A Study on the Evolution of Distribution channels of Telecom Industry in India

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Abstract - The impact of distribution channels has fundamentally developed as its contributions denotes a huge sign on the organization's productivity. Here the primary spotlight is on how the development of telecom industry throughout the years acquired exceptional change in the distribution channels in India. The literature now demonstrates extremely constrained extent of study has been done over these sides. This article breaks down how the distribution channels developed by comprehension through direct collaboration with the specialists in these regions. The evaluation of the present model and structure of the distribution channel is utilized as an establishment for better comprehension in every point of view that can move the field of distribution channels direct forward in the anticipated period.

I. INTRODUCTION

In the modern world, the role of telecommunication is booming day by day. As technology is evolving as the hour passes by, so the communication ends up simpler and quicker. Despite the fact that it is an exceptionally aggressive industry, it has turned into the backbone for different ventures in their way of process and workings, therefore prompting the revolutionizing the pathway of delivery of communication.

II. HISTORY

Examining the Indian Telecom sector, it is one of the quickly developing industry, however when contrasted with current worldwide guidelines, the penetration is low in India. Presently it’s has turned into a proportion of 60:40 from past proportion of 80:20 by investigating the urban and provincial penetration respectively. Presently as the greater part of the population is living in rural areas in India, telecom sector is concentrating on bringing them into their light. Indian telecom sector is over 165 years of age. Telecommunications was first instigated in the year 1851 where the land lines were laid near Kolkata (then Calcutta) by the government.

1883
Postal service was emerged with postal system

1947
All foreign telecommunications were nationalized to form the Posts, Telephone and telegraph (PTT)

1984
The entire Indian Telecom sector was under government ownership till now, but private was allowed in telecommunication equipment manufacturing.

1985
Government separated the Department of Posts and Department of Telecommunications (DoT)

The entire evolution of the telecom industry can be classified into three distinct phases.

- Phase I- Pre-Liberalization Era (1980-89)
- Phase II- Post Liberalization Era (1990-99)
- Phase III- Post 2000

Until the point that the economy was changed in the midnineties, the industry was intensely government-controlled and small sized market. Government policies and regulations were the fundamental factors that has brought major changes in the structure and size of the Telecom industry in India. Because of liberalization, the Indian telecom division has turned into the most liberalized market in the world with focused and competitive private support in every single distinguished section.
<table>
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<tbody>
<tr>
<td>• Entry of private sector in telecommunications equipment manufacturing – 1984</td>
<td>• Liberalization of Indian economy – 1990’s</td>
<td>• Bharat Sanchar Nigam Limited (BSNL) established – 2000</td>
</tr>
<tr>
<td></td>
<td>• Private sector participation in provision of VAS such as cellular and paging services – 1992</td>
<td>• National Long Distance (NLD) and International Long Distance (ILD) services opened for competition – 2000</td>
</tr>
<tr>
<td></td>
<td>• National Telecom Commission was set up – 1989</td>
<td>• CDM A technology launched – 2000</td>
</tr>
<tr>
<td></td>
<td>• Telecom Regulatory Authority of India (TRAI) was established – 1997</td>
<td>• Internet Telephony initiated – 2000</td>
</tr>
<tr>
<td></td>
<td>• New Telecom policy (NTP) announced – 1999</td>
<td>• Reduction of license fees – 2000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• VSSN Private Limited – 2002</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Unified access licensing (UAS)</td>
</tr>
</tbody>
</table>

(Indian Mirror n.d.)

2008
3G policy announced, spectrum auction awaited

2009
TRAI announces rules & regulations to be followed for mobile number portability.

2010
3G auction was held, BSNL first to launch WIMAX Service

2011
2G Scam reported

2012
Cancellation of all 122 licenses issued under the authority of Communication and IT Minister A. Raja.

2014
4G launched in India

2017
Jio launched in India

Some of the factors that contributed to the massive growth in this industry are as follows:

- Liberalization
- Increasing Affordability of Handsets
- Prepaid Cards Bring in More Subscribers
- Introduction of Calling Party Pays (CPP)
- Changing Demographic Profile
- Increased Competition & Declining Tariffs

Going through the previous 5 years of telecom industry in India, we can see that it was having a steady growth. Tele-density has upstretched from 18% in March 2007 to 76% of every 2011. By 2012, wireless telecommunication represents 96% in India, while landline phones have begun declining. Broadband subscribers have increased by around 14 million before the end of the accounting year. By 2014, India's GSM operators included 4 million subscribers influencing it to around 300 million operators in India. India's smartphone market developed by 171% to 44 million gadgets from 17 million gadgets, while data traffic powered by 3G services developed at 146%. The aggregate mobile services market revenue has achieved 20,000 crore rupees in 2014 enlisting a compound yearly growth rate (CAGR) of 5.2%. The number of internet users grew at a CAGR of 52% to 243 million of every 2014. Telecom entrance in the country's rural market is incremented from 41% in 2013 to 70% in 2017.

