NEW ENTRANTS IN EMERGING MARKETS: A SALES CHANNEL STRATEGY

/// WHITE PAPER

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Building the road ahead

Continued demand growth in emerging markets has many telecommunications operators planning to enter new countries in the near future. There is no doubt that an integrated multi-channel sales strategy can be key in driving market presence — defining the identity of the provider by outlining the way it interacts, approaches, and talks to its customers.

However, conventional sales strategies and traditional business models are often ineffective in these dramatically different environments. This paper suggests a new perspective, along with a practical set of approaches and observations, to help operators define their sales channel strategy for these emerging markets.

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Introduction to emerging markets

Many countries around the world are experiencing rapid growth and dynamic industrialization, creating what economists call "emerging markets." These emerging markets are sometimes synonymous with developing countries in an economic and political context.

However, it is nearly impossible to categorize these countries beyond this broad brushstroke, and we often see rich and extensive dimensions of differentiation. Emerging telecommunications markets, for example, vary dramatically from relatively high penetration and usage in some Eastern European, South East Asia and Latin American markets to nascent markets on the African continent and parts of Asia.

What they all have in common, however, is the potential for growth….and the challenge of being unlike any market in which you've ever operated. Conventional sales strategies and traditional business models almost never work. And many a large, multinational operator has failed miserably against the challenges they've faced in these promising new environs.

It's relatively easy to buy in to the market and get a license to operate. But when it comes to actually starting up a Mobile Network Operator (MNO) business in an emerging market, you can't always leverage the experience gained through decades of success in Europe and North America. You need a new approach to interaction with potential customers, and a roadmap to know which business models will work, and which ones won't.

This whitepaper suggests a framework and a set of approaches for building a telecommunications business in emerging markets, with a focus on selling an advanced utility in a market with limited marketing, distribution and technical infrastructure.

A typical scenario

For a new entrant in an emerging market, an integrated multi-channel sales strategy is essential to establish the brand and quickly build a customer base in the chosen country. There are a number of retail channels to the consumers, including store, call centre, web and the mobile phone, and each will have their advantages, disadvantages and marked differences from the same channels in a more mature or developed market.

The relevance of each channel, and how the sales strategy is implemented, may also be affected by external forces such as economic growth, consumer behaviour and competition and the internal capabilities of the operator. But compelling customer experience that is delivered consistently at every customer touch point will create a competitive advantage and create shareholder value as the market later matures.

To achieve this, it is important to have integrated customer acquisition and support processes that leverage the IT solution as effectively as possible in the context of the local market conditions and organisational capabilities over time.

Why new thinking is needed

Most tier-1 operators and their consultancies have deep experience in mature markets, with a strategy which looks approximately like this:

- Virtually 100% fixed-line and TV penetration
- 80% of the population has internet access, of which 50% is broadband
- Every potential customer has access to a bank, a bank account and some means of electronic payment
- Distribution networks, transportation and the postal service are so efficient that costs are predictable and low

- Consumer electronics have a very low cost of compared to the average income: a new mid-range pre-pay phone costs less than 10% of the average net monthly wage
- Handsets are subsidised (with notable exceptions, e.g. Italy and Iceland)
- Expected ARPU in the order of magnitude is measured in tens of euros or dollars.

These variables, with the exception of internet access and some of the handset costs, have been true of the telecom operators' environment since the early 1990s, when most started their businesses.

In contrast, today's emerging markets are often characterized by:

- Fixed-line and TV penetration in the single digits on a per-household basis
- Almost no internet access — most people have not used the internet at all, and those who have are more likely to have accessed it through a phone than on a computer
- The quasi-totality of the population has no access to credit, and makes very limited use of banks or means of electronic payment
- The cost to send a bill by post is comparable, if not higher, to the monthly ARPU. As far as handsets and SIMs are concerned, the issue is greater still, as both are less reliable and more costly in relative terms.
- A phone usually costs as much as several months' worth of work (a good comparison would perhaps be the cost of a car in a country like the UK)
- Subsidised handsets non-existent partly due to unavailability of credit
- Expected ARPU in the order of magnitude is measured in single digit euros or dollars.

A few more key considerations:

In absolute terms, users in emerging markets spend a lot less on telecommunications services compared with mature markets. However, in relative terms they often spend a lot more. This has number of implications for the sales channel strategy.

In mature markets, mobile telecommunications services are provided with further focus and emphasis on individualization and personalization both from a customer experience, marketing and technology point of view. In emerging markets, telecommunications services in general may serve multiple users, e.g. family, community or village. The mobile handset in particular may be owned by one or more users and it may indeed be shared. Its role may have more in common with the roll-out of fixed-line in the early 20th century and broadcast television in the 1950s than with mobile in the 21st century in mature markets.

