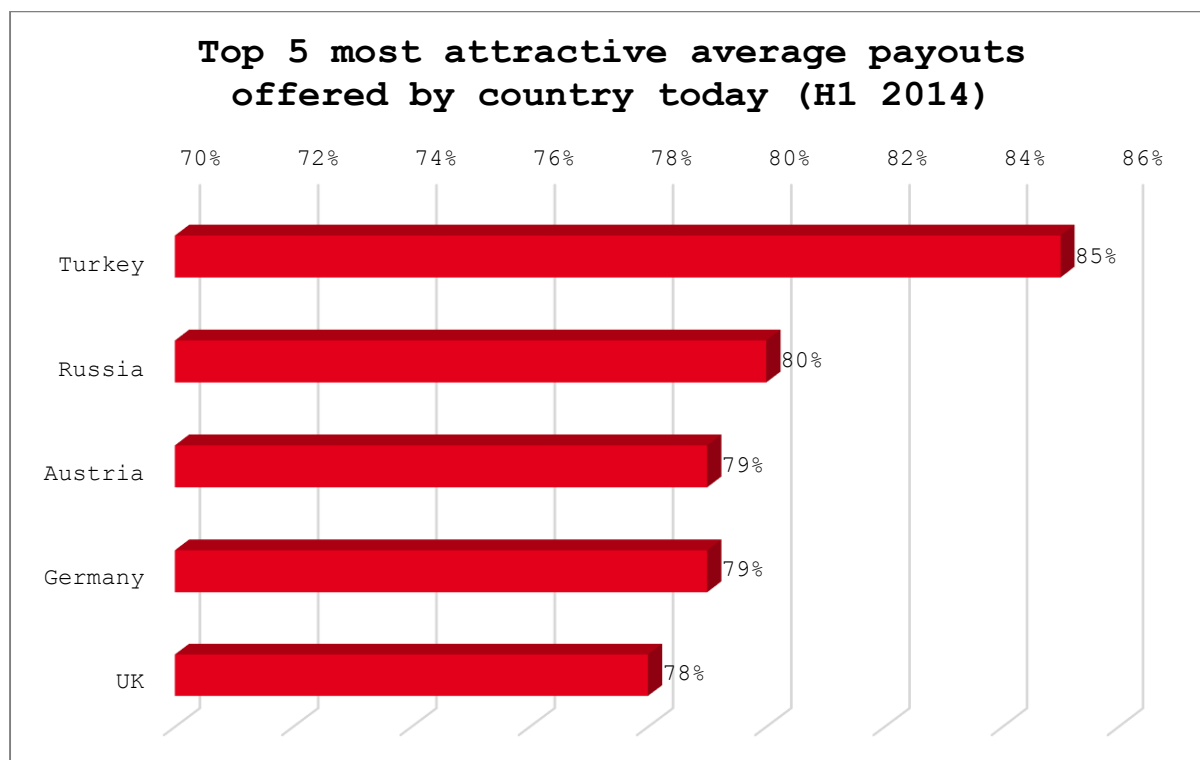
Overall, despite the significant differences within the region, Europe is the most mature market for mobile carrier billing with average net payouts by carriers to merchants continuously increasing in the last three years creating 10% more value for merchants in terms of revenue.



The top 5 performing countries

The best average payouts today are currently available in Turkey (only for digital content and services category), Russia, Austria, Germany and the UK. In fact, all of the top 5 paying countries reside in Europe.

Perhaps most notable of all is that the most developed world economies do not entirely dominate the list of the top performing countries, showing that there is not always a direct correlation between payout rates and economic development. Of particular note are the emerging Eastern European economies who make up four of the top 15 paying nations, showing a clear strategy among Eastern European countries to grow the adoption of carrier billing in their markets by offering very competitive payouts. The four Eastern European countries in the top 15 payout list are Russia (80%), Lithuania (67%), Slovenia (65%) and Romania (65%).