### Size of the Industry

<table>
<thead>
<tr>
<th>Size of the industry</th>
<th>1.19 billion telecom subscribers at the end of December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage in GDP</td>
<td>6.5%</td>
</tr>
<tr>
<td>Expected output by 2020</td>
<td>Rs 14 trillion</td>
</tr>
</tbody>
</table>

### India's Largest Wireless Telecom Operators as on January 31, 2018 (TRAI)

<table>
<thead>
<tr>
<th>Operator</th>
<th>Wireless Subscriber Base (millions)</th>
<th>Market share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Airtel</td>
<td>291.62</td>
<td>24.85%</td>
</tr>
<tr>
<td>Telenor India</td>
<td>40.30</td>
<td>3.58%</td>
</tr>
<tr>
<td>Tata Docomo</td>
<td>36.66</td>
<td>3.14%</td>
</tr>
<tr>
<td>Jio</td>
<td>160.09</td>
<td>13.71%</td>
</tr>
<tr>
<td>BSNL Mobile</td>
<td>107.87</td>
<td>9.24%</td>
</tr>
<tr>
<td>MTNL</td>
<td>3.62</td>
<td>0.31%</td>
</tr>
<tr>
<td>Aircel</td>
<td>81.44</td>
<td>7.28%</td>
</tr>
</tbody>
</table>

### III. LITERATURE REVIEW

1. *A Grounded Exploration of Sales and Distribution Channel Structures in Thirteen Industries in India Leading to a Classification Scheme*

(Oburai 2004)

Here the researcher is examining the distinctive channels in thirteen unique businesses in India. He is classifying the marketing channels into homogeneous bunches in view of closeness or divergence utilizing multivariate multidimensional mapping procedures. In this paper he is proposing a scientific arrangement or process that aids in visualizing structures and related strategies.

2. *A Study on Distribution Channels in Cement Industry*

(Pavithra 2012)

Here, the researcher is analyzing the cement industry in India. She could discover which player were having the most share in the business and furthermore distinguished the estimation of suppliers as well. A few players have high lifetime than their rivals in terms of performance, deals, limited time endeavors, dependability, and so on.

3. *Distribution challenges and workable solutions*

(Mulky 2013)

Here in this article, the researcher is explaining about a more extensive picture of the distribution channels, especially through their constituents and structure, by clarifying through the distribution in India. Additionally, he could examine the difficulties faced by the organizations in India when outlining, developing, and overseeing distribution channels on the ground.

4. *Critical Analysis of Traditional and Modern Insurance Distribution Channels In India*
In this paper, the researcher is examining the distributions of the insurance agencies in India. Here decisions assume an indispensable part in their procedures. Better channel administration prompts the better performance over the long haul of this industry. Additionally, the researchers are proposing new inventive channels of distribution which will profit both the insurer and clients. Indian industry was chosen because of the presence of the various channels in the market.

(Bashir, Irfan; Madhavaiah, C.; Naik, J. Rama Krishna P, January 2013)

V. METHODOLOGY

It is based on both primary and secondary data gathered through direct interviews with specialists from telecom industry who has around 10-15 years of experience in the industry. The respondents ran from top level to base level of the management from various circles in India. The auxiliary information was gathered from the Department of correspondence, TRAI, Ministry of Communication, the reports from Government of India and other research associations.

VI. DISCUSSION

A. How distribution channels evolved?

So, we could distinguish the business, how it got advanced as the year progressed. In any case, here we are going top to bottom to see how the distribution channels evolved through the years. We will clarify how the distribution changed through the distinctive periods of the advancement of the business – especially the second and third stage.

