

Managing ROI in an era of 3G and MNP

In Association with GLOBAL GROUP


EXPERT SPEAK

“ Consumers come on board if the brand resonates with them. The tariffs may be very competitive due to MNP but finally, it is about network and network quality, in terms of both, coverage and capacity. ”




Mr. Bharat Bhargava,
Chief Strategy and Emerging Business Officer, Aircel

“ We have seen a growth in tower tenancies, though currently limited to metros and other larger cities. We have not witnessed any great increase in revenues because of 3G; but once 3G settles down, we would see substantial increase in tenancies. ”




Mr. B Ramanand,
Chief Operating Officer, American Tower Corporation

“ 3G might not be entirely *aam aadmi*; but there are pieces for the *aam aadmi* that will start out the market. Beyond that, it will build up gradually over a period of time and that is where the challenge lies. New products need to be designed. ”



Mr. R Jayaraman,
Sr. VP and Chief Safety Officer, Tata Teleservices Ltd

“ Currently, 2G sites are being upgraded to 3G. We have started seeing great demand for tenancies on full 3G sites. As we progress on 3G and as operators bring more and more 3G network, I think we will find increasing demand for 3G. ”



Mr. CV Kane,
Chief Operating Officer, GTL Infrastructure Ltd

“ The market for 3G is new not only in India, but in other parts of the world as well. But the last two years have seen massive growth. A lot of applications are being developed on platforms like apple and android that are very India-specific. ”



Mr. Prashant Gokarn,
Head of 3G Business and Corporate Strategy, Reliance Communications

“ Last 10 years has been the game of getting more subscribers. We now need to start focusing on service. There are few economies where some of the operators are willing to pay three times the price to get a better service. ”



Mr. Amit Sachdev,
Partner, Ernst & Young India Pvt Ltd



From the left: Mr. C.V. Kane, Chief Operating Officer, GTL Infrastructure Ltd; Mr. B Ramanand, Chief Operating Officer, American Tower Corporation; Mr. Prashant Gokarn, Head of 3G Business & Corporate Strategy, Reliance Communications; Ms. Supriya Shrinete, Senior Editor and Chief of Bureau, ET NOW, Delhi; Mr. Amit Sachdev, Partner, Ernst & Young India Pvt Ltd; Mr. Bharat Bhargava, Chief Strategy and Emerging Business Officer, Aircel; Mr. R Jayaraman, Senior VP and Chief Safety Officer, Tata Teleservices Ltd

Indian Telecom Paves Its Way to Higher Growth Avenues

With the conclusion of an eventful year, the telecom sector is now geared up for the task of harnessing its strengths and optimising its potential for limitless growth

Although the birth of telecom can be dated further back, it was the establishment of the DOT in 1985; TRAI in 1997 and the New National Telecom Policy in 1999 that led to the prospect of cellular services in India. GSM and CDMA eventually became the zeitgeist and telecom's true growth drivers. Despite this, issues such as slow reformation, lagging infrastructure in the hinterlands and limited spectrum availability continued to irk the sector. Having invested heavily in spectrums for 3G and in Broadband Wireless Access (BWA), telecom operators are now facing the challenge of shrinking Average Revenue per User. In light of recent developments like Mobile Number Portability (MNP), immediate concerns involving customer retention; the looming question on how to offer quality services without increasing expenditure and how to reap maximum returns from investments (ROI) in 3G are also plaguing the sector.

In order to provide much-needed clarity on these issues and more, the ET Intelligence Group Knowledge Forum in association with Global Group has sought means for 'Managing the return on investments in the aftermath of 3G and the MNP'. Moderated by Ms. Supriya Shrinete, Senior Editor and Chief of Bureau, ET Now, the event was focused on delineating strategies to attract, retain and manage customer churn amidst significant reformation in Indian telecom. To this end, Ms. Shrinete helped manoeuvre the panel discussion to breach subjects like better network planning and design by exploiting relevant technology as well as overall optimisation.

Poised to Initiate Trends
India's launch of 3G and MNP has been unique since unlike other nations, they happened at the same time and amidst wide public interest. Globally, MNP has not been especially successful ex-

cept in Denmark. However, India is witnessing a different trend with respect to pricing and costing. Though it is extremely early to judge its effects since most reported statistics have resulted from the initial euphoria around them. It will take the sector gradual evolution, such as operators constantly launching new services, to ultimately test how successful MNP will be and who it will really benefit. For now MNP has provided operators, strong enterprise relationships and an opportunity to explore new segments and improve services.

In 3G, as higher volumes of data exchanged, the nature of services provided to customers is poised to be much more complex. To ease this problem, operators must partner with their application providers.

Trend Drivers: With a growing economy, India has immense latent demand for data services. Income profiles are increasing and more people now like to try new services. Terminal and device prices have fallen. "Expenditures on education, healthcare, entertainment and communication are increasing. Some of this stuff requires high-speed data connectivity. Between 3G and BWA, these are the standards that will help consumers and enterprise segments connect. So data-3G and BWA will change the game," opined Mr. Bharat Bhargava, Chief Strategy and Emerging Business Officer, Aircel.

