

SPONSORED DATA EXCHANGE

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# **FLEXIBLE DATA: REINVENTING MOBILE DATA FOR TODAY'S SUBSCRIBERS**



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Mobile data has become central to the mobile experience. Data-driven applications and services dominate usage for the majority of mobile subscribers. The challenge for Mobile Network Operators (MNO) is to effectively monetise mobile data and find new ways to serve growing mobile data demand.

Traditional models for charging subscribers for mobile data were built to serve a market that still had voice and messaging as primary services. Today's data-centric world is being limited by the way subscribers are being charged for bandwidth.

As new mobile content services are introduced, subscribers are finding it difficult or risky to use these services for fear of exceeding their data allowances and being charged a premium. With the rise of free messaging apps and VoIP services, this has become even more important to subscribers. Unlike voice and text messaging, data is not unlimited under most rate plans and can be very expensive.

While voice and SMS revenues decline, MNOs need to find new ways to monetise mobile data and, in turn, mobile content and digital services – particularly video content – to drive future growth from customers. Rethinking their approach to mobile data will drive new revenue growth and enable them to tap into a growing opportunity in mobile services.

Publishers and distributors of mobile content will also benefit from new commercial models. With mobile data available to subscribers in new ways, they are free to develop services that aren't limited by data costs. They can grow their businesses when MNOs offer non-linear commercial models with greater opportunities for advertising, freemium models, consumer engagement and immersive experiences.

The traditional approach to mobile data is limiting growth for both MNOs and content producers. New models benefit the entire value chain from subscribers through to content producers and MNOs.

## OPEN MARKET SPONSORED DATA – WHAT IS IT?

Sponsored data enables content owners and publishers to generate advertising revenue while retaining control of their content as well as the ability to generate and share additional revenue with MNOs.

Sponsored data, sometimes referred to as Zero-rated or Toll-Free data, can be defined as “a global exchange that allows third parties to pay for mobile data sessions for all sponsor-enabled content and apps across all enrolled MNOs”.

A sponsored data exchange provides content owners with a market model they can use to distribute their content via their MNO partners. All without having to sign separate contracts with each individual MNO. The content owner simply signs a single contract with an exchange provider like Tata Communications, who in turn works with all of the MNOs. The result is that the content publishers have a single contract that covers global distribution of their content services.

With a sponsored data service, content owners pay the sponsored data exchange provider a fee based on various usage criteria – for example, bandwidth usage over a given period of time. The exchange provider is responsible for settling with each individual MNO within the exchange, at an agreed rate.

This process simplifies the operations and management for the content publishers, allowing them to concentrate on their core business. It also encourages content usage and adoption by the end consumer, as data used accessing the content doesn't come from the monthly data bundle they pay for.

The concept of an exchange mechanism, where sponsors pay to enable their customers to access their content without incurring any incremental costs, is similar to the way that advertising in newspapers subsidises the cost of the newspaper.

Advertising in newspapers means that people can read all of the content in the newspaper, without having to pay a lot of money for it. Content publishers can use sponsorship to promote and ensure a broader distribution of their content, develop customer connections and enhance customer loyalty.

## MOBILE DATA AS A LOYALTY MECHANISM – MOBILE DATA REWARDS

Sponsored data is one of a number of ways to repurpose mobile data, turning it from a perceived unit of consumption (Mbyte) into a valuable marketing asset. Seen in this light, mobile data can be effectively used to build customer loyalty.

One way of doing this is providing data rewards to mobile consumers – not just for increased on-net data usage, but also as part of a broader third party affiliate loyalty programme. For example, the provision of a cashback facility for spending money at specific retailers.

Taken further, mobile data itself can be the loyalty reward mechanism. This turns mobile data into a commodity and, of course, with a larger data allowance, consumers can access and consume even more content. This approach

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allows consumers to shop, play games, refer friends, watch videos, print coupons and engage in all the activities they normally do, while earning mobile data rewards. Here, mobile data usage can be sponsored by the organisations consumers are engaging with – providing them with direct customer exposure and promotion opportunities.

While data rewards can be earned through the consumption of digital services, rewards can also be earned in conjunction with the consumption of non-digital services – in much the same way as conventional reward and loyalty structures work.

Examples of how mobile data rewards can be applied include:

- Shopping – consumers shop at their favourite stores and earn free mobile data
- Coupons – each time a customer redeems a coupon, they can qualify for data rewards as well as save money when they redeem the coupon
- Surveys – consumers can earn mobile data rewards in return for taking surveys
- Games – mobile data rewards can be earned along with game credits the more a consumer engages with a game

## MOBILE DATA AS AN EXCHANGEABLE ASSET – MOBILE DATA GIFTING

Using mobile data as part of a reward and loyalty mechanism is primarily an enterprise activity, but it's also possible to consider the idea of mobile data as an exchangeable asset between two people. This introduces the concept of mobile data gifting, by which one person transfers a block of mobile data entitlement to another person.

