

TELECOM

Next billion

It is an accepted fact that the new growth market in telecom, especially mobile, is concentrated amongst the 'poor', or at the bottom of the pyramid. According to the GSM Association, the 'next billion subscribers' will come from such markets.

A recent study conducted by LIRNEASIA, a non-profit research organisation, highlights the tremendous potential at the bottom of the pyramid (BOP). "There will be as many as a total of 140 million new connections at the BOP in five Asian countries, includes Pakistan, Thailand, Sri Lanka, the Philippines and India, in the coming two years," says Rohan Samarajiva, executive director, LIRNEASIA. "Interestingly more than 100 million will come from the Indian BOP alone. There is therefore a pressing need to understand the use of telecom services, and more broadly ICTs by such people, to see how best these market can be served," observes Samarajiva.

So who constitutes the bottom of pyramid? In India, it is the population belonging to SEC (Socio Economic Class) D and E, where over all access to a phone (fixed or mobile) is relatively high but not ownership.

Over the next few years the world will connect like never before. Marching ahead in terms of numbers, the Indian telecom sector is looking very good. For instance, the total number of telephone subscribers increased from 125.8 million in December 2005 to 189.4 million in December 2006 with 68 per cent share in growth from wireless subscribers, according to industry estimates.

The mobile has revolutionised the way people communicate and there is

potential and real opportunities for operators is the enormous rural market that comprises nearly 70 per cent of India's billion plus population. The rural market is largely untapped, "nonetheless it is crucial to our growth and going forward it will be a major thrust area for the business," says Arti Mehta, chief marketing officer, Essar Telecom Retail. The operators will be left with no other option but to make the rural population their target customer base.

According to the Cellular Operators Association of India (COAI) GSM operators in India added 4.8 million subscribers in February. The total GSM subscriber base in India now stands at 115.3 million with over 4 per cent month on month growth. Currently of a size of 156 million subscribers (GSM and CDMA), industry analysts expect it to reach a size of nearly 200 million subscribers earlier than the forecasted date of December 2007.

"The rising income levels of Indian households will likely to provide huge impetus for wireless sector growth. We expect strong growth in subscriber base in the next three years, given the utility and value-for-money offering of Indian wireless services," says Shubham Majumder of Macquarie Research.

Such is the mobile's allure that low income end-users often prioritise their spending in order to afford a device. "What they have seen is that mobile phones bring an opportunity to improve daily life, by staying in touch and finding new ways to earn a living. For instance, direct phone access or use of a mobile by a farmer to obtain agricultural price information, is cost and time saving," adds Harsha de Silva, lead economist, LIRNEASIA.

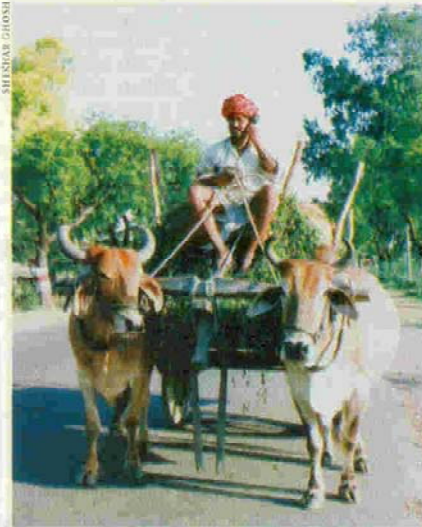
"Penetration levels in India are still very low compared to other emerging and developing markets," indicates Majumder. Rural wireless penetration is abysmally low at 1 per cent,

compared with urban wireless penetration of 40 per cent. The low penetration in India is not so much demand-side driven, as it is supply side. Bharti, the leading Indian operator is present in all 23 circles and has a market share of approximately 22 per cent, has population coverage of only 54 per cent.

Nonetheless, forecasters suggest the wireless subscriber base (including fixed wireless) will reach 500 million by March 2010, compared to earlier estimate of 400 million.

The country's telecommunication industry is growing at break neck speed. In India mobile has become the fastest selling consumer product - pushing bicycles to the number two spot. Vast fortunes lie at the bottom of the pyramid just waiting to be discovered.

DELSHAD IRANI



The rural market offers great opportunities for operators

no denying its tremendous impact on everyday life. Industry estimates suggest the 3 billion mobile subscriber (globally) milestone will be reached in 2007 and will hit the 4 billion mark by 2010. Of this, around 80 per cent of new subscribers will come from countries with a large low-income population. And India is one of them.

Furthermore, the fortune does not lie with the existing customer base. Urban penetration has almost reached its peak of saturation. Rather, the segment that will offer staggering growth