“Distribution was for a long time a natural extension of the telecoms service operations. The intent of the industry was that it would be a means to reach the customer, but in practice it was not always in line with customer needs. During the 80s and 90s, however, the concept started changing around the world, primarily because of the gradual increase in competition in wire line and the need to treat customers accordingly but also be-cause of the advent of mobile. The introduction of the mobile phone to the telecoms industry revolutionized the way operators approached their channel strategies. Suddenly, telecom operators started acquiring high street fronts all over the world and competing to offer the most fashionable handsets. During the 90s and early 2000s, distribution became a key component for the mobile world, where customer acquisition was the name of the game. Customers were joining the fray by the millions and, with customer lifetime values typically overestimated, distribution costs and commissions logically seemed a small price to pay.” - (Duarte Braga n.d.).

Before long the versatile operators began growing new impressions utilizing distinctive sorts of distributors, from their immediate stores down to little town retail locations and in every single other store, the operators have started pushing their customary direct sales channels additionally making it open for the clients to stand up to it. In the previous couple of years, however, as the penetration of mobile reached amazingly among the market and the broadband market share of the overall industry was started expanding, companies began rethinking the part of distribution. Soon everyone has begun making the inquiry: Do we have to keep up this high cost levels of a retail distribution? Wouldn't we be able to optimize this?

From our interaction with the expertise, we could coin out one factor - which the telecom industry embraced and framed their distribution channels like the FMCG industry's distribution network systems. "A Distribution Channel is a set of interdependent organizations (intermediaries) involved in the process of making a product or service available for use or consumption by the consumer or business user.” "Channel decisions are among the most important decisions that management faces and will directly affect every other marketing decision.”

The following is the model of a distribution channel followed by an FMCG company:
From the above diagram, it is seen that there exist a three-tier type of distribution channel for FMCG industry and it's been taken after today too. Same type of distribution channel framework is being embraced by India's telecom industry. India's telecom industry likewise has the similar type of distribution channel where company gives the products to the distributor and from the distributor to the retailers. India's telecom industry has definitely changed by the introduction of cell phones in the Indian market. We would now be able to see how the cell phone was welcomed by the Indian market. It can be very much clarified by the Maslow's need pecking order hypothesis. There are 4 stages in this hypothesis – Physiological needs, safety needs and social needs, esteem needs and self-actualization needs.

Human needs in telecom industry are orchestrated in a progressive system from the scope of three levels – from esteem needs to essential physiological needs. The journey of change of a cell phone ranges from the esteem needs (status level) to an essential need according to Maslow's need hierarchy theory. It was a possession or a status level when it was introduced in the market on the grounds that lone the upper class or high level of income individuals purchased the cell phones as the price of service was too high. Soon, after the introduction of various reforms by the government, it has turned into a social need among individuals in the market. Reliance telecommunication co. turn into a key player at this level by the presentation of cell phones at the rate of Rs.500. At that point after the introduction of 2G and 3G and now with the introduction of 4G, we can see cell phones as a need of customers. Prior the client seethes from the age of 25 or more. Presently we can see that the age group has become 10 years and above. Parents feel that cell phone is a need for their youngsters. This change of need of the cell phones acquired an intense change in the requirements of the customers. With the expanding interest of mobile services and customers, less cost factors drives the mobile service providers to be focused and competitive in the Indian market. They need to ensure that their service needs to reach the clients in any case. So, they were continue changing their strategies keeping in mind the end goal to accomplish over their rivals. Most of the companies assert that they have totally saturated the urban market of India and investigating the rural market now. Much the same as FMCG industry, the telecom business is investigating rural India. There lies the next market for the industry and the companies are concentrating on this market. By all the above elements the distribution channel revolutionized in order to stand with the competitions.

B. Telecom Circles in India

The Indian telecom market is segmented into various circles - the 4 metropolitan urban areas and the rest of India. Presently there exist 22 telecom circles, including metro, A, B, and C category service areas. These circles are formally recognized circles under the Indian Department of correspondence. It is set up by the government and it relies upon the Telecom companies might possibly comply with this exact usage. Telecom circles are likewise known as telecom service areas. In the event that a telecom company needs to operate in a specific circle, they have to buy the license through the auctions done by the government. Every circle is under the control of each individual zonal heads.
experience, and speed to the market and enabling the service touch points for the clients.

