

Opportunity Awaits OSS and Billing Vendors in India

Denis Gathanju

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India is expected to become the fifth-largest economy in the world, with economic growth averaging five- to six percent. In terms of purchasing power the Indian economy already is ranked third in the world, and the country's GDP grew by 8.9 percent, with its telecom sector already accounting for \$100 billion of that GDP.

According to a report by Indian research firm In-Stat, India is set to be the fastest-growing telecom market in Asia over the next three years in terms of telecom equipment. The domestic demand for telecom equipment will be worth an estimated \$10 billion a year by 2010, with a 10 percent increase by that time.

With more than 200 million mobile and fixed line subscribers, India already ranks third in the world, trailing only the United States and China. Recently, Nandakumar, president and CEO of Indian billing solutions provider SunTec Business Solutions estimated the Indian telecom billing industry could be worth more than \$600 million by the end of this year.

To bolster that growth, the Indian Ministry of Communications and Information Technology (MCIT) is aggressively marketing the potential for telecom at both domestic and national levels. The MCIT has put in place a blueprint that is expected to bring in more domestic and international telecoms players into the Indian telecom marketplace. It has even set a target of 250 million subscribers by the end of this year, and half a billion subscribers by 2010.

The MCIT believes the expansion will be fueled by the rising middle class, most of which is now getting exposed to cell phones. Although penetration of cell phones amounts to a paltry 1.9 percent, it is inevitable the percentage will increase markedly. With a current population of approximately 1.1 billion — 70 percent of whom live in more than 600,000 rural villages — there is tremendous potential for telecom services. In February, India's telecom sector grew by 3.2 per cent, with the net addition of 6.3 million subscribers taking place in just one month. The vast majority became wireless customers taking advantage of India's GSM and CDMA networks (which added 4.88 million and 1.35 million, respectively in that month).

In terms of wireless, India is the fourth-largest cell phone market in the world, with a subscriber base that increases at a rate of 4 million new wirelesses lines a

month. At that rate, India will overtake Russia for the third spot by the end of this year.

The country currently has more than 150 million wireless subscribers, and this number could reach 500 million by the end of 2010.

A recent Gartner report estimates that Indian mobile revenues will climb at an annual rate of 18.4 per cent by 2011, generating a \$25.6 billion market — the largest in the world after China.

The Opportunity for Billing Companies

With such rapid growth, the churn rates are pretty high in India, as people try to find the best technology and pricing plans for their increasingly “modern” way of life. For that reason, churn in the Indian telecom industry has hit an all-time high of 8 percent.

To bolster loyalty, Indian operators are looking for ways to invest in billing to improve accuracy, as well as visibility into charges. The culture is one where people want specifics about what will have an impact on their cash outflows, which is why prepay is such a huge part of the Indian market. Indian customers want to fully understand recharge vouchers, discounts and promotions.

For that reason, billing vendors are racing to meet those needs in three major segments of the Indian market. Those segments are broken into three “circles” according to population sizes and economic might: The first circle covers the major metropolitan cities such as New Delhi, Kolkata and Mumbai (Bombay); the second circle covers secondary cities and towns; and the third circles covers villages and towns in the rural areas.

In all of these “circles,” prepay is the largest segment, with prepay subscribers accounting for 70 percent of the overall customer base, and about 55 percent of operators’ overall revenue.

With such a substantial prepay market, Indian operators need sophisticated billing that can conduct real-time account balance checks, top-ups and authorizations. For those reasons, vendors increasingly are focused on prepaid management solutions that help providers with PIN generation, distribution, recharge, as well as call charging, activation, deactivation and traffic monitoring.

The need is great, as industry estimates show Indian operators lose between 1 percent and 4 percent of their revenue due to inefficient billing mechanisms. As evolving operators learn that billing ties directly to revenue and churn, they increasingly prioritize billing.

Already, Indian operators such as the state run operator Bharat Sanchar Nigam Limited (BSNL), and private companies like Mahanagar Telephone Nigam Limited (MTNL), Bharti Airtel, Hutchison Essar and Idea Cellular, have made substantial investments in billing, particularly to address broadband and IPTV services, as well as real-time prepay and self-service needs.

