

# The Value in Value Added Services

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With the population of mobile phone users in Nigeria running into millions, the opportunities for generating more revenue from value added services is huge for telecom service providers that want to differentiate themselves by the additional services they offer to customers.

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With the mobile phone gradually moving beyond a 'voice only' device to one that offers various services ranging from entertainment to information delivery, most mobile phone operators are embracing Value Added Services (VAS) as a means of increasing customers' interface with their mobile phones thereby generating more revenue from the services offered.

With a total of 79 million users as at April 2010, Nigeria is considered the largest telecom market in Africa. Although average revenue per user (ARPU) as at 2002 was N8, 250 it has reduced drastically to N1, 800 as at 2009. To increase revenue and customer retention, telecom operators have embraced global trends in the industry which is the introduction of value added services to customers.

While value may mean different things to telecom operators and customers, it is built on the same principle to both parties which is 'Worth and Importance'.

Value added services are non-core services offered to customers. These services have grown and expanded over time to suit customer needs and emerging economic trends. The first value added service to be introduced to customers in Nigeria was the Short Message Service (SMS).

Today, several billions of messages are sent all over the world and the figure is still growing. Other value added services have been introduced to the customers – WAP and GPRS services, downloading, MMS and video conferencing to name a few as the list keeps expanding.

## THE OPPORTUNITY

Value added services provide a range of opportunities to the customers and the operators. Telecom operators stand to benefit immensely from the provision of value added services to customers. Two major benefits to them include

- Increase in revenue
- Customer retention

### Increase in Revenue

The first and most important benefit to the operators is that providing value added services to customers increases revenue. Value added services can be grouped into two: **Stand-alone VAS** —Services that can be offered alone as core services

**Bundled VAS** —Services that must be bundled with core services

Both services benefit the company in two ways

- Generates multiple revenue channels  
They generate additional revenue separate from core services provided. Examples of such services include the SMS, GPRS and WAP services
- Stimulates demand for core services  
Value added services that can't be offered as core services are bundled with core services and offered to customers at a premium. These services ultimately drive the demand for core services. Examples of such services include Downloads, MMS and Conference Calling

## CONCLUSION

Value added services are necessary to telecom operators. It is important that as new technologies are created, telecom operators must adapt to these changes and services. This is because customers will always adapt to new ideas and technologies as long as they meet their needs.

The value in value added services to telecom operators is twofold: increase in revenue and increase in customer retention. However, the most crucial is quality service to customers. Operators should not focus on delivering a variety of services while neglecting the importance of maintaining and improving service quality and delivery system as this serves as the most important factor for customer satisfaction

**The value in value added services to telecom operators lies in the fact that it is in two folds: increase in revenue and increase in customer retention**

### Customer Retention

The importance of customer retention cannot be over emphasized. For a customer to be retained, he has to be satisfied with the services provided. Value added services are not restricted to age or gender as anyone can use them

In a research carried out by Ciuci Consulting on 'What the Nigerian Telecom Users Want', of the 500 respondents interviewed, 36% would switch service provider due to better value added services. Operators should therefore note that by providing quality services, they have an advantage

### Common Value Added Services Offered by Telecom Companies in Nigeria

|   | General Groups                  | Most Offered Services   |
|---|---------------------------------|---|
| 1 | Voice                           | <ul style="list-style-type: none"> <li>• Conference calling</li> <li>• Happy hours</li> <li>• Call waiting</li> </ul>                     |
| 2 | Messaging                       | <ul style="list-style-type: none"> <li>• SMS</li> <li>• MMS</li> <li>• Voice messaging</li> </ul>   |
| 3 | Credit & Payment                | <ul style="list-style-type: none"> <li>• Share airtime</li> <li>• Credit notification</li> <li>• Recharge bonus</li> </ul>                |
| 4 | Entertainment                   | <ul style="list-style-type: none"> <li>• Mobile download</li> <li>• Caller tunez</li> <li>• Chatting services</li> </ul>                  |
| 5 | Mobile Data & Business Services | <ul style="list-style-type: none"> <li>• GPRS</li> <li>• WAP</li> <li>• Blackberry</li> </ul>   |
| 6 | Corporate Services              | <ul style="list-style-type: none"> <li>• Bulk SMS</li> <li>• Toll free line</li> <li>• Vehicle tracking &amp; fleet management</li> </ul> |