

Digital journey of telecom companies



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THE telecom sector has been experiencing a rapid change around the world. The average revenue per user (ARPU), a long-standing metric for measuring financial performance, has been steadily declining over the last decade. Telecom companies in Bangladesh today are reporting an ARPU of lower than Tk 200 per month. While the revenue from voice services has been declining over the years, there has been steady growth in that from data services. Two factors have prompted this growth: (1) a shift in consumer behaviour, and (2) the implementation of the right strategy for above average growth from data services.

Worldwide, telecom companies are now at the cusp of a disruption where they have to shift their focus to non-voice services to continue growing. Telecom executives had been working hard to protect the financial bottom-lines of their companies by cutting costs, and that appeared to be a logical way to address perpetually declining ARPU in a market of voice services. However, in the near future, growth will be driven by data and the internet services, customer analytics services and new technology-led capabilities. Therefore, it is imperative for telecom companies to invest in building infrastructure for non-voice services and creating a strategic market identity around these growth opportunities.

Globally, telecom companies have started facing competition from non-traditional players such as over-the-top (OTT) service providers. These service providers are leveraging

internet connectivity on smartphones to offer voice calls and messaging services. The pace of technological advancements and the magnitude of user benefits derived from OTT services will make them the default choice of customers. As data consumption per user increases steadily, telecom companies stand to gain more revenue from data and internet services. This trend is already visible to the telecom industry in Bangladesh.

In 2016, telecom companies in Bangladesh witnessed a 30 percent to 77 percent increase in their revenues from data services over the previous year. If the telecom companies can sustain this high growth in revenue from data services, they will start earning more revenue from data services within the next five years. Moreover, the proliferation of smartphones will continue and the number of data users will keep growing. However, the growth in data services will not last unless telecom companies work towards sustaining it. The companies have to offer high network speed and high throughput to make services more attractive to customers.

Telecom companies also need to invest in upgrading their network operations, such as next generation connectivity, and robust fibre infrastructure. The price of data per unit is going to decline while the appetite for data is going to outpace overall usage. Reliable data connectivity and fewer white spots (areas with no data connectivity) will be important factors to attract customers. Companies that are able to cater to these demands using state-of-the-art infrastructure will be more successful in catering to the evolved customer expectation.

In addition, telecom companies will need to simplify their service offerings. Telecom companies in Bangladesh run multiple promotional offers almost on a daily basis. They offer several prepaid internet packages, with the smallest one having one-day validity. Data service users will increasingly prefer a simplified set of relevant services available on advanced network infrastructure.

These users are likely to use digital channels to subscribe to new services and purchase content. Thus, digital interfaces that offer a great user experience will be the key to generating revenue.

The increased use of data services will allow telecom companies to gather more data on users' behaviour. Applying the right kind of analytics tools will help them to monetise behavioural data more effectively. For example, today, telecom companies offer products only for the purpose of communication.

However, analysis of the customer data may help them profile their customers for financial products. In the near future, telecom companies may form alliances with financial services companies to assist them in selling financial products. They can use analytics to create micro-segments for each of these financial products.

They may also use it to define new requirements and co-create new financial products with their alliance partners. Such alliances will generate new revenue streams for telecom companies. The application of analytics is thus set to drive the business strategies of telecom players. In fact, telecom companies might look very different in the coming years depending upon the strategic identity they create for themselves.

Finally, a lot will depend on how companies deploy technology to simplify their business processes and build enterprise workflows. These companies have implemented several software applications. These applications, once integrated, should minimise data redundancy and improve the efficiency of business processes. Moreover, advanced analytics will assist in getting meaningful business insights.

The level of competition in the traditional telecom services landscape is going to get more intense. However, companies that successfully create new identities for themselves and invest in advanced technologies will build their own growth curve and emerge as leaders.

The writer is a partner at PwC. The views expressed here are personal.

Leading UK companies in rude health awaiting Brexit

AFP, London

BRITISH multinationals delivered upbeat earnings for the first half in contrast to a weakening UK growth outlook as the country negotiates its exit from the European Union.

