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Carrier Billing Shapes the Digital Content Market

Consider you have a mighty sword to fight the evil dragon with on your new browser game, the opportunity to make a contact via your preferred mobile dating app, and a cool new track recently discovered at the electronic music store you just visited via your tablet PC. What do all these random situations have in common? Besides the fact that they are all part of today's digital market landscape, they are all made possible via digital payment methods.

Games, music and dating are just a few examples; add to it videos, e-Publishing and adult content and suddenly you can see that the digital content market is a booming industry, having grown tremendously in recent times.

Market outlook for digital content in Europe

The entire European market for digital content is expected to increase from EUR 9.2 billion in 2015 to an estimated EUR 55.2 billion in 2020, according to the released DIMOCO and Juniper Research's white paper "The Future of Carrier Billing in Europe 3.0." Speaking about swords, crowns and coins – the gaming segment is experiencing a faster than anticipated migration from physical to digital format. Currently, over 90% of PC games revenues are now derived from digital sales while, at the same time, there is a significant and increasing substitution of handheld games by smartphones and tablet PCs being driven by the growth in the popularity of social gaming.

Compared to past years' estimates, the e-Publishing market is expected to be marginally higher than that originally forecast by Juniper Research, with the availability in the adult and dating sectors of greater data granularity than what marketers can develop in to income streams, adding to the upward revision.

100% European reach

With more and more digital content becoming available, it is no surprise that content providers are using carrier billing as a payment option. Reaching 100% of the European population, carrier billing is one of the principal reasons why the digital content market has grown and will continue to grow in the upcoming years.

Uniquely, carrier billing offers content and service providers the opportunity to monetise consumers that don't currently own a debit or credit card, such as the unbanked and the younger demographics, as well as customers that feel comfortable using pre-existing, trusted billing relationships with the carrier to pay for transactions that would otherwise require inputting personal credit or debit card information. With higher smartphone penetration, digital content merchants are achieving 1-click user payments and as a result making far higher sales conversion rates.

EUROPEAN DIGITAL CONTENT MARKET, BY SUB-REGION, 2015 & 2020 (€M)



Source: Juniper Research & DIMOCO White Paper: The Future of Carrier Billing in Europe (2016)

A significant driver for the carrier billing market is the European regulatory framework. This enables the growing number of new digital content providers to deploy a carrier billing option to attract new customers with its easy user 1-click purchases and attractive provider payout rates. To make it clear: 70% to 77% of conversion rates have been measured as being first-time carrier billing transactions whereas, for repeat purchases, up to an 88% conversion rate is being achieved.

In the Juniper Research report, Windsor Holden, Juniper Research Head of Forecasting & Consultancy, states: "The digital payment method – allowing people to pay via their mobile network operator – enables payment amongst a far wider and diverse user base in developed and developing markets. In the latter case, debit and credit card ownership is often extremely low; in the former, it provides a billing option to younger demographics and prepaid sector." →

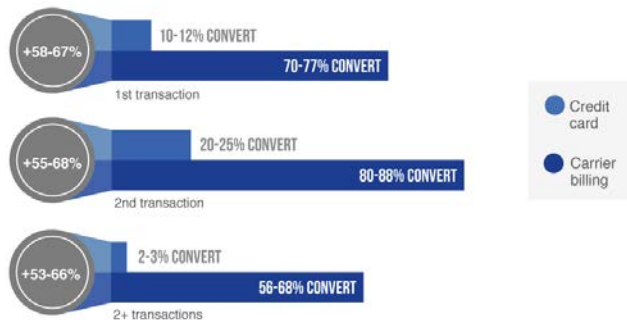
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Europe shows an average handset penetration rate of 126.3%, with more than 1 billion devices available, while only 34.7% of adults own a credit card. This low-credit card penetration to handset ratio offers optimal conditions for carrier billing to support digital content production and monetisation.

Based on Juniper Research data, the average transaction value for billing digital content via carrier billing in Western Europe lies at over EUR 4 and is significantly higher than the EUR 1.50, which is achieved in Central Eastern European countries.

Developments in carrier billing solutions now mean that it can be offered as a subscription model as well as for one-off purchases on a multitude of devices and contexts, thus making it an ideal alternative payment method. The potential value of digital content in Europe via carrier billing will rise from just over EUR 2.6 billion in 2015 to nearly EUR 14 billion in 2020 according to Juniper Research – resulting in a CAGR over the forecast period of 40%.

BILLING MECHANISM CONVERSION RATE COMPARISON, LOW VALUE PURCHASES: CREDIT CARD VS CARRIER BILLING



Source: Juniper Research & DIMOCO White Paper: The Future of Carrier Billing in Europe (2016)

So, which markets will carrier billing shape next? Happy to receive your thoughts via <https://twitter.com/Dimoco> #DIMOCO or by email hello@dimoco.eu



Margit Anglmaier

VP Corporate Communications
Dimoco

About Margit Anglmaier: Margit Anglmaier, Vice President Corporate Communications, has led the communications department at DIMOCO for over 10 years. The 36 year old Austrian-born VP is in charge of the carrier billing institutes' external and internal communication.

About Dimoco: DIMOCO is a payment institution for carrier billing enabling almost 1 billion European subscribers to purchase goods and services from merchants and aggregators with their mobile devices which are charged via the operators' billing system.

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