The handset/device is expensive in relative terms and may have to last for a long time and possibly well beyond the battery life and other accessories. The trick of delivering variety at low cost has not been fully mastered yet, even though the landscape is changing rapidly[1]. A market for second hand devices may prevail. Repairs and spare parts may become much more essential, possibly as local businesses e.g. 3rd party dealers. An effective sales channel strategy needs to factor in distribution and supply chain considerations for what might turn out to be a very different devices eco-system.

All of this means the same business models are unlikely to work effectively. Today's emerging markets are very different from Europe or the US 20 years ago: they require a new thinking to become viable businesses.

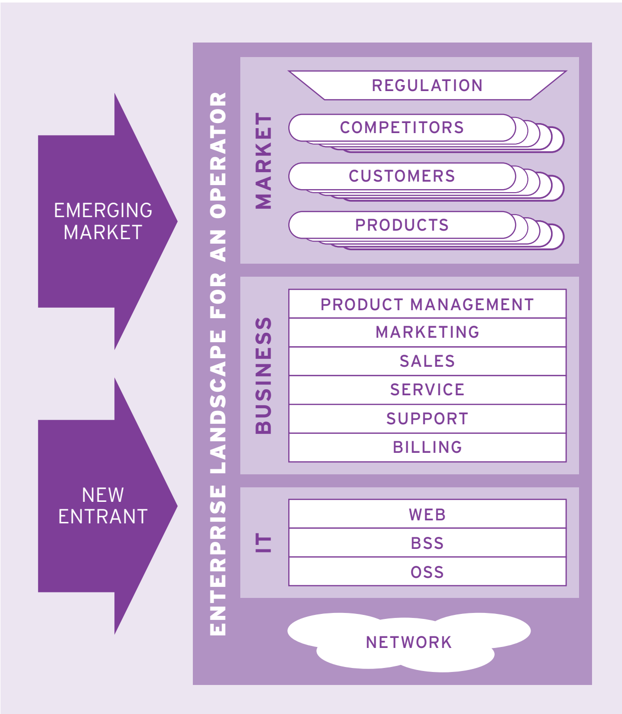
In addition, new entrants are unlikely to succeed by just mimicking what the incumbents have been doing in the same markets, as they need to differentiate to gain market share.

Being 1st while being 3rd

The "next" operator in an emerging market – being a new OpCo of an international operator or a service provider with local or international funding - is likely to be the second, third, or even fourth entrant in the market. The company needs to position itself as a "challenger brand" in the local market. While competing with the incumbent(s) on what was previously their playing field, a challenger needs to, at the same time, redefine the rules of competition.

A new entrant will want to take full advantage of a rapid and successful entry into the market with a fresh, differentiated and commercially robust sales channel strategy.

Figure 1: the environment in which a telecoms operator exists



These developments now set the scene for a period of aggressive growth, both built upon a deep commitment to and insight into the full range of customer value, a fresh appreciation of the company's family of brands and their objectives, and most of all, a strategically-led drive to take a commanding lead in this explosive market context.

There is often a need to take an aggressive lead in advanced mobile technologies and services, and create an "aspirational, 21st century" positioning. A key commercial issue can therefore be the need to maintain this leading-edge positioning, while rationalising the associated costs vs. anticipated impact on ARPU and brand equity.

In this context, it is critical to seize the opportunity to take a brand- and customer value-led approach to a fresh sales channel strategy, in recognition that the link between the brand and the customers becomes increasingly pivotal as the market matures, competition intensifies and the incumbents begin to react to - and thus attack - the successful elements of the new entrant's positioning.

Key elements and principles of a sales channel strategy

Any operator has to navigate a complex market landscape, characterized by a multitude of forces:

- CUSTOMERS: In rapidly growing markets, the focus is on customer acquisition and maximization of ARPU. On the one hand, the mobile market is competitive and commoditizing. On the other hand, further economic growth represents an opportunity to grow the market, e.g. through high-value services, and gain market share.
- COMPETITION: As a new entrant, the company needs to adopt an aggressive start-up strategy, in order to gain market share quickly. Once established, it needs to take its business to the next stage of development. This logically starts from the sales channel, which is core to both further the brand in the hearts and minds of the customers and ultimately enhance revenues and cash flow.
- PRODUCTS & CHANNELS: Today's market trends, e.g. rich multimedia content, mobile television, high-speed internet access and video calling, point to value-added services. For the majority of customers in emerging markets, this will be the first and only channel to access this kind of service as mobile penetration is often substantially higher than internet penetration. This affects the relative importance of sales channels, and also means that more web access will be via phone than by PC - this has an impact on user experience.
- REGULATORS: Different legislatures in different countries have a strong impact on the way an operator will go to the market. Each country is unique in this respect, often influenced by history and cultural identity. Regulators also encourage further competition and infrastructure investments from abroad.
- TECHNOLOGY. This is not Coca-Cola. It is not IKEA. This is telecoms, a business that sells high-technology products and services. Technology is not a support function with a one-way communications channel from the business into it. Technology is, for the most part, the very product the business sells, much like an ISP, or a software company. In addition, two of four sales channels, the web and the mobile, which will together be the largest revenue generators worldwide by about 2015, are technologies in themselves. So, the product

"is" technology, and key channels "are" technology. For these reasons, IT does influence the business massively, and very few business decisions can be made without technology involvement.