As the basis for money remittance programs around the world, the commercial transfer model is not so new. Instead, the novelty is the fact that the commodity being transferred is a block of data, rather than money – turning data into a valued asset in its own right.

The process of transfers between individuals on the same mobile network can be undertaken without too many obstacles. However, when it comes to gifting data to someone on a different network, then the price differential associated with different networks must be considered. Similarly, when gifting data to someone in a different country, there are a variety of issues associated with regulatory and tax regimes, as well as price differentials to consider.

Such complexities mean that trying to establish bilateral relationships to bring about this framework isn't efficient or sustainable. Which means there's a need for an exchange

framework that enables efficient, multi-lateral gifting for both domestic and international transactions.

In terms of its need for a neutral exchange structure that can enable efficient management and settlement of the various transactions taking place, the concept of mobile data gifting is similar to mobile data rewards.

Yet while mobile data gifting would normally be associated with a peer-to-peer (P2P) transaction, and mobile data rewards with an enterprise transaction, nothing precludes an enterprise gifting a block of mobile data to individuals as part of a special promotion, without individuals having to earn it.

## OPEN MARKET SPONSORED DATA EXCHANGE

We've already talked about why a content publisher might consider adopting sponsored data, but how does a sponsored data exchange actually work? It's important to understand the fundamental principles associated with the open market sponsored data exchange.



Open marketplace for sponsored data



Scalable one-to-many integration



Commercial model flexibility



Same solution for all app types

### Open marketplace for sponsored data

An open exchange-based marketplace is necessary to provide a neutral environment to enrol sponsors, MNOs and MVNOs – a virtual hub where all parties can connect. The exchange allows consumers to access and use sponsored content sources or data services like an app store, without worrying about data usage cost. It's also a mechanism to ensure efficient settlement of revenue flows between all of the participants.

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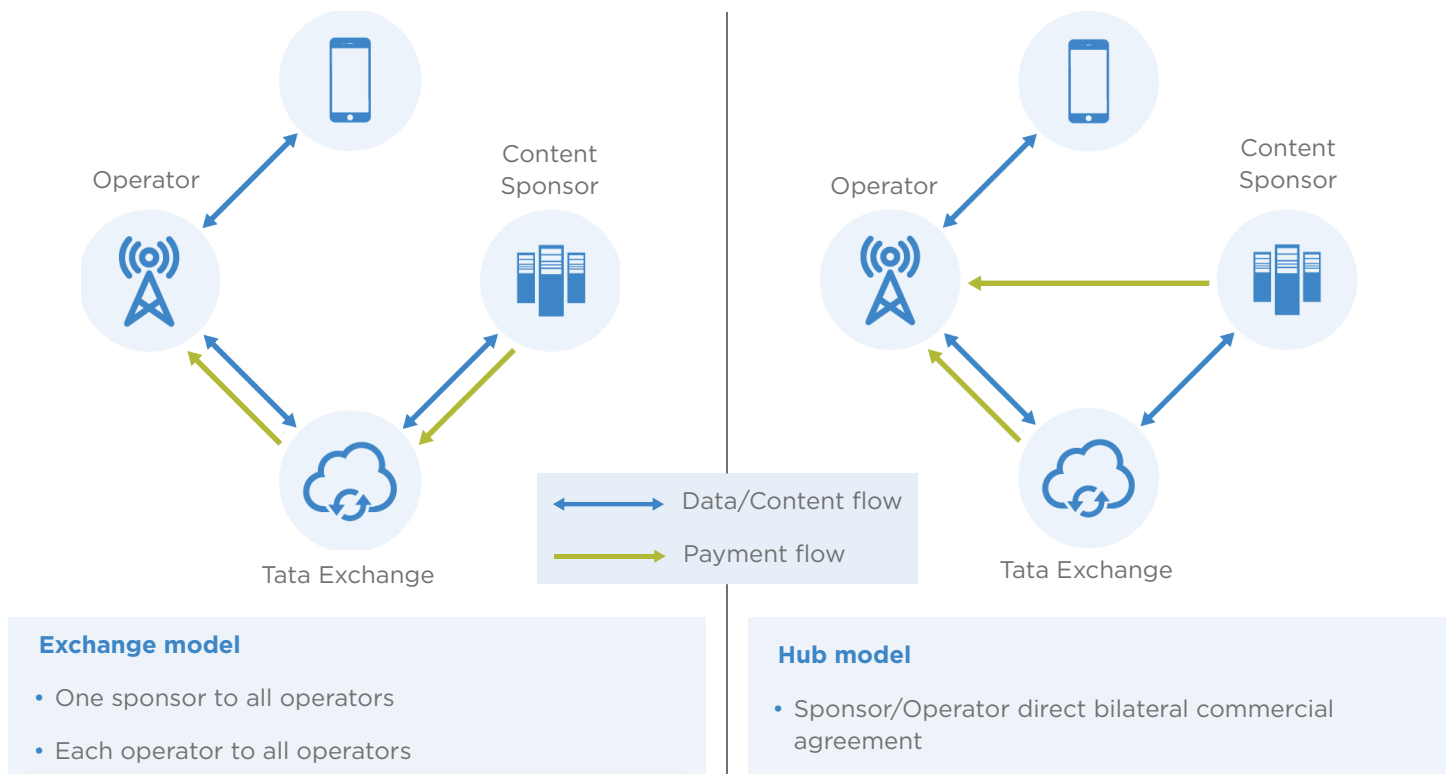
**Scalable one-to-many integration**