Yet, when faced with MNP, higher costs imposed by 3G can become a problem. Thus, attracting and retaining a customer at lower tariffs involves exercising greater efficiency, and that will be the ultimate driver, thought Mr. Prashant Gokarn, Head of 3G Business & Corporate Strategy, Reliance Communications. The entire ecosystem will help drive efficiency, he

added. "Starting from handset manufacturers, handset costs coming down helps the market reach larger volumes, which can sustain lower tariffs. Tower companies are providing guarantees on operating costs of towers. Operators drive efficiency by both, network cost efficiencies and non-network cost efficiencies like self-care, lowering costs of customers in call centres, lowering trade costs etc. It is also driven by third party partnerships since lots of low-cost applications and content are coming in," he said.

Focus on Network Quality: Mr. CV Kane, Chief Operating Officer, GTL Infrastructure Ltd informed that there is renewed focus on more network uptime and building new sites. "Using the current capacities and giving it proactively to operators, that is where we are coming in. We are also talking to operators for sharing all infrastructures now," he added.

Need for Service Grades: With the expansion of telecom emerges a need for diverse product offerings. According to Mr. Amit Sachdev, Partner, Ernst & Young India Pvt Ltd, there is a need to create different levels of service for different grades of subscribers. Customer segmentation is required to focus on segments that are willing to pay more for a better service. He stated, "We are a country which is producing a minute for very less and hopefully, we will create even an

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Pricing Complexity: The complexity of 3G



Catch the coverage of The ETIG Knowledge forum in association with Global Group on ET NOW on 9th April (Sat) at 5:30 p.m. and repeat telecast on 10th April (Sun) at 5:00 p.m.

brings with it a complexity in pricing as well. The 'how much should be charged for how long or how much' debate will require operators' internal processes and systems to change. Their marketing and accounting teams will have to cook up viable plans that customers can understand clearly. And as customers learn and become aware of the tariffs, complexities may be gradually introduced.

Summing Up
If there ever was an opportune time in Indian telecom, it is now. But with so much sector reform in the form of 3G and MNP, drawing customer churn is no cake walk. Ms. Shrinete elucidated, "MNP is something that all operators are taking note of. Of course then, quality is the prime focus now, and a welcome change for consumers." Companies will have to get the costing right, and pricing should be simplified and matched with better offerings from incumbent providers. Higher end segments of the market not all of it elastic to price-should be targeted. There is also a need for optimisation and a symbiosis between the sector's stakeholders to see this industry through troubled times. Indeed, it may be hoped that its present evolution will take the sector to the next level of growth and augur well for industry and end-users alike.



Audience engrossed in an enlightening discussion.

Consolidating Telecom Fortunes

Much has been said about unsustainable business models in the telecom sector, 14 operators labouring in one circle alone are definitely an unsustainable bet. Since there is lack of enough room for all stakeholders, consolidation is bound to see the light of day with the government actively promoting M&As.

After a fruitful forum discussion, the stage was set open for audience questions, which were satisfactorily answered by the panellists. It was noted by Mr. B Ramanand, Chief Operating Officer, American Tower Corporation that the impact of consolidation among the 14-15 license holders on tower companies will depend on the customer mix.

Typically, when two operators of equal size merge, the tenancies or number of sites drop by about 25-30 percent, which definitely impacts operators. There is also dimension to be looked at in our country, intra-circle roaming (ICR), ICRs could perhaps bring the tenancies down. Operators could merge and collaborate together and reducing tenancies, and that is a threat for tower companies, going forward.

Mr. CV Kane, Chief Operating Officer, GTL Infrastructure Ltd added his

perspective on location-based consolidation within two tower companies.

Mr. Kane said, "So if we say that there is no point in having a single tenant in two towers, let us consolidate-maybe that is the way forward. It is important that the capacities available should be utilised to their fullest extent and so, consolidation may happen. Number two, on the cost side the industry may force us (tower companies) to resort to common security, common operational maintenance and single power plant."

Commenting on the role of better technology for fuel efficiency, Mr. Amit Sachdev, Partner, Ernst & Young India Pvt Ltd noted that issues like diesel pilferage and security need to be monitored from a centralised location over a period of time.

Mr. Sachdev added, "My belief is it is not about whether two operators consolidate and impact business for tower companies, what is important for them is how they can become more efficient by using the technology. So if cost of operation is lower than the other company, even if the two operators consolidate, still their market value would be higher than the other tower company."

Another evolution which he foresaw was for tower

companies getting into infrastructure. "In the last bidding we saw infrastructure companies bidding for telecom license, probably that could be the next wave," he said.

On the issue of energy costs, Mr. Bharat Bhargava, Chief Strategy and Emerging Business Officer, Aircel pointed out that there is need for a consensus to reduce energy costs. He asserted that there are several business models available to tower companies to reduce those costs, such as green energy solutions, common power station and the like.

Mr. Ramanand countered that the tower industry is running a far more efficient operation than when operators ran it themselves. "If you look at absolute costs, we have given our customers a drop in costs of 15-40 percent in terms of rentals and power and fuel costs," he said. Along with battery discounts, they provide a huge discount or reduction in cost.

On the subject of green and new technology solutions, he also informed that there is a lot that can be done to improve the management of power and fuel systems. Management through advanced monitoring techniques are a prerequisite for some of the newer solutions to really add value.

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