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**T**HE evolution of the Indian telecom sector is quite a fascinating story in itself. It seems like only yesterday when we graduated from making trunk calls to using mobile phones. Back then you could, perhaps, see almost everyone walking on the road talking on the mobile phone placed right next to his/her ear. Today, the same people can be seen looking down on their phones while walking around fiddling with them. This is a clear example of the transition from voice to data that our industry has made.

Studies have shown that the average time spent on mobile (non-voice) has grown to 82 minutes per day globally. This means that across the world people with mobile phones are spending a considerable time every day on not just talking, but also using their phones for texting, instant messaging, watching videos online, playing games or downloading songs, etc.

Data/mobile internet has today become a full-fledged revenue stream for telecom operators and a source of entertainment and connectivity on-the-go for consumers. This data explosion was a conscious effort made on the part of the telecom operators who realised the infrastructural limitations that existed in India. As a result of innovative initiatives such as Aircel's Pocket Internet, a market with size of less than one million mobile internet users in 2009 reached 200 million users in 2013. While 200 million mobile internet users may look like a huge number, we have the potential to at least reach around 500 million users in the next 5-7 years provided the right ecosystem is created. If this seems like an impossible task, then we can easily draw some inspiration from our neighbouring country China which already has over 400 million mobile internet users. Undoubtedly there are many enablers to further drive the exploding Internet adoption in India but the key factor is evolution of devices and the supporting ecosystem. Let's take a look at some of the aspects of the device ecosystem that will further fuel the mobile internet growth in the country.

#### Quality of handsets

With the rise of the internet, the consumers have become more aware than ever about their choices. While devices remain paramount in driving data usage, the quality of the device needs to be superior for a consumer to opt for it. The quality also extends to other features of a device such as its

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screen size, operating system and technology access. We have seen how consumers have migrated to bigger screens, high definition resolution and improved sturdiness for better internet experience. The early smartphones in the post-2007 era started with 3.5"-3.7" screen. From there we have now progressed to "Phablet" space. At about 6" screens, these "Phablets" are just a level below the next category of tablets. In addition, with the availability of high speed access via mobile technology, now phones have started becoming a mass consumption medium leading to a shift in behaviour of consumers who are on the move. For an operator, when a consumer migrates from a feature phone to a smart phone, three to four times more data is consumed. Even when the same user upgrades to a better technology, for example from 2G to 3G with higher speeds, the increase in consumption is up four to five times ensuring a dedicated revenue stream for telcos.

AD-DENDUM BY ANUPAM VASUDEV

## THE RIGHT DEVICE



#### App Ecosystem

While technology, screen size and user experience aid in changing user behaviour, the key for any consumption medium is the availability of content at the right time, price and with ease. It is important for a user to be able to do something relevant and as per his liking with his mobile phone at all times. Therefore, as a service provider, the onus of providing this content lies with the availability of rich content, customised to a consumer's liking, is tremendously responsible for the adoption of internet on mobile. Right from the time when high speed mobile networks (3G) came into existence around 2002, the entire industry was searching for killer applications to exploit the 3G speeds and thereby ignoring the already available applications and content on the Internet. Adaptation of entire suite of applications from simple messaging to complex location and video streaming services, exploiting power of native operating system has changed the

scenario completely. Today, higher speeds and hosting of these services over cloud for an end user have become a reality.

#### Device bundling

While proliferation of mobile internet in India has happened in a very short span of time, we are still behind the curve due to the kind of devices available in the ecosystem. To put this in perspective, in India about 10% of the user base of about 800 million subscribers use 3G enabled phones. While internet enabled devices in our base would be close to 55%, most of them are older generation feature phones impeding quicker and easier adoption of internet on mobile.

The current business models that prevail in our country are one of the major obstructive factors. While in US or Europe, the devices are subsidised by operators with bundled minutes on

monthly plans, in India due to the prevalence of prepaid and no credit verification systems, telecom operators are unable to subsidise the devices. The Reverse Handset Bundling (RBHO) or Forward Handset Bundling (FHBO), where operators bundle SIM cards with pre-loaded benefits along with devices in device retail channels or operators' own channels, does not provide a direct subsidy on the devices. Due to fewer options for subsidy, the device price itself acts as a barrier leading to slower addition of quality devices on to the network.

However, with the introduction of new EMI based models through various tie-ups with the distribution and payment backbone, some part of the problem has been alleviated. Having said that, we will not be able to replicate the kind of device replacement cycles we see in US or Europe until new models for device subsidy are built and hence we must channelise our energy towards solving this issue as well.

#### Average selling price

Affordability and value for money dictates the consumption habits of a majority of consumers in India. Over the years 2005-2013, we have seen that entry price points for mobile phones have been declining steadily and quickly. During this time, many affordable phones with great features have come into the market across various price bands, courtesy Indian and international original equipment manufacturers (OEMs). Today, the entry price for a 3.5"-4.1" phone is ₹4,000 which was previously around ₹7,000. Similarly, the middle market between ₹7,000-14,000 has witnessed a big change as well. With constant reduction in average selling price, we can expect a quicker adoption by end consumers.

With the ecosystem in place, the possibilities of innovating with devices are definitely endless. Needless to say that devices will continue to remain our entry and exit points to the vast world of internet and telecom service providers, along with device manufacturers, will come up with new ways to delight their customers. The beginning has already been made especially in the fields of e-commerce and m-commerce but what remains to be seen is how this saga unfolds.

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