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Aircel, the joint venture between Maxis Communications Berhad, Malaysia, and the Apollo Hospitals Group, has been one of the more visible telecom brands of 2010. Apart from expanding its 2G footprint across the country, Aircel went all out with its aggressive marketing efforts to promote itself as a brand. Showcase billboards, events, radio minutes, and prime-time advertisements on television featuring high-profile cricketers and actors, were all there to be heard and seen, loud and clear, to ensure high brand recall.

One of Aircel's most popular initiatives, which captured the country's imagination and generated intense media attention, was its "Save Our Tigers" campaign. Lending its name to a worthy social cause, Aircel, along with the World Wildlife Fund, kicked off the multimedia campaign in February 2010. The tagline "Just 1411 Left" highlighted the rapidly declining tiger population in the country, thereby prompting urgent media and public action.

NDTV came in, bringing conservationists and big media names into this initiative. Aircel leveraged the internet as a communication tool by setting up a website that offered users a chance to raise their voice and donate to the cause. In the end, the entire exercise, which involved a lot of time and effort by the operator, NDTV and others, paid off, mobilising over Rs 50 million as donation for the cause.

It also propelled the one-time regional player to the forefront. As Dr Mahesh Uppal, director, ComFirst says, "Aircel has managed to come up from behind its competitors within a relatively short span of time. Its approach is fresh and modern, which increases its ability to attract the right kind of audience."

The industry expects a similar media splash when the company rolls out 3G services around the time of the ICC World Cup. Aircel is expected to try to cash in on all the attention it can garner.

Given the stiff competition in the sector, this is a good strategy. The company still has a long way to go in terms of subscriber numbers. With a pan-Indian subscriber base of 50.16 million as

of December 2010, Aircel trails way behind Bharti airtel with 152.49 million, Reliance Communications with 125.65 million, Vodafone Essar with 124.25 million, Bharat Sanchar Nigam Limited with 86.71 million, Tata Teleservices Limited (TTSL) with 84.23 million and Idea Cellular with 81.77 million.

Apart from the fact that Aircel faces stiff competition from the incumbents as well as new players, it is also one of the top loss-making companies on Businessworld's list. Over the past few years, the company has invested close to $2 billion for setting up infrastructure. According to the Centre for Monitoring Indian Economy, it has registered a loss of Rs 26.77 billion in 2009-10. Moreover, the Rs 65 billion payout for 3G spectrum and the Rs 34.38 billion paid for broadband wireless access (BWA) spectrum has made a further dent in its wallet.

3G, BWA and recent strategies

The 3G auctions in April 2010 saw Aircel play a deft hand. It won 3G spectrum in 13 of the 23 circles in the country for Rs 65 billion. These circles account for nearly 90 per cent of the company's total subscriber base and 91 per cent of its revenues.

Thereafter, Aircel has spent most of 2010 and 2011 (so far) in readying itself to roll out 3G services. Mid-2010, Aircel awarded contracts to the ZTE Corporation, Huawei, Nokia Siemens Networks (NSN) and Ericsson to deploy its 3G network across the country. Ericsson was awarded 3G equipment contracts for six circles, while Huawei and NSN received orders to build networks in three circles each. ZTE was contracted to provide equipment for the remaining circles.

With the majority of its network in place, Aircel is looking to launch 3G services across the 13 circles in a phased manner. The operator plans to spend $500 million in 3G service rollout in 2011.

To ensure a uniform pan-Indian 3G experience, Aircel is forming partnerships with other operators. It is in talks with TTSL to share each other's 3G airwaves. The two companies together have licences for all the circles except Delhi and Mumbai. To cover these metro circles, Aircel plans to share Mahanagar Telephone Nigam Limited's (MTNL) network.

