FCB Ulka

Comstrat 2014

Driving Data Ambitions

Indian Telecom Story

A glance around your surroundings is enough to prove that a mobile phone has become a lifeline for all Indians. Today, mobile phones are flaunted by kids and senior citizens; by laborers and white collar professionals. Such is the story of the Indian telecom industry which has helped to provide mobility to every Indian. Currently worth Rs. 2,34,000 crores, the Indian telecom industry is one the fastest growing industries in the world, growing at a CAGR of 10.4%.

In the last two decades, the Indian telecom sector and mobile telephony has shown exponential growth and revolutionized the way we communicate and share information. It has helped millions to stay connected. Today, the wireless subscriber base has reached over 900 million subscribers, making the Indian telecom network the second largest in the world after China.

(Source: TRAI, IBEF)

Intensely Competitive Market

The growth story and the potential have made telecom an intensely competitive industry. The category is highly cluttered with 13 players fighting for every decimal of market share. Despite such intense competition, Airtel has consistently maintained leadership for the past 10 years with the largest subscriber base. Airtel currently enjoys a market share of 23% and revenue share of 29%.

TRAI - Qtr Ended Mar 2014	Subscriber base (millions)	Market share %	Revenue share %	Access service revenue (Rs. Cr)
Airtel	205.39	23%	29%	9175
Vodafone	166.56	18%	22%	6887
Idea	135.79	15%	16%	5080
Reliance	110.89	12%	6%	2035
BSNL	94.65	10%	11%	3387
Aircel	70.15	8%	5%	1700
Tata	63.00	7%	6%	2011
Others	58.08	6%	5%	1647
Total	**904.51**			31922

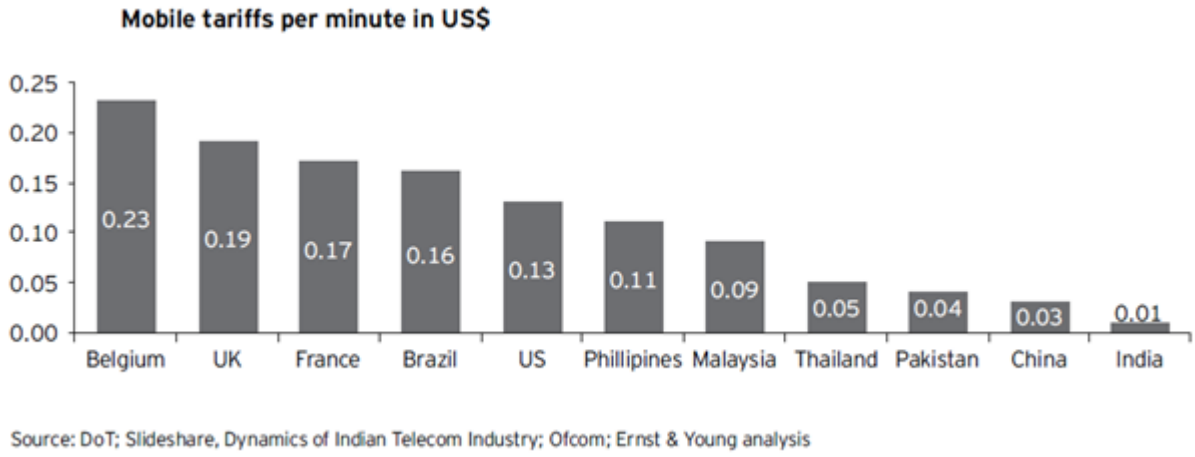
(Source: TRAI)

All competitors are making heavy investments in media to continue building business.

2013	Total media spends (In Rs. Crores)
Airtel	340
Vodafone	294
Idea	170
Tata	135
Aircel	61

(Source: Adjusted spends, MAP, for 2013)

As a result of this intense competition, each player offers competitive pricing and schemes to such an extent that consumers today are spoilt for choices. This has resulted in India having the lowest calling rates amongst most developing nations which makes increasing profitability a significant challenge.