In such a vibrant marketplace, intelligently integrated and optimized multiple sales channels (store, call centre, web and mobile phone), which collectively form much of the customer experience whilst generating revenues, are essential. One lesson we can take from mature markets is that sales channels are under real pressure to perform satisfactorily as a service and "brand experience" channel. For example, the focus on rich media and other entertainment forms needs to be carried and supported by the brand across all channels.

A successful integrated multi-channel sales strategy is managed as far more than simply a marketing communications and transactional capability which spans physical retail, online and mobile commerce and of course call centre. Naturally, efficiency is a must-have, but it's only one half of the requirement.

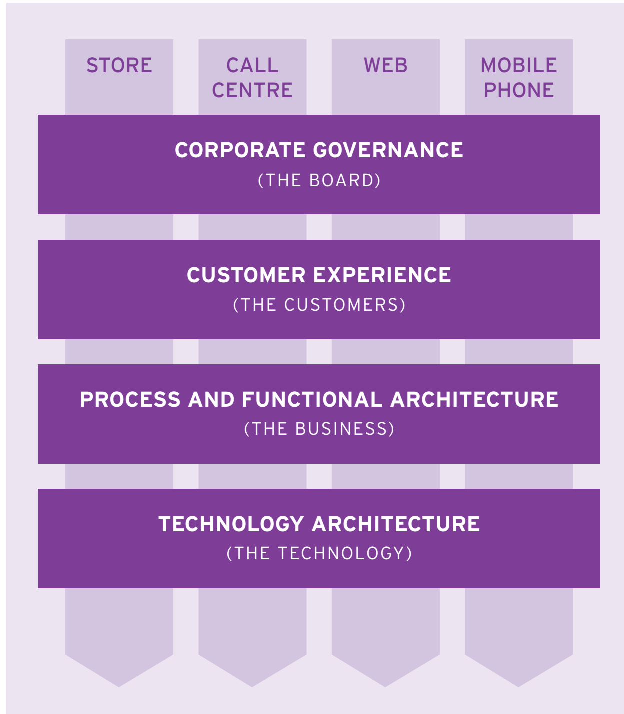
As emerging markets mature and the mobile operator environment stabilises and consolidates over a 3-5 year horizon post entry, compelling, relevant customer value, in tandem with the core differentiators offered by powerful, credible brand experience that is consistently delivered at every customer touch point, become the drivers of effective competition and shareholder value. We remind ourselves here of the difference between the sugary brown fizz that is Coca-cola the drink, and the global mega-asset that is Coke the brand (current value estimated at over $70 billion).

To achieve real value, each of the channels has to perform at its best in the local market, and the channels are related and interdependent. For each channel and for the integrated whole, the channel strategy needs to define:

- Corporate Governance
- Customer Experience
- Process and Functional Architecture
- Technology Architecture

User value work feeds the key value drivers for integration of the multi-channel experience across key customer purposes and tasks: without identifying and ranking these at an early stage there's a danger of mis-investment.

Figure 2: elements of a sales channel strategy



Each of these reflects the perspective and needs of different stakeholders, but they all must be in alignment with one another in order to succeed in competitive emerging markets.

Corporate Governance: objectives and Key Performance Indicators (KPIs)

As an operator develops, the multi-channel experience that is offered to all types of customers, by the company and its brands, requires close monitoring and management using dashboards that reflect and drive forward this advanced brand- and customer-led philosophy.

The objective is always to generate shareholder value. This is achieved by enhancing brand value, building stronger customer relationships, and driving revenue growth through acquisition, retention, and revenue stimulation – while exploiting the economies associated with an online business model[2].

The four pillars of success are therefore:

- Faster time-to-market
- Increased revenue

- Improved customer satisfaction
- Cost reduction

All the influencing factors mentioned above (customers, competition, products, regulators, technology) affect the operator's ability to optimise its channel strategy. The specific definition of each Key Performance Indicator (KPI) depends on the circumstances, and there is a vast amount of literature on this topic.