In the second phase of Telecom Industry, there exist just two kinds of channels for the company’s – direct and indirect channels. Direct channels imply that sales people offering specifically to the end customers. Indirect channels imply that there exist intermediary people between the company and the end customers – distributions. At the second phase, much the same as we have discussed about the telecom industry was replicating the FMCG industry. However, because of the expansion in the request in the services rendered and increment in the number of customers in the third phase, the aggregate distribution channels were extended with more customer experience. Beneath we can see the distinctive channels amid the third phase:

<table>
<thead>
<tr>
<th>Company</th>
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<tbody>
<tr>
<td>Direct</td>
</tr>
<tr>
<td>Indirect</td>
</tr>
<tr>
<td>Exclusive Retailers</td>
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<tr>
<td>B2B Business</td>
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C. USOF – Universal Service Obligation Fund

Companies has begun to center around rural areas in the present state than the urban areas in light of the fact that the companies have totally saturated the urban market and in a nation like India, the vast majority are dwelling in rural regions. Keeping in mind the end goal to make the entrance of the telecommunication facility, government has taken an initiative to connect with the rural hands – USOF. Universal Service Obligation Fund is one of the comprehensive advancement strategists built up by the government. The fundamental goal is to give widespread access to telecommunication especially to remote and rural zones at a reasonable and affordable rate. This fund is made under the ministry of telecommunications. This fund requires parliamentary endorsement and it has a statutory support under Indian Telegraph Act 2003. The principle exercises embraced under the USOF are:

1. Installation of telephones in every revenue village under the census report,
2. Provision of rural community telephones at next stage,
3. Provision of household telephones in rural areas,
4. Creation of infrastructures for mobile services in remote and rural areas,
5. Provisions of broadband services in the villages in a phased manner,
6. Induction of new technologies like fiber optic network in rural areas.

For the above exercises a service provider gets grants from the USOF like a subsidy. The service provider is generally picked through a bidding procedure on least quoted subsidy support basis (minimum subsidy maximum service). In India, initially BSNL was chosen for this operation. Government’s contention was that private providers won't give the vital framework to this and furthermore may misuse this by issuing government funds. But, BSNL was not up to the expected level as usage was deferred. There were additionally issues for connectivity in naxal, Maoist influenced zones.

(Mrunal 2012)

D. Indirect Channels

Indirect channels are centered around rural and urban markets. In urban markets, companies have their distributors and under these distributors there exist distributor sales executives and they pitch the services to the retailers. Distribution are taken care of and prepared by the distributor manpower as each company takes after specific standards and culture. Coming down to rural markets, amid the second phase, there exist a hub and spoke model - super stockiest framework. Under him there will be diverse sub-agents who will deal with the sales in the rural areas. But in the third phase, that framework was rejected up by numerous companies and these sub-agents were brought straightforwardly under the control of the company. It was on the grounds that there was no discipline in the super stockiest framework and companies doesn’t know about the happenings under the super stockiest and furthermore the cost of keeping up this framework was high. Indeed, even the companies presently give financial backings to these distributors in little ways. In the rural areas there exist a two-tiered distribution sales and service system models to expand presence and importance in the rural markets. Associate distributors are likewise in charge of providing service. The major advantage of having Associate Distributor will be that he will be acquainted with local environment, the cost of maintenance will be low, and it is suitable and versatile. It is additionally a method for improving customer service nearer to the rural customer. A portion of the difficulties looked by the indirect channels are 593000 villages i.e. 92% have population of under 10,000. Tele-density is less in rural markets when contrasted with urban markets. It is dominatly a prepaid market with a disorderly retail system.
E. Direct Channels

Direct channels include direct sales teams, tele-calling, super call centers and so on. Direct sales teams will be the direct impressions in the market and they will be viewing the cold calling for capturing the market. Tele-calling incorporates the out bound tele-calling setup with the model of street fulfilment. The role of super call centers will be upselling of the current customer base. These direct channels are managed by the business accomplices under the supervision of the company's channel manager.

Another evolution happened within the telecom companies itself where the role and development of the hands of the distribution i.e. from branded showrooms to non-branded showroom to multi-branded to retail showrooms. As we discussed before, telecom distribution was taking a similar type of the FMCG industry itself. Before 10 years, when cell phone technology was introduced in India, companies were even more concentrating on branded showrooms offering solely just post-paid services. But, for post-paid services, it turned out to be exorbitant and non-monetary. At that point comes the prepaid services. Here it changed the customer desires, exposure achieved its most astounding point, pricing, budgeting, tariffs, point if sale and price – everything changed. At that point everything began to rely upon the return on investment. Amid the 10 years, the ROI descended from rupees one lakh to thirty-four thousand. Once these prepaid services were introduced, it was extremely difficult for the customers to approach the branded showrooms. To cater to that issue, companies began the non-branded showroom. Also, to make it more feasible and financial, companies stretched out their hands of distribution to small retailers. Rather than having 10-15 showrooms, they went for having 1000-2000 little retailers. All companies have 3-4 distributors in each circle. The system gets extended when the ROI from the distributors get increased. More touch points will prompt more revenue for the company.

