

TELECOM SECTOR

Paradigm shift towards value added services

Telecommunication is no longer a basic human need. Besides providing access to information and entertainment, it's about personal identity and, above all, empowerment, says Pallavee Dhaundiyal Panthry on the occasion of World Telecom Day, which falls today

The Indian telecom sector is witnessing remarkable growth and the country is projected to become the second largest telecom market globally. According to P Balaji, vice president - communications, corporate affairs and business development, Ericsson India, India is the fastest growing in the world with about 20 million subscribers adding up every month. "It is expected that we will have close to 800 million voice subscribers by 2013," he adds.

Pushendra Mankad, senior vice president, Converse, added further, "With over 11 operators in the country, the telecom industry is the one that contributes most to India's GDP. According to Business Monitor International, India currently has 584 million mo-

regate its services as per their requirements. New innovations are required to offer better services", said Kapoor.

Mankad echoed the same words and said: "Latest trend in the telecom industry is the shift to value added services. After 3G rollout, VAS market will certainly get a huge boost. Delivery of rich media content and services coupled with a great user experience can be expected. Data services may experience a surge in adoption and usage. The high speed applications will open up a lot of possibilities of innovative VAS enabling diverse infotainment service opportunities. The VAS market encompasses many trends including mass downloads of Bollywood movies and music."

Other than this, rural VAS is something that is catching

brand attrition right now."

On the technical front, operators will place greater emphasis on consolidating service delivery to end consumer to facilitate ease of use, higher recall and increased repeat usage, said Mankad. The industry is witnessing high growth with positive rub off on other sectors such as health and education. According to Balaji, in order to sustain the momentum, there is a need for lower tax structure to ensure affordable service availability and uptake. Hyper-competition for subscribers is straining operator financials and limiting their ability to expand into rural areas, affecting the country's tele-density.

"In order to help the country bridge the digital divide, it is imperative that available funds (with USO) for enabling



mobile subscribers. It is estimated that by mid-2012, around half the country's population will own a mobile phone. This would translate into 612 million mobile subscribers, accounting for a tele-density of around 51 per cent by 2012." According to a Frost & Sullivan industry analyst, by 2012, fixed line revenues are expected to touch US\$ 12.2 billion while mobile revenues will reach US\$ 39.8 billion in India.

From the consumers' point of view - now more than ever, consumers see communication and access to mobile data services as nothing less than a basic human need. More than simply providing access to information or entertainment, it's about personal identity and, above all, empowerment.

Latest trends

With declining wireline penetration, wireless mobile broadband is fast becoming the preferred mode for internet access. "The widespread deployment of 3G/HSPA (already a globally preferred mobile broadband technology with over 300 commercial deployments in 130 countries supporting over 400 million subscribers and over 1800 devices) and going forward, LTE is expected to help India achieve the 200 million data subscribers mark within the next few years", said Balaji.

According to Nishant Kapoor, a telecom consultant, the trend revolves around customising services as per the customers' needs. "To compete in the market, a service provider must understand its customers first and then seg-

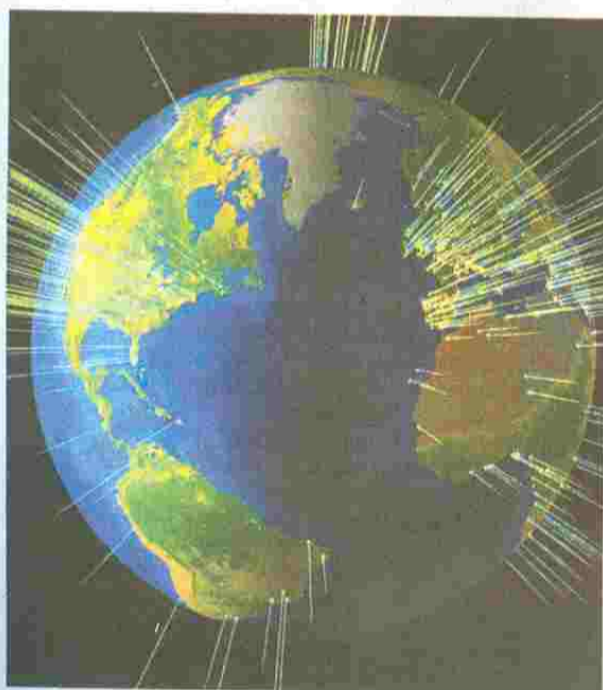
grip. With the increased competition, tariffs of voice calls have been gradually declining over the years. This fall in ARPU will continue unless operators look at alternative revenue streams like value added services (VAS). The popular VASs today comprises primarily of SMS and contents such as ringtones and CRBT. New VAS services will get integrated into many new applications such as messaging, entertainment, social networking, mobile advertising, and desktop applications

Leading telecom players both global and Indian are keen to make India as their hub for manufacturing as well as research and development activities. This is helping boost innovation in the sector as well as providing new employment and growth opportunities, making India an upcoming hub for telecom services.

Talking about the handset industry, Rajiv Khanna, chairman, Movil Mobile, said: "There have been many changes off late. The focus is changing from functionality based devices to design based handsets. People not only want phones full of features but also want them to be good looking. Also, going by the number of domestic handset manufacturers who have entered the market, it is becoming very difficult to make your brand stand out. Nearly all of them look the same and some of them even sound similar. There is tremendous

rural connectivity (across the unconnected 100,000 villages) are effectively utilized. This would be in terms of funding towers in rural India, bringing fiber connectivity to the towers and funding Broadband wireless rollout through 3G, HSPA etc. Besides, a stable policy framework that facilitates long term investments by companies both foreign and Indian is necessary", said Balaji.

The Indian telecommunications industry is now the second largest in the world and will soon top the chart with currently surpassing 550 million mobile subscribers. "The biggest problem faced by the industry is decreasing ARPUs which cannot be managed just with the revenue generated by voice. In this competitive market the option of increasing the tariffs doesn't exist. So the only option left with the telcos



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is to increase ARPU by making the consumer to use VAS services. Post pan India 3G launch the data transfer speed and quality will improvise many folds and in turn will catalyze users to access better quality of services and download content", said Mankad.

Role of TRAI

The players in the industry agree that

Telecom Regulatory Authority of India (TRAI) has been doing a good job of regulating the overall telecom set-up in India. However, there are still some issues, which need to be looked at.

Rajiv Bawa, EVP, corporate affairs, Uninor, said: "India is a young telecom market, but also the most competitive in the world. In this kind

of market, where competition is already ensuring that - customers get better services and better prices, the unconnected are connected and global innovation is brought in - the role of the regulator should be to keep the competition going on a level playing field."

Dwelling upon the profits, Khanna said: "Profit margins of telcos and

A Consumer Connect Initiative

even handset manufacturers are decreasing day after day. Rising costs, decreasing ARPUs, entry of new players etc, are contributing to this phenomenon. Here, TRAI needs to find a way to strike a perfect balance between competition, government revenue and profitability of telcos. Everything shouldn't be evaluation based."