The importance of defining KPIs against which to measure success is almost always highlighted, but quite often overlooked, or acted upon as an afterthought. It is essential to design the strategy with the KPIs in mind from the very start, to make sure the business objectives are always clear at each step, and to always be able to quantify the road that has been covered and how much there is still to do. Lastly, KPIs should be factored in from the start because of the high costs of retro-fitting the technical capability to measure them. With emerging markets, we have less predictability of consumer behaviour combined with much higher sensitivity to cost, which make this even more important.

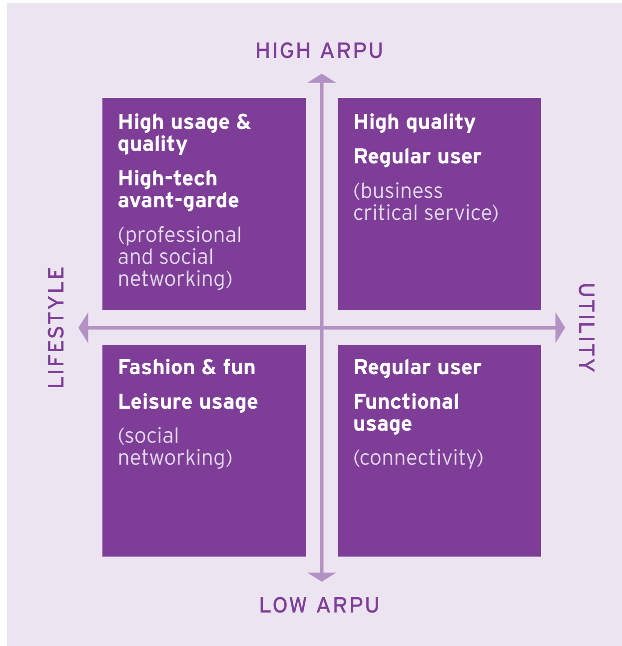
One piece of advice: on the opposite end of under-measuring is to beware of over-measuring. Because of the complex, multidimensional and volatile nature of channel strategy, the temptation can be to monitor a very large number of performance indicators, which are not necessarily Key Performance Indicators and may dilute the truly essential information. Different levels of granularity belong to different business groups and audiences.

Customer Experience: spend vs. usage framework

In the rapid developing communications market, we find it useful to assess trends, customer needs and customer experience using a simple framework as illustrated below. The two dimensions are: spend on communications services (measured by ARPU) and usage (ranging from lifestyle reasons to a utility purpose).

As a way of explaining this framework, focusing on the vertical dimension, we often find that corporate customers map to 'High ARPU', prepay/SIM-only to 'Low ARPU', and small businesses and post-paid consumers in the middle.

Figure 3: spend vs. usage framework



Focusing on the horizontal dimension, we tend to find early adopters of new technology, as well as fashion-based users and others for whom communication services is primarily driven by lifestyle (the left hand side), and customers who emphasize the functionality of voice, data and other value-added communications services (right hand side).

Customer profiles and segments are mapped onto this landscape, as illustrated by the four samples/generic profiles above.

Understanding the key characteristics and trends, both qualitative and quantitative drivers, by segment is most useful in developing a more efficient sales channel strategy. This landscape map can be used to address the following questions:

- How is the operator's customer base segmented?
- How does the competition play out in key segments?
- In which direction is the operator currently focusing its brand(-s)?
- Which channels are used by each segment – and how effectively?
- How is the market evolving by segment?

Usually, work will have to be structured around a number of key hypotheses about the operator, its performance and trajectory in the market. This approach provides powerful focus, and informs which areas to assess in greater detail.

Some typical observations may include:

- New entrants are pulled towards low ARPU (bottom-half) in order to quickly increase the subscriber base, e.g. land-grab by SIM-flooding;
- Limited real differentiation between lifestyle and utility (left vs. right) from a customer point of view;
- Risk of price-war increases as the market is maturing;
- More effective customer segmentation and differentiated channels to market offers to potentialLY mitigate this risk.

This list is by no means exhaustive, but it gives an idea of the kind of observations that can help frame the task and move towards an answer.

Another consideration is that, from a customer perspective, mobile communications services may serve utility functionalities, i.e. simple connectivity over long distance by voice and data for several users (as a household phone and as an internet access device). At the same time this is likely to be a big investment for the purchaser of the device and services and exposure to new technology and lifestyle.