F. Hub and Spoke model

Most companies follow the hub and spoke model in their distribution system. They will have a master distributor took after by associate distributor and afterward the retailers. Everything relies upon the ROI. The ability to spend cash on the channel. Be that as it may, everything needs a pinnacle for this distribution. On the off chance that a pinnacle is there, distribution spreads, it must be both economic and monetary. Each pinnacle has its own ROI and furthermore it must have a base ideal number of calls through it or it will be a loss for the company. It requested to make the entire distribution more feasible, franchisees were opened. Yet, it likewise has its negative side like part of exposure is required for it work or else it won’t have enough sales which may in the end prompts the end of the store which will influence the company’s name. With a specific end goal to conquer that, company begins to tender a culture that let them do the deals and rest every single after deal will be finished by the company. Hub and spoke model is proposed in specific markets. In the event that the master distributor and associate distributors are having issues, at that point the company will set a direct relationship with the associate distributor. The company has additionally begun motivating force programs like SAC for most of its stakeholders in the distribution channels. In this way the companies are tending to keep up to the competition and penetration to the market.

G. Technology (2G, 3G & 4G) Landscape in India

The wireless network infrastructure market is presently in a period of progress, as mobile operators look to address rising mobile traffic demands in the midst of worldwide economic vulnerabilities. This change in outlook is conveying new challenges and chances to infrastructure vendors.

In 2016, global 2G, 3G and 4G remote framework incomes remained at about $56 billion. It is evaluated that the market contracted by 4% out of 2017, essentially because of a decrease in independent macrocell RAN infrastructure spending. Be that as it may, driven by interests in HetNet infrastructure and 5G NR (New Radio) rollouts - starting in 2019, the market is required to swing back to positive development at an expected CAGR of 2% in the vicinity of 2017 and 2020.

By 2020, 5G systems will represent almost 5% of all spending on wireless system infrastructure. With noteworthy investments expected in 5G NR, NextGen (Next Generation) core and transport (fronthaul/backhaul) networking infrastructure - in the vicinity of 2020 and 2025, this figure will additionally increment to over 40% before the end of 2025.

The 3G subscriber base in India has developed at a CAGR of 144% from 2009 to 2014. In December 2014, 3G supporters remained at 9% of every single mobile subscriber contrasted with 0.4% out of 2012. 4G services were propelled in India in 2012 and the subscriber base remained at 0.4 million in December 2014. With expanding network coverage, falling data prices and shifting customer preference for higher connection speed, both 3G and 4G subscription are relied upon to develop considerably in future. But, because of the vicious rates and constrained SMS facilities by the government regulation, the vast majority of the customers are swinging to utilize WhatsApp, Viber, Facebook and Messenger which made the telecom companies to make the data plans in a cut
throat way. Likewise, keeping in mind the end goal to get more customer experience, companies are presenting their own personal assistant applications for the simple access to the customers in each operating platform. It gets immediate contact with the customers and in this way ready to contact them in a productive way. Additionally, the companies could reach their customers through online recharging applications, for example, Paytm, rechargeonline.com, which recreates a typical retail showroom where all the services we get from every one of the companies in the market. In these applications, it is anything but difficult to avail services, however there can be security issues additionally where they can utilize our private data.

VII. CONCLUSION

Indian Telecom industry has radically changed over the years. The aggressive market has demonstrated to us how every player in the market is attempting to prove how they are in an ideal situation than their rivals through duties, costs, administration, and how they handle their relationship with their clients. Companies are revolutionizing themselves in their tasks. They are endeavoring to have an immediate association with their clients and distributors keeping in mind, the end goal to draw a viable administration to them. Companies should put successful utilization of the channel distributors which helps the market interest which thus decrease the expenses of the business, client management and support. The companies should center upon the long-haul association with the client and the distributor. Both long haul upper hand here and now change in the execution can be accomplished through the correct determination of the channel distributors and appropriation channels.

REFERENCES