Overall we are seeing an increasing trend in the revenue share offered to merchants adopting mobile carrier billing, especially in Europe over the last three years. This shows that there is a real appetite by carriers to grow the adoption of mobile carrier billing and compete seriously with other alternative payment methods. For merchants, a higher revenue share provides a great opportunity to maximise their revenue further and monetise their products and services. For carriers it opens up an entirely new revenue stream from a corner of the mobile economy that was largely out of their reach. And for users they benefit from an innovative mobile payment technology that is seamless, fast and secure all from just one click. Mobile carrier billing is proving to be a win: win for all.

Regional Highlights

Turkey

Turkey tops the list by offering the world's highest payout, with the carrier Turkcell offering a high 85% revenue share to merchants in branded digital content and services category. Turkish mobile operators are at the forefront of mobile carrier billing innovation as they see the service as an integral part of their payments and commerce business. They have introduced attractive pricing and revenue share strategies to drive the adoption of carrier billing in the Turkish market amongst merchants in, for example, the digital content and online gaming sectors.

Russia

In addition to being the 2nd highest payer (with payouts of 80%) Russia is also the fastest maturing country with average payouts increasing by 16% in real terms over the last three years, growing from 64% in H2 2011 to 80% in H1 2014. Russian mobile operators recently introduced direct carrier billing, an advanced billing technology which offers more flexible pricing and improved billing features.

Eastern Europe

It is not all about the established Western European markets (who have an advantage since they were the first to adopt carrier billing). Mobile operators in Eastern Europe are actively driving up the use of carrier billing in their markets by offering more attractive payouts to merchants. Despite being relatively new markets to carrier billing, four of the top 15 best revenue share countries are located in Eastern Europe - Russia (80%), Lithuania (67%), Slovenia (65%) and Romania (65%).

Expected growth in LATAM, MENA and Asia

LATAM, MENA and Asia are all identified as emerging markets for carrier billing. While payouts are currently among the lowest in the world (as low as 30% in parts of LATAM), they are expected to show real signs of growth over the next five years.

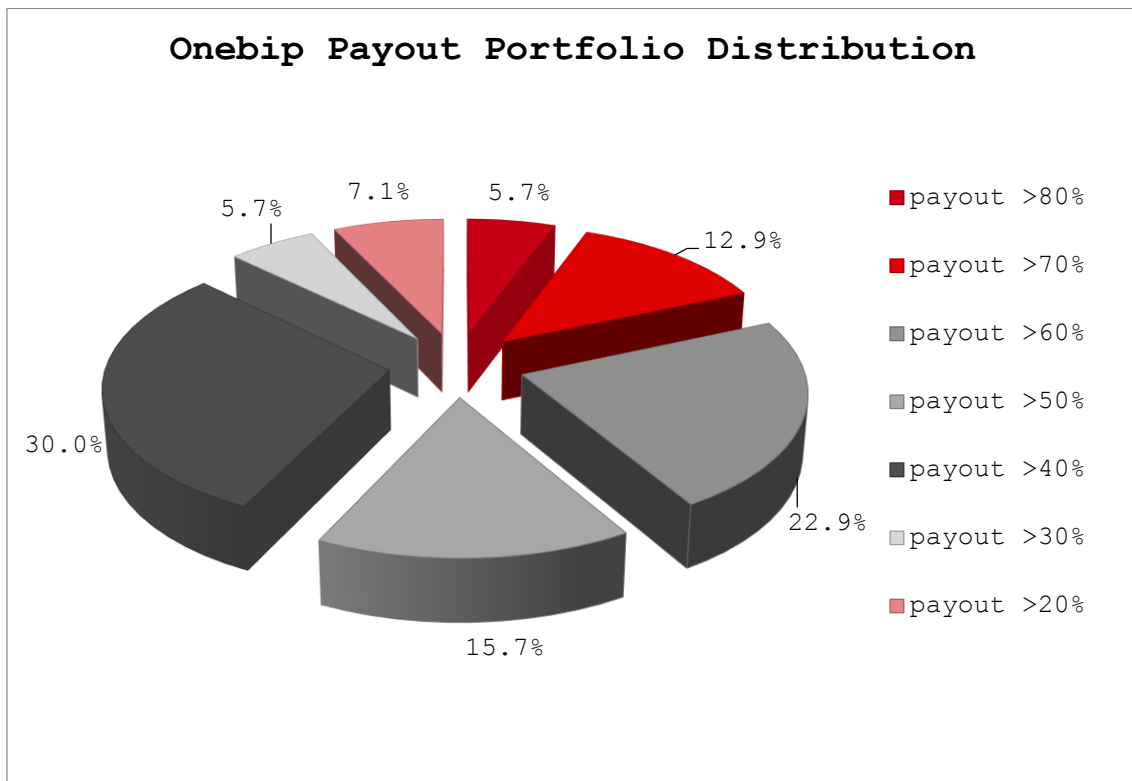
Carrier billing adoption will be accelerated in these emerging markets as the local mobile operators mature and require alternative revenue streams as they follow in the footsteps of their counterparts in the developed economies and become less reliant on traditional voice and data services for revenue.