Banks and energy groups in particular enjoyed a strong earnings season, mirroring the situation in the US, even though it was more a result of cost-cutting and favourable currency movements than underlying strength of individual companies.

"If you look at the big guys they're doing pretty well," ETX Capital analyst Neil Wilson told AFP.

"Banks HSBC and Standard Chartered did well, oil majors are turning profits again and miners are enjoying strong recoveries."

Wilson added: "These are all exposed to international markets heavily so insulated from Brexit pretty much entirely. I think it's worth noting the international nature of the FTSE 100 and bulk of earnings from abroad."

Companies like oil giant BP, mining group Rio Tinto and drugmaker AstraZeneca -- which all

trade on London's benchmark FTSE 100 stocks index -- report in dollars and so have benefitted from a Brexit-fuelled slump in the pound.

In addition they are not really exposed to happenings in the wider UK economy owing to the international nature of their businesses.

"Seventy percent of FTSE sales are derived outside the UK so earnings are more a reflection of global growth and (the situation with) commodities than the UK economy," said Caroline Simmons, deputy head of the UK investment office at UBS Wealth Management.

The Bank of England on Thursday cut its UK growth forecasts with governor Mark Carney warning that high inflation triggered by the pound's slump had hurt consumer spending.

His warning, coming after the BoE left its key interest rate at a record-low 0.25 percent at a regular policy meeting this week, sent the pound tumbling to a nine-month low against the euro, as policymakers appeared to shift away from raising borrowing costs any time soon.

With consumers feeling the pinch, Brexit could still affect some

sectors negatively, "especially financials, consumer and beverages and domestic mid-caps, although this is partially priced" in already, Simmons added.

"However if Brexit news deteriorates then it could cause renewed pound weakness which would benefit the international companies in other sectors."

Among the banks, HSBC and bailed-out RBS stood out, with the latter on Friday rebounding into a second-quarter profit.

"We're doing what we said we would at our full-year results in February -- growing income, reducing cost and improving returns for shareholders, while also starting to deliver a better service for customers," said RBS chief executive Ross McEwan.

Earlier in the week, HSBC announced rising first-half profits as it slashed costs and as revenues climbed on recovering financial markets.

Thanks to net profit jumping 10 percent to almost \$7.0 billion, HSBC said it would buy back about \$2.0 billion worth of its shares -- news that sent the stock's price higher.



A woman uses a smartphone as she passes cash machines outside a Royal Bank of Scotland branch in central London on Friday.

US sees strong job creation in July as unemployment falls



A hiring sign is posted in front of a McDonald's restaurant in Baton Rouge, Louisiana.

THE US saw robust job creation again in July, with unemployment falling back to a 16-year low, restoring the economy to the employment level seen before the 2008 crisis.

The healthy jobs report Friday was another dose of welcome news for an embattled White House facing a stalled policy agenda and historically low public approval ratings. Despite a government rule barring officials from commenting on economic data until one hour after release, President Donald Trump immediately hailed the report on Twitter: "Excellent Jobs Numbers just released - and I have only just begun. Many job stifling regulations continue to fall. Movement back to USA!"

The world's largest economy added 209,000 net new positions for the month, well above analyst forecasts, although below the 231,000 increase in June, the Labor Department reported.

However, average monthly job creation so far in 2017 is 185,000, slightly below the average recorded in 2016 and well below 2015 and 2014.

Even so, the July gain pushed the unemployment rate back down a tenth of a point to 4.3 percent, the same as in May, when it reached its lowest level in 16 years.

However, average monthly job creation so far in 2017 is 185,000, slightly below the average recorded in 2016 and well below 2015 and 2014. Hourly wages continued to make steady if slow progress, with a 0.3 percent increase over June, 2.5 percent higher than July 2016, the same pace as the month before.