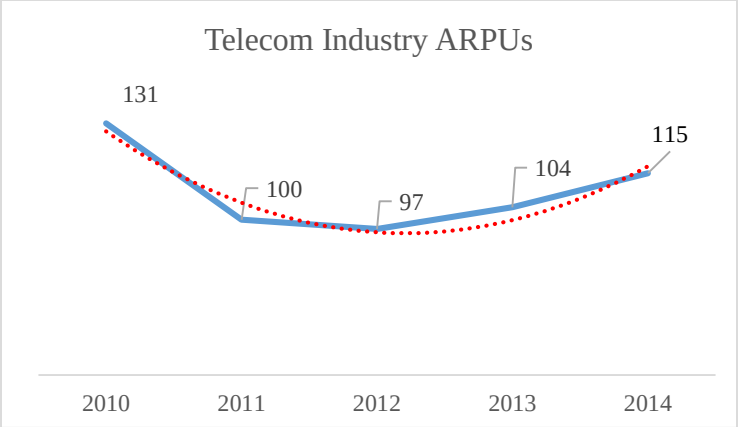


Source: DoT; Slideshare, Dynamics of Indian Telecom Industry; Ofcom; Ernst & Young analysis

High on Volume, Low on Realization

Even though India has one of the largest subscriber base in the world, driving profitability and realizations is a key focus area for operators. This scenario of low mobile tariff and cut throat competition to ensure leadership in the volume game has impacted profitability.

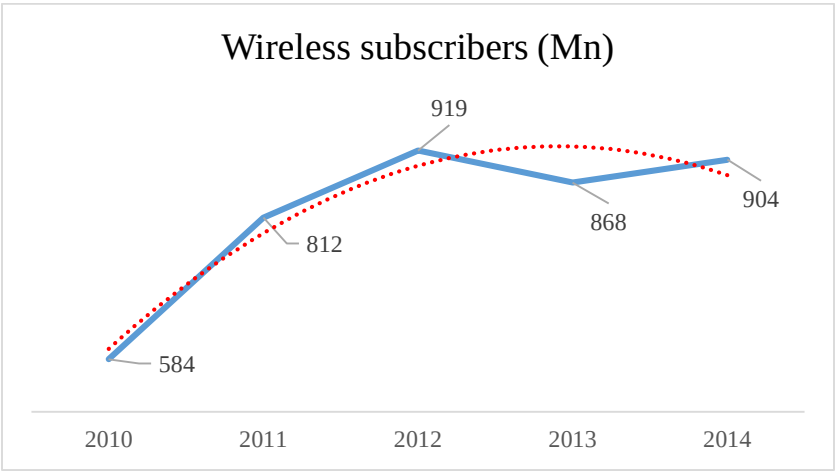
In spite of price increases, the current ARPU (Average revenue per user) of the Indian telecom industry is just Rs. 115. Since the past few years, there has not been a significant increase in the ARPUs hinting at the intensity of competition.



(Source: TRAI)

A value sensitive consumer

Out of the 904 million wireless telecom subscribers in India, only 87.44% are active subscribers. TRAI indicates that the subscriber base has witnessed a decline since July 2012. This is primarily due to the disconnection of inactive mobile subscribers by the telecom service providers. High penetration also means that future revenue growth has to be driven by higher realizations from existing subscribers.



(Source: TRAI)

However, we need to overcome some key challenges to achieve this objective.

Price Inflexibility

India being a price sensitive country, the telecom industry mainly comprises of prepaid consumers which form 95.92% of the consumer base versus postpaid users. The pre-paid consumer is highly price and value sensitive and is prone to flirting with different offers to help enhance the value which he gets.

Parity Product Portfolio

The mobile service provider market has low barriers to entry and innovation, hence almost all players have almost similar product plans and schemes. Thus, there isn't any significant product advantage which can translate into higher realizations on a sustainable basis.

Mobile Number Portability

Mobile number portability (MNP) has eased the switching process at an insignificant cost to consumers and further strengthened their bargaining power. Since there are no observable differences in product, any move to significantly change the pricing table may lead to consumers shifting to competitors.

Airtel – Leading from the front

Airtel has been the undisputed leader of the Indian telecom both in terms of subscriber share and revenue share as we have seen earlier with the highest ARPU of Rs. 196.

Airtel has always been a pioneer in innovation and realized early that voice revenues will continue to be under pressure. Hence, it focused on non-voice revenues to propel the company on to the next growth trajectory.

It was responsible in creating a revolution in the telecom industry by introducing value added services in India. It was the first telecom operator which came up with the innovative idea of caller ring back tones (CRBTs) and launched a service called 'Hello Tunes'. Seeing the success of this service, other telecom operators also introduced it in their list of offerings.