In emerging markets, mobile penetration is usually high but the number of people without a credit card or bank account is also high, making it a great opportunity for monetisation via mobile carrier billing. Brazil, with its combination of very high mobile penetration (over 130% due to many people have more than one SIM card⁴), high proportion of unbanked users and strong economic growth is cited as a sizeable potential market for carrier billing.

⁴ GSMA and Deloitte, [Brazil Mobile Observatory 2012](#)

Onebip payout portfolio

In addition to seeing which regions offer the best payouts, Onebip also analysed how payout rates are distributed among its portfolio of mobile operators. According to the payout rates that Onebip has negotiated with individual operators, 41.5% offer a payout of more than 60%, and 57.2% of operators offer revenue share of over 50% to merchants.



Closing remarks

In summary, Onebip has found that mobile operators are driving the growth of mobile carrier billing adoption with higher payouts for merchants, especially in Europe. Even though Europe has taken the lead in terms of average net payouts offered by mobile carriers (64%), we are seeing interesting developments in emerging markets such as Latin America, MENA and Asia. The speed at which carrier billing will mature in these markets over the next five years is in the hands of mobile operators.

Direct carrier billing is proving to be increasingly popular with mobile operators. This advanced billing technology provides a number of performance advantages over SMS-based billing, resulting in an overall better experience for customers over other payment methods. It also reduces the mobile operator's exposure to errors and fraud during payment processing.

In addition to improvements in the type of carrier billing technology that operators use, the data shows that (unsurprisingly) increases in payout rates by operators result in more merchants choosing to offer carrier billing as an attractive alternative payment method to credit cards and PayPal for their services.

Offering better payouts and special promotions to merchants creates a virtuous circle. While some operators may be reluctant to increase their payouts, they can be reassured by the fact that in most instances this strategy results in higher overall revenues for the mobile operator. The perfect storm is a combination of better payouts, flexible price points (including higher price points) and direct carrier billing technology.

In markets where Onebip has been able to offer more attractive payouts, higher individual price points for services and direct carrier billing technology, we have seen merchants enjoy increased transaction volumes and revenue. Unveiling this trend has led many merchants to focus more on mobile transactions and to further develop more mobile functions into their services, resulting in a positive effect for the entire industry: higher payouts, more transactions and focus on mobile. Therefore, as Onebip, we encourage the move by European carriers to improve their revenue share for merchants and expect to see a similar trend in other emerging regions in the next five years.

About Onebip

Onebip, by Neomobile, is a global mobile payment service that offers the best user experience and the most advanced billing technology for our partners. With over 5 billion users connected to 250+ carriers in 70 countries, Onebip enables merchants to seamlessly monetize digital goods and services to their users on a global scale. It also provides users with a simple, secure and fast way of paying for their purchases via mobile without the need of a credit card or bank account. Onebip's deep integration with carriers and expertise in mobile direct billing enables our partners to experience the next generation of mobile payments in just one click.

Onebip started in 2005 as the first mobile payment service in the world. Today it is the mobile payment service of global mobile commerce group, [Neomobile](#), which has offices in Rome, London, San Francisco, Mexico City, São Paulo, Madrid, Reus, Köln, Paris, Milan, Bogota, Belgrade, Istanbul and Mumbai.

Visit www.onebip.com for more information.

