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Impact of Advancements in Telecom

Demand for enhanced functionality from users will force value added players to continuously churn out interesting functionalities and apps

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Telephones or mobiles have become an integral part of our lives or, to put it more aptly, an extension of our physical self. Such is our dependency that we cannot even think of a life without our phones. Today the handphone has started acquiring more and more functionality and has become irreplaceable. In addition to basic voice dialing, the phone has metamorphosed into a camera, a location guide, a book, a friend and much more...

The evolution of the mobile phone and the ways in which the users will interact with it and use it, and the increase in the bandwidth at the disposal of the user, will be important to understand and be prepared for the future of the telecom industry.

All the industry players-whether an operator, an OEM, a VAS player or an infrastructure player like us-will have to change dramatically to grapple with the changes that will happen in the near future. The demand for enhanced functionality from the users and the device will force the value added players to continuously churn out interesting functionalities and applications; the service providers have to come out with business models to monetize the user's requirements, upgrade and optimize the networks; the technology providers will have to enable this transformation; and, network service players have to gear up to service the emerging requirements of service providers.



Better User Experience

The launch of 3G and BWA will be the next engine of growth for the service providers. Their introduction will accelerate the trend of voice substitution by data. The launch of these services will offer high bandwidth and speeds to encompass wireless services like mobile VoIP, multimedia based mobile services, location based services etc.

Dynamics like Mobile Number Portability (MNP) will further put pressure on the operators to focus on bettering the customers' experience and building a strong brand preference. MNP coupled with stiff competition for lower priced services will definitely have a far reaching impact on operators' ARPUs. The steady drop in ARPUs, challenge of augmenting and upgrading infrastructure to maintain the requisite quality of service, spectrum shortage, etc have made the task of sustaining revenue growth and profitability of the service providers a herculean task.

Investing in Infrastructure

For a telco, infrastructure-towers and backhaul connectivity-account for about 60% of the cost of doing business. Thus, apart from the high costs that are incurred, it also results in delaying the rollout of services.

Telecom infrastructure requires huge investment outlays. Often, such investments turn out to be risky propositions given the rapid introduction of successive generations of new technology. Operators will increasingly face a situation where even before recovering their investments in existing infrastructure they embark on further investments in new generation networks. This phenomenon provides interesting challenges. The need would be to come up with business models that significantly reduce the capex and opex, for making it easier for the service providers to make the transition.

Redefining Objectives

There has to be a new level of thinking in terms of the various outsourcing initiatives that the service providers are currently engaged in. Redefining the end objectives of the service providers and the core capabilities of different players could lead to different models.

Infrastructure sharing could be one of the ways that can help address some of the challenges faced by the operators. The sharing of infrastructure layer will allow service providers to focus on their own core sales/marketing areas. Infrastructure sharing will allow operators to defer their infrastructure capex investments into opex lease rental payments over an extended period of time. Existing towers can also be sold and leased back, thereby creating new sources of cash, which can be invested in radio network expansion and distribution.

Not only does sharing benefit the consumers in terms of cost it also provides environmental benefits, as the sites are most effectively shared through reduced number of towers. Telecom infrastructure sharing helps in better skylines by preventing cluttered structures and infrastructure duplicity.

Managing Expenditure

The immense growth of the telecom industry brings its own pitfalls with it. Given the power outage situation in the emerging markets like India and the concerns world over with respect to global warming and carbon emissions, managing the carbon footprint of the telecom industry becomes important.

Currently the energy expenses form close to 20% of operators' network operating expenditure and are expected to further go up with increased network expansion in rural areas. With infrastructure sharing the operators save on energy expenses and in the process also reduce the diesel consumption. This move will reduce the carbon footprint of the telecom industry.

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While contemplating the future of telecom industry one has to take into account that driving cost reduction will be a critical capability of a service provider. Outsourcing non-core functions is accepted as the baseline strategy today but with commoditization of infrastructure service it is not possible to fathom the extent to which sharing might go in the future.

Rural Telephony

The mobile phone will deeply get tied to the way the villagers make money, participate in their government, and retain closely important family relationships. The ripple effects are only now beginning and the mobile phone now brings healthcare, mobile banking and learning closer. The real impact of rural telephony will be seen when there are better programs for marketing crops, saving money and even learning on these very basic phones. Life will always be different in a village or a city, but India can at least gain some basic common denominators between the two.

The biggest boon of the rural penetration will be availability of healthcare services. With the introduction of 3G services remote treatment and diagnosis of patients through mobile phones would become a reality.

In fact, a few telecom operators and value-added service developers are planning to use mobile phones for diagnostic and treatment support, remote disease monitoring, health awareness and communication. Mobile banking will boost the reach that banks have in rural India. With rural telephony it would be easier for banks to reach out to villagers through their mobile phones. The mobile phone could be a catalyst for the growth in the rural markets for the banking sector. Better communication coupled with multiple government initiatives such as Rural Broadband, National Knowledge Network, will definitely ensure that the much needed funds come into rural India. Low priced new handsets, reduced cost of SIM, lower tariff rates and per second billing are some of the factors fuelling the high rural penetration in India. This will have a positive impact socio-economic impact. As the mobile penetration in rural gets higher the digital divide between urban and rural India could be bridged.

Mobile Phones-More Personalized

Such is the impact of mobile phones that now it has created new media channels for advertising and marketing. Advertisers can reach their customers anywhere and at anytime. With the help of the consumer profile and their interests, the advertising companies can launch highly targeted campaigns. One of the reasons for the popularity of mobile advertising is that mobile phones are considered to be more personal than any other traditional mode of communication. Social networking sites have received a huge boost from mobile phones. In the Indian market mobile proliferation is much higher than PC penetration and 3G is expected to drive the convergence between mobile and Internet platforms. There has been a dramatic increase in online distribution and consumption of user generated content. The popularity of applications such as Twitter, Facebook and YouTube is proof of this. The mobile phone will soon transform into a new personalized channel to receive advertisements on.

Today the telecom industry is backed by various factors like 3G, VAS and growth of smart devices. Huge libraries of applications backed by powerful devices will offer experiences that can only be imagined. At the same time there are certain factors that have to be taken into consideration by operators like their responsibility towards the environment. The Indian mobile industry has now moved out of its hyper growth mode, but it will continue to grow at double-digit rates for next couple of years as operators focus on rural parts of the country. Growth will also be triggered by increased adoption of value-added services, which are relevant to both rural and urban markets. With operators striking a balance between profits and responsibility the boom will also translate into the growth of the economy and everyone from operators to manufacturers to end users seem to have a win-win situation in front of them.

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