One software development kit (SDK) integration lets sponsors integrate sponsored data into their apps, while gaining access to all MNOs enrolled on the sponsored data exchange. A strict rule is to ensure no custom implementations are required – providing level access to the exchange for all participants. Applying a cloud-based approach with no software to implement, the simplicity of the model can really be appreciated:

- Whitelist a pair of sponsored data exchange IP addresses to route sponsored data
- All traffic routing to the whitelisted IP address is zero-rated to the subscriber - The data is charged to Tata Communications at an agreed supply rate and the settlement is completed with the MNO or MVNO
- No other changes to policy rules, URL whitelisting etc. are required

**Commercial model flexibility**

Sponsors have control over when and where to sponsor, how much to sponsor and how long to sponsor. There are options to make use of pre-negotiated rates or enter into a direct agreement with an MNO or MVNO. Commercial terms are also strictly distinct from any technical integration activity. This diagram provides a view of the commercial flows:



**Same solution for all app types**

One SDK is used to support multiple usage scenarios, different types of app and different protocols. Regular updates to the SDK are made to ensure that the most feature-rich functionality is available.

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## SPONSORED DATA USE CASE

### Stimulating increased mobile banking app usage

#### Eligible customer

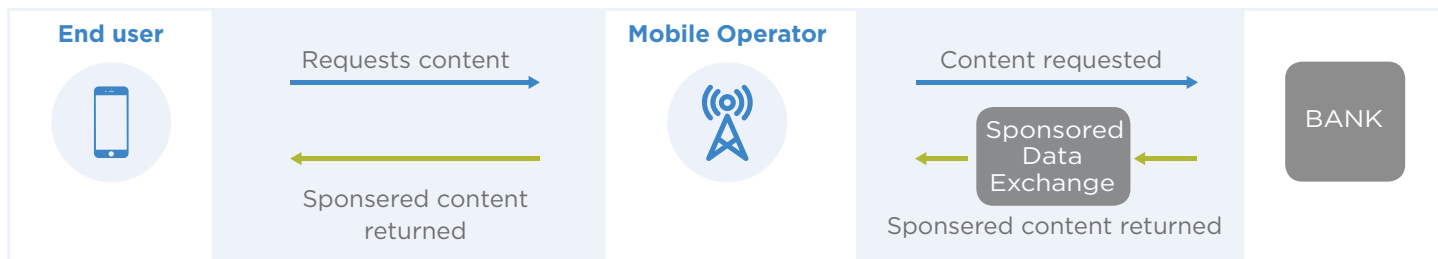
- Opens app and requests content
- Once app determines that the data sessions for that user are to be sponsored, data consumption does not count towards user's data plan

#### Mobile app (server side)

- Elects to sponsor user's data session
- Redirects content through the Sponsored Data Exchange

#### Invoice / charging

- MNO charges bulk wholesale data usage fees to Tata Communications
- Tata Communications verifies billing records and charges wholesale data usage fees to sponsor



## CONCLUSION

With increasing consumer demand for access to mobile content, conventional linear models are unlikely to provide a sustainable commercial approach in the future. New ideas are required to redefine the nature of what mobile data is as a commodity, and how it can be best used to produce value for content publishers as well as MNOs and MVNOs.

So why consider integrating sponsored data, using mobile data as a reward mechanism, or enabling mobile data as a commodity to be exchanged between people, as part of your marketing mix?

Let's consider some of the reasons:

- **Commercial innovation** – becoming a mobile data sponsor demonstrates more than innovation for the sake of innovation, it engages your consumers and provides ways to make them consider your brand in a new light.
- **Enhance customer loyalty** – loyalty schemes are not new, but introducing mobile data as a reward mechanism is a way to reinvent a proven model. Loyalty schemes aren't just about loyalty – they generate revenue too.
- **Increase commercial reach** – many mobile customers either have limited data plans or no data plan at all. With sponsorship, you open up a new market segment to promote your services to.
- **Incremental revenue** – MNOs find new ways to realise network investment through a third-party-pays model. Sponsors open a new, highly targeted advertising channel to promote services.
- **Consumer convenience** – just as P2P money transfers opened new opportunities, particularly in developing markets, introducing a mobile data gifting mechanism will provide additional levels of convenience for consumers and encourage their own innovation and inventiveness.

The future of mobile data will be far less rigid than in today's market. It will be more fluid and enable greater innovation in services while freeing subscribers to use their data plans in new ways. Enterprises and MNOs that embrace new customer engagement models will immediately differentiate themselves in a static market – discovering new ways to both monetise mobile data and increase customer satisfaction.

The opportunity to innovate in mobile data is only growing.

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