On these premises and operator's sales channel strategy has to span wide and need yet to be focused and simple:

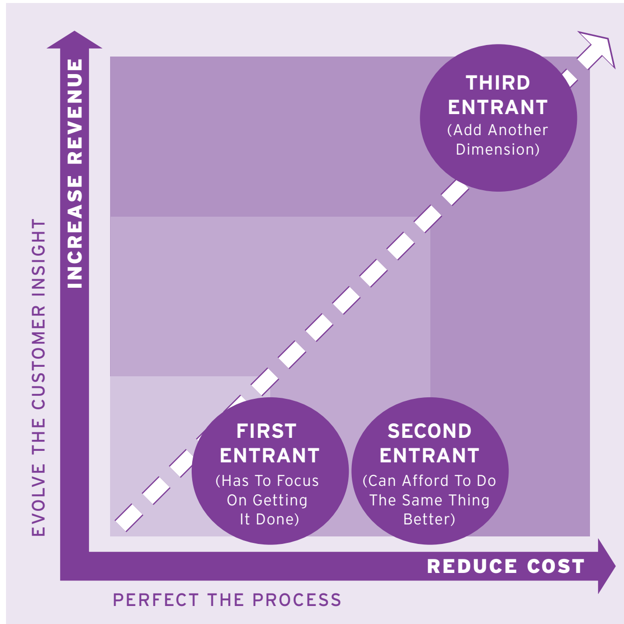
- WIDE REACHING: broad spectrum of users from local "enthusiast" to "late adopters" and the operator cannot distinguish as the individualized components of the package is less significant; and
- FOCUSED AND SIMPLE: exposure to new technology, limited underlying infrastructure to support at low cost, at all times – it has to work first time (or usage will be dormant).

Process and Functional Architecture: process vs. customer framework

This framework is useful for:

- Mapping value for the customer against value for the business; and
- Evaluating strategic investment choices in the telco industry.

Figure 4: process vs. customer framework



Typically, a technology-led business is culturally most comfortable focusing along the horizontal axis.

More broadly, a start-up company focuses initially on creating a set of products, and on creating the processes to support them. Once the operator is established, focus goes into optimizing the processes, identifying and monitoring KPIs, generating cost efficiencies.

Inevitably, along with market success the new and often unfamiliar need appears – balancing process optimization with customer value. This is particularly important for third entrants: the point of view needs to shift from technology-driven "push" approach, to being able to generate a "pull": to stimulate demand from the customers by looking at the go-to-market strategy from their point of view.

This approach has multiple benefits:

- It maximizes revenue by finding harmony between supply and demand;
- It optimizes spend by focusing only on investment in products and services customers actually want; and

- It sets the scene for a strategic / operational dashboard that enables powerful, confident management of investment vs. risk against balanced value for all customer segments and the business. This can feed back into the Corporate Governance stream to ensure objectives and KPIs are met.

Technology Architecture: enabling synergies

The technology powering the sales channel strategy needs to support business objectives like faster time-to-market, increased revenue, improved customer satisfaction and cost reduction. Remember, this is a business in which technology is:

- A large part of the very product / service being sold;
- Half the channels to market; and
- An enabler for the business to operate.

The interdependencies and interactions between technology and other parts of the business are therefore much more pronounced compared to other sectors.

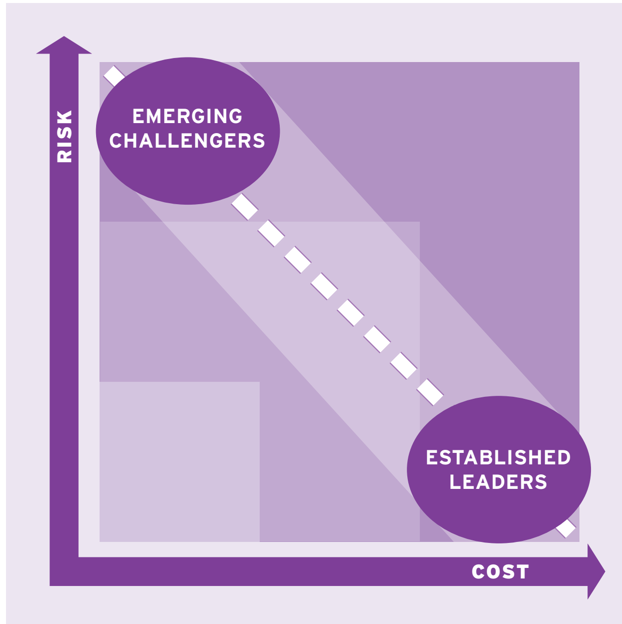
A key focus should be the technology architecture. The usual approach by multinational operators is to define centralised and rationalised applications architecture, to be applied to multiple countries and new start-ups. While this has produced excellent results in mature markets, it is often not applicable outside of the United States and Europe.

One problem is that the reference architectures developed by the world's largest mobile groups have been moulded from the as-is architectures in countries like the UK, Italy, Germany or Spain. The typical way of creating reference architecture or a preferred supplier list has been to divide the logical domain into functional blocks, and to leverage best-of-breed COTS products for each functional block, bound together by an integration layer. This paradigm carries with it costs that can be up to two orders of magnitude higher than those an operator can afford in an emerging market.