MTNL recently joined up with ORG Informatics to supply, install, and maintain convergent billing and CRM systems, and Bharti Airtel has bolstered its billing capabilities to handle more than 16 million sheets of billing information it generates per month for more than 50 million subscribers. Additionally, BSNL recently engaged with Wipro to put in a charging gateway and mediation solution, and Bharti Telecom recently put in a network inventory solution from Wipro.

As competitive pressures grow, service providers increasingly want turnkey solutions that free them from costly and time consuming in-house development. Operators that want to focus on core competencies are expected to look increasingly for outside partners to cut out multiplicity of functions and expand to handle new functions, such as call record management as well as fraud management.

Indian Companies Versus Domestic

Though India is viewed by the rest of the world as a pre-eminent software powerhouse, much of the billing and OSS solutions come from companies based outside of India. The key to that is the fact operators want proven solutions. Despite the zeal with which solutions providers attacked the Indian market, not many have survived. The fact remains most service providers did not want to take their chances with products lacking proven track records.

The unstable regulatory market and the advent of a “telecoms internal technical evaluation system” have also been hindrances to start-ups, especially those not conversant with the technical requirements of India’s regulatory bodies.

A company like IBM can come into the Indian market because it has the wherewithal to hire people that can understand the nuances of the regulatory and economic structure of India. The organization manages operations and billing for Idea through an outsourcing contract valued between \$600 million and \$800 million.

Other foreign companies with wins in India include Convergys, Subex, Amdocs and Intec.

But there might be indications that Indian companies will try to play up their local expertise to get into future contracts. They have easier access to local sales channels, service providers and regulators.

According to Ritesh Nain, vice president of business development and pre-sales at Ascent Telecom, “Indian companies need to study the concentration of potential customer bases around the world,” but he adds they should not lose sight that Indian carriers are facing billing problems as well. These problems require an understanding of the nuances in culture that may dictate bills have to be presented differently than in other countries.

For example, many bills in India are written in English. Though many Indians are proficient in English, some billers recognize that bills in the vernacular of the locals could be a differentiator. Already, Airtel and Hutch have started offering bills in Indian languages.

There are other companies well positioned to cater to local needs.

For example, one of the more formidable Indian players is SunTec Business Solutions. The company started off by developing a solution for BSNL, and the firm has since deployed its telecom billing management systems (TBMS) at Himachal Futuristic Communication (HFCL) Infotel, the networking arm of HFCL, a leading telecom operator in Punjab. The company has well over 240 installations across India, including some in Chennai, Bangalore and Maharashtra.

Another emerging player in the BSS space, Elitecore, has also procured contracts from India's leading telecom service providers. BSNL has chosen the company's Crestel solution and Service Selection Portal software for its multiplay broadband project. That is expected to reach 5 million subscribers across India. Elitecore is also providing solutions for Aksh Optifibre's IPTV services in New Delhi and Mumbai.

While real-time capabilities, flexibility and convergence are all competitive factors in evaluating solutions, those vendors that succeed in combining technical know-how with empathy for the culture may pull ahead of the others in this fast-growing market.

Spreading Their Wings

As Indian companies grow, they also want to expand to foreign markets. For example, SunTec boasts some international clients such as Batelco (Bahrain Telecommunications Company) and SNT Connect based in The Netherlands.

Infozech solutions are deployed at Embratel Americas, World Link and Globaltel, and that vendor is extending to provide ICAS (inter carrier access settlement) for international carriers wanting to manage charging, billing and reconciliation needs across geographic boundaries with a consistent look and feel.

Infosys, another active Indian player, has also become very keen on international market expansion, with the majority of its business now coming from North America and the UK, and more recently Asia Pacific and rest of Europe. With key clients like British Telecom and Telstra, the company is becoming a real force in the industry.

HCL Technologies, TCS, Infosys, Satyam Computers and Tech Mahindra, are other Indian companies that have also gained momentum domestically and abroad.

Other than being turnkey, Nandakumar believes the success of Indian solutions depends on the flexibility of the billing solution to accommodate ever-changing demands and market trends toward convergence.

“Indian companies have to develop an arsenal around real-time rating and a convergent, rules-based architecture that provides the flexibility for configuring a broad range of complex billing parameters,” says Nandakumar. “You also have to be able to deploy quickly — within four months, and in some instances within 45-60 days.”