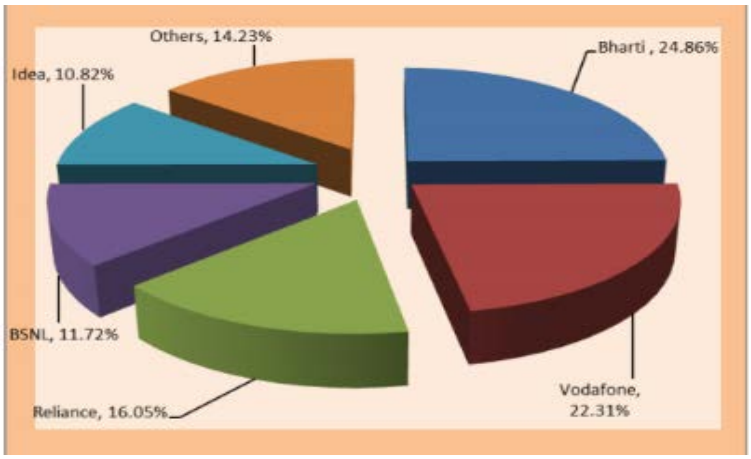
Airtel has continually come out with new product innovations such as e-charging, lifetime pre-paid, billing schemes for postpaid consumers, etc. 'Mobile wallet' is another initiative by Airtel and is India's first 24/7 service which provides payment and transfer options. Airtel has also become the largest Music Company in India by offering "Music Bharti" and other innovations like Music on Demand, Easy Music, and Song Catcher.

Today all telecom operators are using VAS as a vehicle to usher in profitability. Over time, all of them have started offering similar value added services at competitive costs. Hence, VAS today is no longer a sustainable differentiation platform.

Mobile Data – The next game changer

Airtel is now focusing on mobile data to help it fulfill its growth ambitions.

The Indian mobile data market is growing at a rapid clip and according to the estimates by IAMAI and IMRB, it is pegged to have 243 million mobile internet subscribers in the market by June 2014. Airtel already leads this market in terms of subscriber share.



(Chart: TRAI Composition of Wireless internet subscriptions for QY Jan-Mar '14)

However, out of these subscribers only 185 million subscribers are actually active users of the internet which means approximately, just 24% of the 787 million active mobile subscribers in India (87% of 905 million) are actually using mobile internet.

This segment is expected to grow significantly over time driven by:

1. Rising smartphone penetration

There is a high correlation between high data usage and smartphone ownership but today just 10% of subscribers own smartphones. Smartphones account for just 25% of the total mobile shipments in the country.

However, driven by falling prices, India has emerged as one of the fastest growing smartphone markets with 219.4% y-o-y growth in sales of smartphones in Q4 2013.

The falling prices of smartphones with starting prices as low as Rs. 3000 have the potential to further accelerate the shift in the market from feature phones to smartphones over the next few years.

2. Social Apps

Social apps is the other big driver of smartphone usage in India. Apps like Facebook are today available even on new generation feature phones.

The rise of online shopping is another significant influence on driving mobile data adoption.

(Source: CMR, Gartner, IDC, Counterpoint research, Research IAMAI & IMRB, Livemint)

However, there are still powerful and relevant barriers which mobile internet has to overcome to fully realize its potential:

1. **Limited Adoption of Mobile Internet among feature phone users**
   India has over 431 million internet capable phones, out of which only 185 million are being used actively. Despite the capability, feature phone owning consumers do not seem to be opting for data.

2. **Mobile internet is largely restricted to the youth and men segments**

   Currently, the highest penetration of mobile internet is in the 15-24 age group and this is the segment which is expected to rise as India receives the anticipated demographic dividend of being a young nation. However, to exploit mobile data to its full potential, it has to be appealing across age groups and not just be a niche offering.

   In addition, currently around 90% of active mobile internet users are men. Adoption of mobile internet by women in India is significantly lower and needs to be driven up significantly. Among key segments like housewives, the penetration of mobile internet is 2%.

   This is especially surprising compared to the fact that over 60 million women in India are actually active internet users as per Google India.

3. **Appeal of mobile internet in rural India is also limited**
   Mobile internet usage is quite urban heavy. Just 23% of the 243 million mobile internet subscribers are in rural India. Therefore, the proportion of active internet subscribers in rural India is expected to be even lower.

Thus, there is an opportunity to tap into these different consumer segments to increase mobile internet penetration in India.

