

# HELLO INDIA

*Hutchison's remarkable progress in the tough India cellular market is seen as a triumph over adversity, and subscription numbers are climbing fast.*

By Bilal Khan



On January 26, 2001, an earthquake measuring 7.8 on the Richter Scale struck the Indian state of Gujarat. The damage was immediate and massive with villages and towns reduced to rubble. Amidst the destruction, only one telephone network was left standing and fully operational—Fascel, the Hutchison joint venture.



The network's voice and SMS (Short Message Service) capabilities played a significant role in the massive relief efforts that followed the earthquake. Fascel immediately swung into action, rushing in specialised equipment to provide local mobile communications. For two days after the catastrophe, calls were free. The company also gave handsets and airtime to relief agencies, and waived charges on incoming calls to government officials. Fascel also set up mobile Public Call Offices, which handled 15,000 calls per day during the aftermath, and a toll-free helpline was established so that worried relatives could send free messages to any other part of the country. The entire operation was an exercise in masterful management under deplorable conditions.

Today, Fascel is the largest operator in India outside the four major cities with more than 260,000 subscribers.

The dramatic events associated with Fascel's rise over the past year exemplify the Hutchison cellular story in India. It is characterised by dedication in the face of stiff challenges, an unwavering commitment to the customer and a steadfastly focused long-term view fully supported by its partners in India. It is a story that has helped change the face of communications in the world's second most populous nation.

## SPREADING THE WORD

Mumbai provides an insight into the telecommunications phenomenon that is sweeping across the whole country. The city is festooned with billboards advertising Hutchison Max Telecom, Mumbai's leading cellular operator. Mobile phones have become an integral part of life for many of the city's 18 million residents, in particular the thriving business community.

Local courier companies and sales forces use them in the field, with text messaging playing a particularly important role. Fisherwomen rely on them to take dockside orders; executives keep up to date with their customers, colleagues and the latest cricket scores. Even priests are occasionally seen sporting a mobile en route to prayers. In short, the mobile





પાલિકા પ્રાદેશો

● Delhi  
Sterling Cellular

● Ahmedabad  
Fascel

જલદી બેંગલોર

● Kolkata  
Usha Martin Telekom

મહાનગરપાલિકા

● Mumbai  
Hutchison Max Telecom

ઈન્ડિયાન ટેલેકોમ

દિલ્લી પ્રાદેશ

● Hyderabad  
Hutchison Essar South

ચાર્દાસ પ્રાદેશો

● Bangalore  
Hutchison Essar South

● Chennai  
Hutchison Essar South



કર્ણાટક રાજ્ય

India 100% Coverage



States covered by Hutchison affiliates



Metropolitan cities covered by Hutchison affiliates



Wan2tlk  
Want to talk?  
8-)  
Eyes wide with  
surprise



>-^);>  
Fish



NE1 IC  
Anyone I see



The mobile phone has entered all walks of life in India, serving as a valuable communications tool for both business and leisure.

phone has drastically altered the lifestyles of the people of India, and Hutchison has been a driving force behind this change.

When the Group first entered the newly liberalised Indian mobile telephony market in 1995, the signs were not particularly encouraging. Growth in fixed line communication was (and still is) fraught with difficulties. Tele-density hovers at around 3.5% nationally, and owning a fixed-line phone in India is something that only wealthy people can take for granted.

In 1995, pessimists felt that cellular telephony would not gain mass acceptance. They could not have been further off the mark. With its relatively low infrastructure costs and ability to reach isolated areas, mobile technology has come as a life-changing opportunity. Rural residents no longer need to travel to the district Post Office to place a phone call, and city dwellers can relax in the knowledge that they have an alternative option to long waiting periods for a land line.

India now boasts over 5.5 million cellular subscribers, and the market has grown by more than 80% in the past year alone. In this remarkable environment, Hutchison, in partner-

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ship with local companies, has established itself as one of the leading national operators.

#### THE RIGHT NUMBERS

With over 1 million customers (more than 20% of the total cellular popula-

tion), the Group's affiliates jointly constitute one of the largest cellular subscriber bases in India. Between January and November 2001, the base increased 70% against a 60% industry growth rate. Furthermore, almost three-quarters of the Group's growth has been organic.

Asim Ghosh, Managing Director of Hutchison Max Telecom, believes that the Company's success is due to its keen focus on the customer: "We set out to create a business that is consumer friendly," Ghosh says. "Recognising that many local users are on tight budgets, we moved from a customer-focused to a customer-driven organisation, establishing a 'low-cost-structure' business model that is very sensitive to consumer needs."

In the process, Hutchison helped revolutionise the concept of customer service. In 1995, Integrated Voice Response (IVR) systems did not exist in India, and customers were serviced through face-to-face or postal interaction. "We began a steady programme to introduce IVR



RAJESH MISTRY; STOCK IMAGES

systems, remaining particularly mindful of the need to educate.”

As a result, Hutchison affiliates now boast some of the highest standards of customer service in the world, with Hutchison Max Telecom the only telecom company in India to have achieved ISO 9001 certification.

### ONE-TO-ONE COMMUNICATION

A vast bank of customer information based on surveys and feedback from users and dealers is preferred over input from consultants. This direct approach enables the Hutchison affiliates to work together with mass marketing initiatives. The ultimate goal is to position all of them as process-oriented, boundaryless organisations—ones that, essentially, live or die according to customer judgments.