Aircel was among the few operators to win BWA licences in 2010. The operator won licences in eight circles (the second highest after Infotel Broadband's pan-Indian licence) for Rs 34.38 billion. The BWA licences have put Aircel in a formidable position with regard to providing a suite of voice, data and broadband services, apart from opening up new revenue streams, going forward. Though the company plans to launch BWA services in its eight operational circles by end-2011 or early 2012, it is yet to choose the technology – Wi-Max or long term evolution (LTE) – for providing these services.

In 2010, following the example of other leading telecom operators, Aircel strategically decided to hive off its telecom tower business to GTL Infrastructure. The deal saw Aircel transfer 17,500 of its towers to GTL Infrastructure and commit another 21,000 tenancies on GTL Infrastructure's towers for $1.8 billion in an all-cash deal.

The deal worked well for Aircel. Since GTL Infrastructure has a fairly large tower portfolio across circles, it came into play for Aircel's 3G and BWA requirements. Also, the funds from the deal provided Aircel the liquidity to expand mobile services and roll out its 3G network.

Meanwhile, the operator continued its focus on value-added services (VAS). Recently, following in the footsteps of Bharti airtel and Vodafone, Aircel tied up with ICICI Bank to take a joint initiative to drive financial inclusion in the country. Under the MoU, the partnership expects to offer various financial products including savings accounts, prepaid instruments and credit products.

Leveraging Aircel's distribution strength, the partnership plans to bring in the unbanked and underbanked population into the organised financial services framework and strengthen the electronic payments market in India. Both parties are expected to work out the specific arrangements over the next month and chalk out a go-to-market plan.

Background

Aircel commenced operations in 1999 and became the leading mobile operator in Tamil Nadu within 18 months. In December 2003, it acquired RPG Cellular, which had operations in the

Chennai circle, and rapidly established itself as the market leader in the circle – a position it has held ever since. While Aircel has a 29 per cent market share in the circle, Bharti has 23 per cent. Similarly, in Tamil Nadu, it has a nearly 28 per cent market share.

Originally a part of the Sterling Infotech Group, the company underwent a change in its shareholding pattern in December 2005 with Malaysia-based Maxis Communications buying a 74 per cent stake.

Soon after, Aircel decided to cast away its regional tag and began expansion, mostly to take on competition by achieving economies of scale. With Maxis at the helm, Aircel charted out its future course of growth. Having obtained operational licences, Aircel first forayed into the eastern circles, where it planned to replicate the same degree of success it had witnessed in the southern circles. It was successful to a large extent. It gained subscribers in Assam and other parts of the Northeast, Orissa, Bihar, West Bengal and Kolkata. The company also did well in Jammu & Kashmir and Himachal Pradesh, where it offered GSM services subsequently.

The rollout gained further momentum after additional spectrum was allocated to it by the Department of Telecommunications (DoT) in 2008 for 13 new circles – Delhi, Mumbai, Andhra Pradesh, Gujarat, Haryana, Karnataka, Kerala, Madhya Pradesh, Maharashtra and Goa, Rajasthan, Punjab, Uttar Pradesh (East and West).

Now present in 23 circles with a 9.42 per cent market share, Aircel's objective is to position itself as a national brand with a strong regional connect. In early 2010, the company launched a media blitzkrieg in all the major metros. Its arrival in the Mumbai circle, for instance, was hard to miss. Its trademark red and blue logo, splashed all over the city, ensured that the company's entry was prominently noticed.

Of course, the operator realised, from day one, that the odds were against it. In the Delhi circle, for instance, which boasts of the highest teledensity levels, it was pitted against six telecom operators at the time of service launch.

However, with more than $2 billion in revenues in Malaysia, Indonesia and India, Maxis is no novice in the sector. Aircel set itself an ambitious target of scaling up its user base. It planned to do this by targeting users in all segments – corporate, business and youth/students as well as

migrant population from the Northeast, West Bengal, Bihar and Orissa. Innovation in tariffs and services was another strategy, as was a marked emphasis on VAS.

As Gurdeep Singh, chief operating officer of Aircel, noted, “Affordability is not the only issue. Pricing will be competitive, but ours will have to be a total value offering.”

