

Global Carrier Billing Summit 2017: DCB is powering technology firms' drive to monetise the unbanked

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John Abraham

Analysys Mason attended the annual Global Carrier Billing Summit in London in August 2017. The event was well attended by multiple communications service providers (CSPs), vendors and aggregators.

Direct carrier billing (DCB) – an online payment mechanism that allows customers to pay for their purchases by crediting it to their mobile phone bills – continues to attract significant interest from CSPs. However, successful monetisation of the technology remains a challenge, particularly for CSPs in developed regions. The adoption of DCB by Apple and Google in select markets is an encouraging development, and has helped to improve CSPs' perceptions of how DCB can be monetised. However, challenges relating to its more-widespread adoption persist, including disagreements on CSP commissions, the inability to support the sale of physical goods (in most markets) and the complexity of porting publisher content and applications to meet specific CSP requirements. In addition, regulatory hurdles around payments and the types of goods that can be sold continue to complicate DCB use cases. This comment provides a summary of the main highlights from this year's summit.

The CSP perspective on DCB: tempered optimism

While CSPs continue to be very interested in the opportunities that DCB presents, most are adopting a cautious approach when it comes to embracing the technology. Chief among the concerns from those CSPs in attendance were misgivings about the potential loss of revenue when users of specific services switch to DCB as their preferred payment method. DCB offers CSPs a lower profit margin than other payment options, which can lead to reduced revenue. CSPs do not want DCB to replace their established payment streams, but instead to bring in new revenue.

The assembled CSPs had varying perspectives on the amount of cannibalisation that DCB causes to their established revenue streams. However, there was a broad consensus that the potential advantages of this payment method were significant enough to justify CSPs' continuing engagement and experimentation with DCB use cases.

Leading technology firms are embracing DCB

Google had a very prominent presence at the conference, with multiple senior executives presenting and participating in panel discussions. Google contends that DCB is an important way of monetising the next billion users, particularly in emerging markets. A significant proportion of the population in these regions has a strong connection with a connectivity provider and Google wants to leverage that relationship to eventually drive stronger engagement with Google services. To that effect, Google has been investing in building DCB relationships with CSPs and vendors, in addition to investing in research and marketing that drives the DCB story further. Google believes that CSPs in emerging markets are uniquely placed to go beyond offering just connectivity to drive financial inclusion in unbanked regions. The company also believes that DCB will allow the unbanked in emerging markets to better engage with, and participate in, the digital economy.

Although **Apple** did not attend the event, its growing interest in DCB was one of the main topics of discussion, with multiple CSPs identifying the Apple Store as a key driver of interest in DCB among consumers. Apple currently offers DCB for its app store in 42 CSPs across 25 countries worldwide.

Amazon has been at the forefront of experimenting with DCB use cases and has recently launched DCB as a payment option for all goods and services for Amazon Japan. This is a significant development because CSPs in mature markets have traditionally avoided offering DCB for physical goods due to regulations and the perceived complexities of offering such a service.

Regulations will slow down pace of DCB adoption

The impact, from a regulatory standpoint, of the upcoming second payment services directive (PSD2) on DCB operations was discussed at the event. PSD2 is a payments-related legislation in Europe, which will come into force across Europe by January 2018. In addition to restricting purchases to digital content, PSD2 introduces per-transaction and monthly limits for these purchases. This means that CSPs will need to apply for an electronic money institution (EMI) licence to be able to use DCB for non-digital purchases. This could potentially pave the way for CSPs experimenting with banking licences, especially in Europe. General data protection regulation (GDPR), the upcoming legislation on data privacy across the European Union, is also expected to have an impact on CSPs ability to offer DCB services in the region.

Vendors continue to play a key role in market education

Key vendors in attendance at this year's event included Bango, Boku, Centilli, Dimoco and Mobio. The vendor community has played an important role in educating the CSPs and publishers/content providers and in advancing DCB, especially in the early stages of the technology's development when vendors were faced with CSP scepticism. The market has evolved substantially within the last 3–4 years, which has led to some consolidation among DCB vendors. Margins continue to be slim and most vendors must chase volumes to ensure profitability.