

Bringing Up VAS in Indian Markets

by Sanjiv Mital, CEO of Bharti Telesoft Intl. Pvt. Ltd

Wireless telephony has overtaken fixed telephony in India. With 41.6 million wireless subscribers and one billion strong population, India's market potential is enormous, but market fragmentation is a challenge. The success of vernacular FM broadcasting shows the potential of local language service offerings to boost mass acceptance. Vernacular voice services can bring large numbers of India's text averse and text illiterate subscribers to an operator's fold. Astrology, Bollywood and cricket—all Indian passions—currently dominate VAS services in India.



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Widely recognised as one of the world's hottest growth wireless frontiers, India is the world's 13th largest market and, according to EMC, its size should quadruple—to be counted among the top five markets with China, Brazil, USA and Russia—in the next five years.

India's prodigious pace of wireless growth is evident from the 1.3 million new subscriber additions a month.

In the last three years, two out of every three new subscribers were wireless subscribers. Consequentially, wireless telephony growth has overtaken fixed telephony in India; it now accounts for 40 per cent of India's total subscriber base as compared to 9.5 per cent in 2000. With 41.6 million wireless subscribers among its one billion strong population, India's market potential is enormous. Provisional forecasts by research firm Gartner suggest an

unstoppable momentum as cellular connections reach 130 million by 2008.

A dissection of these apparently impressive growth figures reveals a bed of hidden complexities largely stemming from the unique dynamics of the Indian market. Although India has embraced mobile phones with an enthusiasm few regions can match, the voracious month-to-month growth in subscriber aggregation is fuelled by aggressive price cuts by major carriers.

In fact, given the intense competition, average mobile tariffs in urban areas have fallen to one US cent per minute, making India the cheapest place in the world to be a mobile phone user. With voice constituting 95 per cent of operator revenues, the flip side is cellular operators' Average Revenue Per User has plummeted by 64 per cent over

the last five years to \$11 in 2004 and is likely to decline by 13 per cent annually to touch \$7.39 by 2008.

As voice revenues bottom out, the future scale and growth of businesses is now dependent on tapping the under-penetrated potential of value added services—VAS. Most operators are network ready and have invested heavily in sophisticated Messaging Platforms, 2.5 G, GPRS, and EDGE networks to prepare for future 3G services. Still, VAS now contributes a mere 5 per cent of operator revenues and is restricted to small segment of the urban subscriber base.

Actualising VAS potential in a market dominated by low-income subscribers, where communication seems to exhaust itself in the practical function of contact, is the greatest challenge today and is dependent on identifying realistic innovative opportuni-

ties and marketing it right to make the un-tethered world of ubiquitous wireless access a reality.

Atomised markets and smart customisation

The US and European markets are relatively uniform; India is many markets with wide-ranging diversities in culture, income and literacy levels. The New India is also a highly competitive market with tremendous revenue potential.

The multi-market fragmentation presents a marketing challenge. Although most networks recognise Indian market's inherent cultural and economic fragmentation, VAS is largely directed at the urban market and is shockingly similar across networks notwithstanding regional variations in the uptake of data services.

A one-size fits all standardised approach, transferred wholesale to different regions, results in flagship presence only. Operators must identify each region's unique wireless market opportunities and have a healthy mix of products to target the severe heterogeneity that marks Indian markets.

Future at the Bottom of the Pyramid

India's rural mobile market is less than 15 per cent of the total according to the Cellular Operator Association of India (CAOI). As prime urban markets reach saturation, operators must shift focus to tap under-penetrated segments. This will require radical innovations in technology and business models for operators to initially target service accessibility rather than subscriber volumes.

Two recent cases illustrate the point. Bharti Televentures, India's largest GSM provider, announced plans to set up SMS kiosks in Southern India to improve revenues from person to person messaging. Machine usage is similar to that of a coin operated PCO (public call office) telephone. Users can send local SMS and receive responses for as low as one cent. In addition, subscribers can store messages in the inbox, subject to a maximum of 25 at any given time.

Similarly, Shyam Telecom (recently bought by Bharti Televentures), in India's Northern State of Rajasthan, opted to take its service to subscribers rather than wait for them to trickle in.

The company equipped a fleet of rickshaws with mobile phones, billing machines and printers.

Drivers pedal these mobile payphones through the state capital, Jaipur, and surrounding districts and encourage people to use the voice and text services.

In a communication deficient country, where only four out of 100 people have phones and wireless handsets are considered an expensive luxury, community kiosks free operators from crippling dependence on handset adoption, or, highly subsidising handsets and lays the foundation for future streaming VAS.

Go local

Indian operators can learn from successful vernacular FM broadcast experience in India. Launched in English in Bangalore, FM 91's audience doubled when it began vernacular broadcasts.

The English-speaking subscriber segment is a minority in India. Packaging, promoting and selling vernacular programming, addressing local concerns, can lure large majorities of non-English segment to the network.

Mobile operators in India, historically, have had little involvement in handset design and configuration. To mass market VAS services, operators need to work with manufacturers to tailor handsets with Unicode support for Indian languages to bring in higher revenues and profits.

Voice-based VAS

India is primarily a voice market. Strong marketing to capitalise on mass acceptance of voice services can yield instant dividends by bringing large numbers of India's text averse and text illiterate subscribers to an operator's fold.

Approximately 13,000 subscribers called Airtel's Live service to listen to election results in May 2004 (per Business World). Infotainment services such as voice-chat have enormous growth potential in urban and non-urban areas.

Concierge services, such as bill enquiry, account balance, dial a cab, call an ambulance, home tips, local events, city guides over voice can be a huge draw.

Look beyond ABC of data VAS

Astrology, Bollywood, and cricket—Indian passions—dominate VAS services in India. Undoubtedly, infotainment services are extremely popular but operators need to invest equally in other value-based services. Specific content such as mandi (market) prices, weather updates, business and financial advisories for small business, medical education, career counselling over SMS, and updates on government schemes can increment the subscriber base in semi-urban and rural areas.

Ubiquitous distribution

Given India's enormous size, lack of retail outlets, and large numbers of prepaid subscribers, distribution is the most challenging problems for businesses in emerging markets. To accelerate volume build-up, operators need to invest in costly sales and distribution systems, with no immediate revenue assurance.

To build a broad distribution base, operators need to look at creative alternative channels. For example, several Indian networks have deployed electronic recharge solutions where subscribers can top up accounts over SMS. These alternate distribution channels operate for as little as half the cost of traditional wholesale and retail channels, help operators pass on savings to subscribers and develop pervasive branding.

Indian cellular data service revenues will grow to 148 billion rupees by 2008, according to Gartner, accounting for 21 per cent of total revenue compared with just over five per cent in 2003. To realise this, operators must deploy out-of-the-box solutions.

The markets are ripe for exploitation; most VAS solution providers, such as Telesoft, are preparing for the VAS future. Now, VAS marketing departments need only look beyond! ■