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Can Wireless Operators in Emerging Markets Teach the West a Lesson?

Pressures in emerging markets are forcing OSS to evolve in ways that benefit all

By Chris Gibson

Wireless operators in emerging markets are lean wolves compared to their domesticated counterparts in the developed world. Although emerging markets present these operators with many different challenges, the cut-throat competition they face should never be underestimated.

To survive, operators across Eastern Europe, South Asia, Africa and Latin America have learned to support lean operations and rapidly deploy new services. With the pace of technological change increasing daily, this is no mean feat. Already 3G devices account for almost 50% of the handsets offered by operators in emerging markets and the uptake of WiMAX is skyrocketing – Ovum recently found that, of the 300 plus WiMAX networks globally, 66% are in emerging markets.

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Wireless operators must leverage economies of scale, keep up with intense competition, engage with increasingly technology-aware consumers and create innovative services if they are to survive. The lynchpin to overcoming these challenges is their operational support system (OSS), which must evolve to support process-driven automation to reduce the cost of operations.

> **“Western telcos may find that they are dogs facing off against wolves.”**

Building economies of scale

The first challenge for wireless operators in emerging markets is an extremely low ARPU. The estimated ARPU in India is around $8 US per month; only slightly lower than Sub-Saharan Africa, Russia and China, but around a fifth of some Western operators. However, this low ARPU is off-set by a huge potential for customer growth.

The key for wireless operators in emerging markets is accessing large, often rural populations that typically have low tele-density and thus support business models based on rapid growth and high customer subscription. For example, India covers 3M km2 and 70% of the 1.1 billion population lives in rural areas with tele-density of just 2%.

Wireless is proving key to supporting this rapid customer uptake. Instead of deploying copper or fibre, many emerging markets are deploying wireless coverage to provide an instant broadband service. Wireless broadband is an excellent means of reaching rural or transient populations and coverage “black spots.”

Unlike copper cable, wireless broadband equipment can be secured against theft and removes much of the cost of laying and maintaining hundreds of kilometres of infrastructure across rugged terrain. Wireless operators in emerging markets are constantly evaluating technology, looking for the best fit for their specific challenges, and OSS must support this evolution.

The OSS must also take the strain of this surging customer base. Expansion can be extremely rapid - some operators in emerging markets achieve tens of millions of subscribers within a few years and a monthly growth of one million subscribers is fairly common. The Middle East is forecast to increase its subscription base around 34% by 2012, according to Informa Telecoms & Media. Where the subscriber base already exists, as in Eastern Europe, the OSS must support consumer demands to rapidly transition from low to high revenue services.

Meeting customer demands
The second challenge for wireless operators in emerging markets is attracting and retaining subscribers against fierce competition.

A common Western misconception is that subscribers in emerging markets are not demanding. In reality, customers in emerging markets have extremely high expectations and are very technologically literate. Indeed, competition is a major reason why India has some of the lowest mobile rate plans in the world. This competition for subscribers may drive to extinction operators that do not address customer experience, innovate and improve their product portfolio and service level agreements (SLAs).

It is this need to defend market share and capture new subscribers that drives innovation in service offerings. Operators in emerging markets need systems that help them "go-live" with services quickly and easily manage the transition from low- to high-revenue services. Demands for 12-15 new products and features per year for mobile service providers in emerging markets are not unheard of and are being supported by unified operational systems today.

Just as in developed markets, the OSS must intelligently map network status, planned outages and provisioning key performance indicators (KPIs) to customer facing SLAs, and coordinate and prioritise responses when SLAs are in jeopardy or breech. Whilst automation and efficient manual processes remain the fundamental means of maintaining excellent customer experience, SLA management can gauge and improve that experience, focusing management on the subscriber's needs.

In "Best of Breed" solutions, maintaining customer-centric perspectives is often the culmination of years of evolution. To meet demands of customers in emerging markets, telecoms providers simply cannot wait. Unified operational systems can implement customer-centric management without major integration projects.

With unified OSS, some operators in Asia are now achieving ratios of staff to subscribers that are almost half that of counterparts in Western Europe and North America; one major Indian operator is achieving a ratio of 1:1750.

Learnings for the West
With 2010-11 set to be a challenging year in terms of revenue, parallels between OSS practices in emerging and developed countries are more pertinent than ever.

Certainly, the approaches operators in emerging markets have taken to overcome the challenges they face have been hard learned; Western operators ignore them at their peril.

The traditional "Best of Breed" approach to OSS, common in the developed world, is often unsuited to emerging markets. In contrast, unified operations – an open, NGOSS-based, modular, pre-integrated, end-to-end OSS solution – presents operators in emerging markets with sophisticated automation without the associated long lead times and high costs.

As Western telcos attempt to step into these markets, they should be aware that they will be competing with local providers who have grown up in an environment of low ARPUs and high churn, and who have developed the "lean" models needed to cope with it. Western telcos should not be lulled into the sense that competing with these operators will be easy; indeed, they may find that they are dogs facing off against wolves.

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