Scaling up

The company’s strategy paid off. Its subscriber base increased significantly, from 31.02 million in December 2009 to over 50 million in 2010.

Adding about 2 million users a month, Aircel has maintained its strong position in the Tamil Nadu and Northeast circles with 14.67 million and 1.84 million subscribers respectively as of December 2010. It also made its mark by adding 296,996 and 361,243 users in the new operational circles of Punjab and Haryana by end-2010.

Analysts’ view

Experts believe that a fresh and modern approach to the sector, strong financial back-up and innovative marketing are Aircel’s major strengths.

As Uppal puts it, “The fact that the company is focusing largely on data and data-centric services will work in its favour. This is because the market, being a largely voice-dominated one, has all but forgotten the potential of data. Going against the grain, therefore, can only work in Aircel’s favour.”

Kunal Bajaj, partner and director, Analysys Mason, reiterates this view. “Aircel’s strength is its focus on VAS and devices. The company is definitely a leader when it comes to innovation in the VAS space. The innovations are mostly related to tariff and pricing, services and applications, and advertising and creating customer awareness. With regard to devices, the

company has been clever in what it offers, such as some of its exclusive arrangements with BlackBerry and Samsung, where it promotes extensive VAS consumption," says Bajaj.

However, some analysts believe that Aircel's focus on data services to balance its falling average revenue per user (ARPU) hasn't really paid off. ARPUs fell from Rs 245 in 2006 to Rs 160 in 2010. Also, some industry experts believe that while the company has so far been able to leverage the power of marketing quite well and has struck the right note, especially with young urban users, they are not sure how long it can sustain the same approach or depend on that medium.

Analysts also point to some stumbling blocks. "The fight for market share may be tougher for Aircel," notes Uppal. "This is mainly because Aircel is one of the newer players on the block and will, therefore, face all the disadvantages a new player faces as compared to the older, more established operators. For example, the so-called creamy layer of users has already been claimed. Thus, the quality of customers, from a revenue point of view, may be an issue."

Aircel, therefore, analysts believe, will have to be more market savvy and aggressive as the competition will only intensify. Already, with mobile number portability coming in, operators are tenaciously holding on to their existing users.

Market experts also say that with borrowings in excess of Rs 93.83 billion, the company needs to be more cautious. Aircel officials, however, have factored in the financial stretch over the next few years. Besides, some of the circles where Aircel has rolled out services have yet to start earning revenues, and once that happens, the company will surely be on a strong wicket.

Singh is confident that the company will secure the third position in the Indian telecom sector. "Globally, the non-voice market constitutes 33 per cent of the total revenues of a telecom company, while it comprises only 10 per cent in India. We are on track to capture a big slice of the pie," notes Singh.

The future

The company has earmarked a total of $10 billion as its countrywide capex for 2011. The focus for the next few years will clearly be on 3G, BWA and VAS.

The operator, which had designed its marketing campaign, “World of Possibilities”, around VAS, expects these services to account for 25 per cent of its revenues by 2012. Moreover, it plans to use 3G spectrum mostly to differentiate itself on the basis of VAS. It also aims to increase its market share to 11 per cent in the next three years and take its subscriber base to 100 million.

The company will also be looking to tie up with handset vendors and popular social networking sites to attract subscribers users. Aircel, in fact, has already joined hands with networking site Facebook, wherein subscribers can update their Facebook status by dialling a pre-defined number. The users can call and record their status update, which would then be posted on the site as an audio message.

It has also tied up with Dell to launch two new smartphones for Indian users, the Dell Venue and Dell Venue Pro. Apart from the handsets, Aircel users can also avail of 1 GB of free data download per month for one year and local talktime of 2,190 minutes for both prepaid and post-paid connections.

In all, the consensus is that Aircel is a strong company and will continue to be a part of the Indian telecom space, even five years hence, as it has tremendous staying power. However, its fight for market share will be tougher as competition from the incumbents gets stiffer

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