(Source: Avendus, FCB Mobile Shopper Study, Qualcomm, i-cube estimates)

Airtel has well understood the potential of mobile internet services in India and has been proactive in innovating its product offerings for mobile data. It is offering competitive data pricing to drive adoption. It has priced internet plans as low as Rs. 5 depending on usage. It has also developed exciting packs to tap the youth such as video downloading for Re. 1/video and an Airtel Facebook pack of Rs. 5 for 5 days for maximum 15 MB worth of usage.

Given this, Airtel has been able to achieve one of the highest data ARPUs of Rs. 79/month which is significantly ahead of Vodafone @ Rs. 65/month (Q4 FY2014 for Data services)

With this initiative, Airtel has ramped up data services contribution to revenue from 3% to 11% for the period of 2011 to 2014.

(Source: Airtel quarterly report, Q4 2013-2014)

Going forward, Airtel wants to double the penetration of mobile internet in India.

Communication Task

The task is to provide a *communication strategy* that details the way forward for Airtel to drive usage of mobile internet in the most effective manner to achieve its objective. The strategy document must provide solutions to the following key areas:

1. Identify the right audience for Airtel to address with its communication

2. Identify key challenges for the adoption of mobile internet through a consumer lens

3. Drive the image of Airtel as the preferred provider of mobile internet and consequently drive adoption

4. Identify the key consumer insights in the target group and architect the strategy on the basis of these insights

5. Identify the right positioning and messaging platform for targeting the consumer

6. Identify the right communication message for the brand

Methodology to be followed:

Weightage will be given to **adequate rigor** employed in the case. Expert interviews, depth interviews & focus groups are some of the tools that can be employed to derive consumer insights and thus, to propose the right positioning & differentiation for the brand.

Rules & Regulations

Participation Rules:

1. Participating teams should comprise of **only three members**

2. **Only one entry per institute** will be considered

Two stages of this event:

Stage I: Submission of the written case solution.

Stage II: Power point presentation of the shortlisted cases.

Stage I: Process and rules for submission of the written case:

1. FCB Ulka Comstrat is a contest for **Communication Strategy**; hence students are requested to focus on the same.

2. Creative renditions are not necessary and will not be judged.

3. A detailed Media plan is also not required and will not be judged.

4. A synopsis of the case solution should be submitted as a word document in a minimum font size of 11 points and single line spacing. The document should not exceed 15 pages.

5. A written case solution on the case should be submitted either through email to comstrat@fcbulka.com or by post to FCB Ulka Advertising, 4th floor, Nirmal, Nariman Point, Mumbai 400021.

6. The last date for receipt of the submission is **15th October 2014 by 10 a.m.**

7. A shortlist of six teams shall be arrived at by evaluating the case solutions received

8. The shortlist shall be declared on **03rd November 2014** and posted on the website www.fcbulkacomstrat.com and communicated to K. J. Somaiya Institute of Management Studies and Research

9. The six shortlisted teams will be invited to make a power point presentation to a panel of judges on **20th December 2014** in Mumbai

Please remember:

1. Synopsis to be submitted as word document only

2. Font size should be minimum 11

3. The document should not exceed 15 pages

4. The document should have single line spacing

5. Synopsis should be submitted on or before **15th October 2014 by 10 a.m.**

Stage II: Final power point presentation of the case:

1. Shortlisted teams are requested to reach the venue on **20th December 2014 at 10.30 am** sharp for the set-up and dry run.

2. Please get your power point presentations on a CD/Pen drive, rest of the equipment shall be provided at the venue.

3. The time limit for each presentation is 20 minutes and the students are requested to strictly adhere to the time-limit. A warning bell will ring after 15 minutes.

4. At the end of 20 minutes the team will be asked to stop the presentation.

5. Students are requested not to indicate their institute's name on the slides or anytime during the presentation.

6. Stay and travel arrangements have to be made by the participants themselves.

7. Comstrat is a contest for Communication Strategy; hence students are requested to focus on the same.

8. In the case presentation, creative renditions are not necessary and will not be judged.

9. Media plan for the same is also not required and will not be judged.

10. The solution must have only one approach and not multiple options.

Key Dates to remember:

Last date for written submission	**15th October 2014**
Shortlist of 6 teams for power point presentation	**03rd November 2014**
Final Presentation	**20th December 2014**