The best-of-suite approach has therefore become the norm with new launches in emerging markets. But with it come new challenges: finding the balance between cost and risk is the first, managing to have enough of a long-term view to ensure replicability is the second.

The key observations relevant to channel strategy are these:

Figure 5: price vs. risk tradeoff



- PRICE VS. RISK TRADE-OFF. Different vendors, ranging from recognized brands in mature markets (e.g. Cisco and Oracle) to upcoming ones (e.g. originated in China and Russia), compete at very different price levels, much more so than for traditional, mature markets. In addition, low-cost vendors will have associated a very high level of risk, which is the way the ultra-low cost is achieved (other than the obvious off-shoring, etc.). Choosing a very cheap vendor may result in failure to launch on time, which could cause significant financial losses and possible legal issues. Choosing a very safe vendor may be out of budget by several multiples, thereby killing the business case. This environment is made even more fragile by very high sensitivity to cost. There seems to be very little leeway when it comes to finding smart ways to avoid this trade-off; therefore careful planning, precise financial modelling, realistic expectations, and focus on shareholder value are paramount.
- REPLICABILITY. The best way to launch a new operator in an emerging market is to launch three. Replicability is the key for success, and the way to solve the tradeoff issue between cost and risk. A low risk, productised solution that leverages best-practice out-of-the-

box processes, and that can be reused for multiple launches in a number of countries, is the best way to get value for money while minimising risk, ensuring success and guaranteeing longevity. Propositions like the "utility operator", or "telco-in-a-box" have great value in this context.

The challenges from the operator's perspective here are largely around the ability to enter into a contractual relationship that involves multiple legal entities with independent P&Ls, in multiple continents, entering into a partnership whose success depends to a very large extent on the operator's ability to acquire multiple licenses from different regulators over a prescribed period of time, in order for the deal to pay off. This means that the delivery risk is reduced at the expense of the financial risk: who takes the hit while everybody waits for the multi-launch deal to pay off?

The challenges in selecting the right supplier of technology platform and systems integration services for a new launch in an emerging market deserve a whitepaper in their own right. There are ways of addressing them, but they are not the topic of this document.

Multi-channel strategy – key considerations

All the factors illustrated in the previous sections influence the channel strategy.

As previously stated, there are four key sales channels for a mobile operator:

- The store
- The call centre
- The web
- The mobile phone

Their relevance, and how the sales strategy is implemented for each of them, varies according to the internal and external forces affecting the operator: the changing market, the competition, the customers' evolution. The diagram to the right illustrates some of these factors.

While there is not a simple, unique solution to the complex challenge of defining a sales channel strategy, some observations can be made that, together with the frameworks illustrated above, can help formulate one.

Store

- Setting up a chain of shops is a solid way of establishing the brand presence within the chosen country. The store is the most important sales channel today. It is one of the key vehicles to communicate and make the brand real: the place where customers can see and touch the handsets, see faces and speak to people who represent the operator.
- The store is also a very expensive channel, and has very limited geographic reach: the cost per customer served can be astronomical compared to other channels. For these reasons some of today's most visionary operators are shutting down shops in Europe: the name of the game for some is to go online and get rid of property. Remember, thought, that in the developing world, very few people have internet access: the store is a key channel to market in emerging markets, and likely will be for many years to come.
- The retail channel strategy may also include third party dealers in order to achieve a faster roll-out especially outside the main regional city centres. Anyone who has ever been to India knows that all it takes to have a branded store is a piece of cardboard with a logo outside, and a few SIMs inside. And this is just about as much as any operator can afford, given the ARPU. There are millions of operator-branded stores in India, generating the overwhelming majority of the revenues with acceptable costs. This model can be replicated successfully in most of the developing world.
- Another fundamental asset the shop provides in emerging markets is that any mobile brand is comparatively much more powerful than in Europe, and the store is the vehicle to deliver it. Having a mobile phone is a status symbol infinitely more than it ever was in Europe or the US, because it also gives customers a slice of a dream: that of becoming like the US and Europe. This element was absent in Europe or the US in the 1990s. Stores in emerging markets are, quite literally, banner ads with a hut selling SIMs behind them, but they become symbolic gateways to technological advancement, westernisation and the "good life".
- Another feature of stores is they provide a much more personal and tangible experience, which is comparatively much more important in emerging markets, which

Figure 6: the balance among channels

tend to be cultures that favour human relationships, interaction, and establishment of trust as enablers for economic transactions. This is valid everywhere, but the importance of certain elements outside the developed world is many orders of magnitude greater.