The stock market was buoyed on the report as the Dow Jones Industrial Average rose 0.3 percent to post its eighth consecutive record close. The broader S&P 500 and the tech-heavy Nasdaq each rose about 0.2 percent, also cheered by solid earnings reports throughout the week.

In research published Friday, the Brookings Institution said July's job gains meant the US economy had finally recovered from the damage done to labor markets by the Great Recession.

In raw numbers, the US has added 16 million net jobs over the last seven years, about twice the number of jobs lost during the recession, according to Labor Department figures. But Brookings said this does not account for demographic shifts such as population growth and the growing ranks of retirees.

The report said, "by our calculations, nearly a full decade after the start of the recession, employment has returned to its demographically adjusted pre-recession level."

Darjeeling unrest may cause tea shortage

AFP, Darjeeling, India

THE world faces a shortage of prized Darjeeling tea because of deadly unrest in the idyllic Indian Himalayan foothills where it is grown.

In the dozens of lush green plantations across the picturesque hill station, the June-August harvest season normally provides the bulk of the nearly eight million kilos of tea sold a year -- most of which goes to Europe.

But with a showdown between native Gorkas, who provide the majority of plantation workers, and the West Bengal government now 50 days old, production fell by 90 percent in June.

Tourism has also been badly hit by the dispute in which the main Gorka group has halted harvesting and called for a shutdown of the tea industry.

There have been predictions that prices could rise more than 20 percent and some Darjeeling tea gardens could take years to recover.

"This year's harvest is lost," Sanjay Mittal, director of Ambik Tea estate, told AFP, adding that "if the stalemate ends we hope to return next year".

But Ankit Lochan, president of the Siliguri Tea Traders Association, said that if the strike continues for another few months, "almost 50 percent of the estates will close down for at least two to three years".

Tea Board India, the government regulatory body, said only 140,000 kilograms (154 US tons) of tea was produced in June, a plunge from 1.33 million kilos in the same month last year.

The history and distinctive taste have made Darjeeling one of the world's most recognised food names.

British officer Arthur Campbell started planting tea bushes in

1841 in Darjeeling before commercial plantation began in the 1850s. It is the only Indian brand with international protection, meaning that only tea grown in the region can be called Darjeeling.

Specialty teas can sell for up to \$1,800 per kilo (\$820 per pound), while companies such as Indian conglomerate Tata and Unilever

and imposed their culture and language. Plantation owners say the blockade has severely affected the delicate tea bushes that have been overrun by weeds.

"Tea bushes need regular irrigation, de-weeding and pruning. It will take weeks if not months to get them back in shape and then more time to start the production," said Mittal.

streets of Darjeeling while the separatist group has set an August 8 deadline for their demands to be met. Protesters have targeted Darjeeling's UNESCO-recognised "toy train" -- a 78-kilometre (48-mile) ride up from New Jalpaiguri. Two stations on the line were gutted in arson attacks.

Plantation owners and traders say the deadlock is a catastrophe



People walk along a path at the high altitude Happy Valley Tea garden during an indefinite strike called by Gorkha Janmukti Morcha in Darjeeling.

sell more mass market varieties around the world.

Clashes and arson attacks have rattled the hills since early June, shutting down businesses, schools and forcing thousands of tourists to flee. Three people have been killed.

Gorkha Janmukti Morcha (GJM) has been at the forefront of decades of agitation calling for a "Gorkhaland" within West Bengal. They say Bengali-speaking outsiders have exploited their resources

Gorkhas' demands for a separate homeland started in the 19th century and have regularly erupted. Unrest in 1980 left nearly 1,200 dead.

The latest flare-up started after the government ordered Bengali language lessons in state schools -- angering ethnic Gorkhas who speak Nepali.

At least three protesters have been killed in clashes. Government forces now patrol the

for the tea industry. They say agitators have threatened violence and barred outsiders from working in tea gardens.

A further logjam will spike the commodity price and loss of business to rival brands that so far have failed to dent Darjeeling's global fame.

"If the situation continues like this we might lose business to China, Sri Lanka and Nepal tea brands," Lochan told AFP.