

View Point



Bridging the Telecom gap-Targeting the rural masses

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Abstract

Telecom Businesses tend to channel their investments and efforts into the most productive avenues which are mainly on the urban front. But given the growth opportunities and the related development in infrastructure and GDP, it becomes imperative that the rural economy is also sought after rather aggressively.

Introduction

The Indian Telecom industry has had a steady growth over the past few years. As of March 2010, the industry boasted of around 621.28 million customers with an overall penetration of around 52.74%. The urban tele-density was close to 120% and the rural tele-density of around 24% [1]. Moreover, Value Added Services (VAS) has seen a 300% year-on-year increase in the past three years. Businesses in essence look at generating increasing profits as well as maximizing return on investments (ROI) in the least amount of time by channeling investments and efforts into the most productive avenues. Given this context, CSPs need to focus on the rural sector and invest in VAS to propel growth in these areas. However, the following two reasons have made the CSPs hold back:

1. Higher Capital Expenditure (CAPEX) and Operating Expenditure (OPEX) involved
2. Low literacy rates, low customer spending and hence, lower effective Average Revenue Per User (ARPU) when compared to the urban customers.

The Rural side of the story

Considering the points given above and the belief that a 10% increase in telecom penetration results in a 1.2% increase in GDP [2], there need to be proactive measures from the government for initiating development in rural telecom infrastructure in the existing 2G technology as well as in newer technologies like 3G and Wi-Max. It is estimated that telecom equipment worth over Rs 4.5 trillion will be needed in the next four years. This is likely to generate direct employment opportunities for around 4 million directly and around 6 million indirectly. Government policies along with possible tax benefit schemes need to be formulated in order to ensure that sufficient budgets are made available over the coming years which would bring about the necessary stimulus for the industry. Taking this forward, the industry players can then analyze market conditions to suitably invest in the right products to boost user adoption.

Giving a 'Rural' flavor to VAS:

Mobile Commerce (M-Commerce), which involves value add utility services along with the basic existing voice and SMS services, is one of the key initiatives which operators are targeting. This facility will help the rural masses in making informed decisions, thereby motivating them to demand and use more of the services being offered. This will directly benefit operators by improving their revenues and net profit. The gamut of services that can be provided to rural masses through mobile include the latest reports on agricultural information (price, stock, weather conditions etc.), banking products (insurance, loans and investments), health care options, education options, employment opportunities etc. Realizing the growth of FMCG (Fast Moving Consumer Goods) conglomerates in such rural economies, financial institutions have also started focusing on this sector. They are increasingly acknowledging the power of mobile telecommunications to reach a wider range of probable rural customers. This has prompted them to partner with mobile operators to create products which help in managing payments and money transfers through mobile transactions. This helps in reducing set-up time and expenses incurred in setting up a banking facility. Regulatory authorities like Reserve Bank of India (from Banking sector) and Telecom Regulatory Authority of India (from Telecom sector) need to work in collaboration for formulation of suitable policies in order to propel growth of such avenues.

Alternate channels enabling reach

The existing Post and Telegraph office network can be utilized to act as nodal centers to inform, educate and market the benefits as well as uses of mobile connectivity. Suitable finance schemes could also be arranged to cater to those in need. Rural mandis (major marketing centers in rural areas) which have been increasingly tapped by FMCG companies can also be targeted to build user trust and confidence in these mobile utilities. The focus initially needs to be on introducing services to various rural circles and panchayats by trying to loop in panchayat heads/leaders etc. This could be followed by employing these individuals as ambassadors for their services.

While all this would entail substantial investments in security, content development (multi-lingual) and content management (including validation and authentication) on one side, it would also require investments in improving network infrastructure and in making cheaper robust mobile handsets. Illiteracy would continue to be a hurdle in the adoption of services, and investments in specialized support cells (local call centers) and Interactive Voice Response (IVR) systems would need to be considered as alternative means to work around this. Partnering with various government and private company 'Information and Communication Technology' (ITC) initiatives like ITC's e-choupal (setting up e-commerce hubs in rural farming villages

by ITC Ltd), Rural e-Seva (setting up web enabled rural kiosks in east Godavari District of A.P.) etc would also help improve in promoting and generating awareness of various telecom offerings in these respective areas.

Conclusion

Alongside the employment and other social development opportunities generated through these channels, the steady investments in infrastructure and value add services by existing mobile operators suitably supported by Government policies funding can help boost customer confidence in rural areas, thus improving user penetration, the operators top-line and bottom line figures and the GDP of our country.

References:

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2. Global Mobile Tax Review, 2007, Deloitte. www.gsmworld.com/documents/tax_review_06_07.pdf

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