- The main challenges for the store are distribution and integration with the operator's Business Support Systems, to actually provision the services after they are sold.
- The store channels (own and 3rd parties) are essential for the supply chain of handsets and accessories given the penetration of eCommerce.
- One value of the store that cannot be replaced, and is actually stronger in emerging markets than in mature ones, is that of the store as the point of contact for lost of broken handsets. The other channels do not work in these cases (by definition, because the medium is broken or gone), and because of the lack of alternative ways of communication, the store fulfils an essential role in terms of customer interaction and provisioning of fixes in a broad spectrum of scenarios.

Call centre

- The call centre is obviously a key retention channel and retention is an essential sale (up-sale, and cross-sale) to existing customers. The relative importance of business drivers is very different in emerging markets compared to the Western world.
- Firstly, limited internet penetration means the web is unlikely to be successful as a cheap alternative to traditional call centres. This removes the main shortcut to building a strong retention channel. Call centres have to be there, and they should leverage lessons learnt

from decades of operations in Europe.

- As mentioned before, personal interaction is an important element. Assuming equal resolution probability (both perceived and actual), equal ease of use, and equal channel access, a typical US or UK customer would rather NOT talk to a human to fix a problem, but do it online. This is likely to be much less the case for customers in Africa, South America, South-East Asia, or the Middle East. It is a cultural trait, and reinforces the importance of the call centre as a retention channel.[3]
- As an acquisition channel, the pros of call centres are, again, limited access to the internet, and less ability to travel to the nearest shop compared to the developed world. The big con is the scarcity of credit and electronic payment methods.
- Due to costs the call centre is the channel most operators in the Western world are trying to scale back on. This argument is less valuable in emerging markets, because the ARPU is proportionately higher compared to the average salary of a call centre agent. In other words, a mobile phone is much more of a luxury item, represents a higher proportion of a person's monthly spend, and therefore better justifies the business case for a call centre in a way that simply does not happen in Europe any more.
- Key considerations in relation to the contact centre strategy are whether to provide this service in-house, outsource or a combination thereof, partner selection if the outsource route is chosen, location and scale and scope of the call centre activities.

Web/Internet

- Researchers estimate that the online market will be as large as the offline one by 20184, worldwide, across all goods. This adds up to the fact that selling and managing customers online is far cheaper than it is offline. For these obvious reasons, telecoms operators are moving online now, just like banks did ten years ago. This is where most of the business will go eventually, but how fast?
- We all understand that emerging markets are going to represent a small fraction of that the internet market for a long time from now, and in some cases today represent close to zero. Very limited internet penetration, but most of all the even smaller circulation of electronic forms of payment, mean the web is unlikely to play a strong role in emerging markets for years to come.
- Early penetration of internet cafés in emerging markets and remote locations have enabled the potential for internet access on a shared and on-demand basis, despite low fixed-line/DSL penetration. This has the potential to provide users of new (mobile) technology with information about product and marketing, an access that will become 2-way when an email account is established.
- The web can still make some difference when it comes to ultra-high-value customers, who may expect a comparable kind of service to what they would get in Europe. In the long term, it will surely play an important role: it is the preferred channel by both operators and customers as markets mature. For the present, however, it is likely to play a supporting role at best.
- When formulating an online strategy, best practices in place in mature markets today are often relation and key elements should be applied, for two reasons.

Firstly, websites in emerging markets address the niche of the population who has the kind of ARPU and expectations of a mature market customer. The new entrant does not want to lose or alienate this thin, but extremely profitable and culturally influential part of its customer base, particularly as the market mature; and

Secondly, build on the learning curve that was experienced in mature markets in the last decade, as far the web channel is concerned.

- The topic of this paper is not to illustrate online best practices, so we are not going to discuss this extensively, but they should encompass optimal, consistent, branded, and smooth user experience, single view of the customer and integrated multi-play services, multichannel knowledge management, proactive chat, online customer communities, behavioural targeting, personalisation, integrated search, and many others.[5] A well-informed business decision should be made around the investment and the business case for each initiative, considering the peculiarity and limited size of the target market.

Mobile

- The mobile channel can play a very important role in emerging markets, even more so than in the developed world, for a number of reasons.
- Because of under-development in many other areas, the phone can be not one, but the only way to access the internet, or to watch TV. The history of telecommunications in emerging markets is likely to be very different from being a delayed repetition of what happened in the developed world, because technology is going to enable shortcuts. Services such as Mobile TV and Mobile Internet have a lot more potential for success in emerging markets than they have in, say, the UK.
- In addition, the potential for the telecommunications infrastructure to be used as a means for micro-payments and to charge for other, potentially unrelated services is well known. The added value this has in emerging markets is given by the lack of credible alternatives to this means of payment for so many people. For a large part of the population, the mobile phone itself can become something quite similar to a prepaid charge card. The potential here is massive, particularly looking at economies of scale, and at the enabling power the use of certain technologies can have from a business perspective, but also as a trigger for progress.
- The challenge with mobile as a sales channel is the low level of user experience, particularly on the simpler, older handsets which are so ubiquitous in emerging markets. Scarcity of alternatives cannot be an alibi to overlook customer experience: it should instead be a reason to chase a competitive advantage by offering what others don't. The learning point could be so valuable that they may even be applied back in mature markets.

Conclusions

It is clear that sales channel strategy drives the market presence of a telecommunications operator when launching in a new country. It helps define the very identity of the kind of business the operator wants to be, by outlining the way it interacts, approaches, talks to its customers. It is the active agent for revenue generation through acquisition and retention.

However, the elements of conventional strategy — mobile and penetration, availability of credit, logistics, distribution, and financial models — are so different in emerging markets that they become virtually incomparable to the methodology in which operators and integrators are expert. Hence, new models and new thinking are needed.

An important first step in the new sales channel strategy is identifying and defining the key value drivers that integrate the multi-channel approach: Corporate Governance, Customer Experience, Process and Functional Architecture, and Technology Architecture across all channels. These horizontal elements each reflect the perspective and needs of different stakeholders, but they all must be in alignment with one another in order to succeed in competitive emerging markets.

Finally, four key sales channels for a mobile operator in emerging market were defined: store, call centre, web and the mobile phone. Their relevance, and how the sales strategy is implemented, vary according to the internal capabilities of the operator and external forces such as economic growth, consumer behaviour and competition. A multi-channel strategy is essential to reach to the market quickly and effectively and generate shareholder value rapidly after launch. At the same time, ARPU in emerging markets is low and channel costs have to be managed effectively.

Throughout this process, we see that the challenge of building a telecommunications business in emerging markets is often fundamentally different to those of mature markets:

- From individualization and personalization of new technical features and lifestyle (in mature markets) to selling an advanced common and expensive (in relative terms) utility in a market with limited marketing, distribution and technical infrastructure.

- Due to the relatively limited penetration and proliferation of fixed line networks and voice and data services mobile is likely to fulfil different and in many ways more profound needs for communication in emerging markets.
- A multi-channel sales strategy is essential; depending on local market conditions the store and the mobile channel may be relatively more important.
- The mobile channel is essential partly due to the level of investments and increase in penetration compared with other sales channels.
- The store channel is key in order to build the brand (customer facing) and managing the supply chain for devices, payments etc.

From an operational and technology architecture point of view we are likely to see increased standardisation in the deployment of mobile communication technologies (e.g. the increasing reference to the concept of a Utility Operating Company, Telco-In-A-Box). However, from a sales channel and customer management perspective, THE SCALE OF THE CHALLENGE is likely to be more significant for operators expanding into multiple emerging markets during, due to the variety of customer needs and economic infrastructure among emerging markets across the world will have to met fulfilled with increasingly commoditised infrastructure assets and service delivery models.

The key to success is ultimately to define a replicable yet adaptable channel strategy, able to navigate on a commercially sound balance between low cost sales and effective customer management, and the appreciation of the often unknown and sometime unique customer needs and behaviours.

Notes, references and sources

1. For further reading on this topic, see: Harvard Business Review, *Value-for-Money Strategies for Recessionary Times*, Harvard University Press, March 2009, p. 66-74
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Edoardo Tealdi is a telecoms professional with a broad background managing large scale international projects, delivering major business transformation and providing guidance at the highest levels of his clients' organizations. His key areas of expertise are online sales and services, web strategy, customer relationship management, go-to-market strategies, multiple play.

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Before joining EDS, Tealdi had a senior management role at CGI, where he was on the founding leadership team of CGI's CME practice in Northern Europe. During that time, he was the Head of Technology Strategy for a leading operator's Global Online Programme.

Tealdi's previous career includes roles at Accenture and at Admocs Consulting Division, where he was also part of the group who set up the practice in EMEA.

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Ole Krogh Buus has nearly 20 years experience in management consulting and has extensive knowledge and line management experience in the telecommunications sector across Europe.

Buus was Strategy Director at TeliaSonera in Denmark for nearly 5 years. During his time the business transformed from a start up venture to a viable business. Buus was responsible for CAPEX-planning, led new business development initiatives including broadband and fixed-mobile bundling. He achieved significant productivity improvements through restructuring of fixed line, mobile and wholesale.

Buus has 9 years of management consulting experience from Deloitte in the UK. Most recently, Buus was a member of Deloitte's TMT Strategy Consulting management team.

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