The Indian cellular market is extremely price-sensitive, which has made value-added services crucially important. That Hutchison has, for the most part, managed to achieve this across its affiliates is also testimony to the impressive raft of



## STRAIGHT TALK

**I**N AN ENVIRONMENT WHERE too much “techspeak” often baffles consumers, Hutchison has remained entirely consumer focused, building on the fundamental values of honesty, dynamism and friendliness.

Back in 1995, Hutchison Max Telecom successfully launched the Max Touch brand following a barrage of unique and imaginative pre-launch advertising. Using ‘Hello Bombay’ as the tagline, the campaign effectively communicated the arrival of a world-class service with a truly international pedigree by using celebrities from various backgrounds to endorse the brand and build on local relevance.

In February 2001, Orange replaced Max Touch, pulling off a major marketing coup in the process. By successfully replacing a highly recognised brand with a virtual unknown in just two weeks, the company essentially redefined Indian communication strategies.

The results of the company’s advertising and marketing strategy, which has set new standards in innovation and creativity, have been impressive. Hutchison Max Telecom recently won the Mumbai advertising industry’s ‘Campaign of the Year’ award, and competitors have often mimicked the company’s marketing initiatives.

Thanks to their highly focused marketing and advertising campaigns, Hutchison’s affiliates have rapidly achieved aspirational and premium overtones in their brand imagery, with very high brand awareness amongst consumers.

Remarkably, this was accomplished without employing the broadcast medium, as each brand is city or state specific and not national. Instead, billboards and print media have been at the forefront of most advertising, engaging consumers through focused localised campaigns. In Mumbai, for example, advertisements compare the cost of a mobile phone call to *cutting chai*, the locally sold inexpensive tea. Similar examples are used for other locations.

Besides advertising, the Group has also raised its brand profiles through strategic sponsorships. In Mumbai, it has allied itself to the theatre, music and book launches—events that hold great resonance for the city’s middle-class citizens.

This kind of niche-sector approach has transformed consumer perceptions, with Hutchison Max Telecom becoming overwhelmingly associated with leadership and innovation.

The Group’s development across the country is matched by a seamless progression in advertising, with a common look and feel coupled to a high degree of creative insight. The strategic direction has been to consistently “talk” of the tangible benefits delivered in a refreshingly direct approach. That it has succeeded with this approach throughout the country speaks volumes about the quality of the creative work, and the strategy of talking directly and simply to the customer.



products which the Group has introduced.

Of these, the most significant has been the introduction of roaming services. In 1996, Hutchison Max Telecom was the first cellular company to establish national roaming, and today Hutchison affiliates offer connections to over 400 Indian cities and 78 countries, making it India's top roaming operator with over 23% of the roaming business.

Another key service to have found favour with users is SMS. Hutchison's affiliates were the first to open up their networks to SMS, and since November 2000 the proportion of their consumer base using SMS has soared from 13% to 60-70%. Fascal created SMS in "Gujlish," a mix of English and the local state language, and each affiliate has produced an innovative SMS dictionary of words, phrases and "emoticons," further promoting SMS usage.

Hutchison also took the lead in providing value-added services by regularly sending *Privileges* booklets containing the latest offers from leading international and national brands.

Alliances have been forged with the top hotel chains and the finest restaurants and shops, providing customers with a bounty of attractive offers. On average, there is a remarkable 15% redemption rate and the favourite categories are dining, holidays, shopping and entertainment. In Mumbai alone, over 125,000 customers have utilised these offers, which are now being replicated elsewhere so that, on an all-India basis, customers can benefit locally and when roaming.

"The products we develop on our own are exciting and totally relevant to the market," says Ghosh.

For example, the innovative Voice Recognition Service enables subscribers in Mumbai to access real-time news, stock market information, and cricket scores via a single number. The product has been developed using a cutting-edge platform that allows users to interact with the system in a manner closely resembling human conversation. The user-friendly interface hides the complexity of the technology, which allows the system to be navigated using common words, like "cricket." More than



Perseverance in a difficult market has borne fruit for Hutchison.



## RINGING THE CHANGES

- '92



India is mired in the fixed-line era with low penetration and unreliable connections. Analogue telephone exchanges are outdated, costly and inefficient. Fixed line tele-density is less than 2% and it can take years to get a connection. The Group enters the Indian market through Hutchison Max Telecom—a JV partnership with local company Max India.

'94

The Mumbai licence is issued in November and Hutchison Max Telecom moves quickly to build a network.

'95

Hutchison Max Telecom launches the Max Touch brand following an advertising campaign in which celebrities endorse the "Hello Bombay" tagline. Cricketer Sunil Gavaskar makes the first call on July 16 to Aniljit Singh, Chairman of Hutchison Max Telecom. This is followed by a soft launch in September and commercial operations begin in November.

'96

In December, Max Touch becomes the first operator to bundle airtime and handsets. Handsets retail for about US\$1,400, while calls cost a prohibitive US\$0.52 per minute. The bundling strategy reduces costs and has an immediate positive effect on customer offtake. Subscribers now talk more and are motivated to stop using cell phones as pagers.

Hutchison Max Telecom becomes the first to establish national roaming services.



'97

In August, for the first time ever in India, Hutchison Max Telecom introduces prepaid cell phone cards over the counter, without the need for paperwork or documentation, further increasing mass access to mobile communications.

PRE -1992

1994

1995

1996

1997



80,000 voice samples went into its development and, amazingly, the platform understands various Indian English accents.

### KEY STRATEGIES

Hutchison's remarkable progress in India has proceeded with a mixture of commitment and caution.

When the Group initially entered the Indian market in 1992 through Hutchison Max Telecom, the Company took just 10 months to build the Mumbai network, a characteristically speedy approach that was to serve it well in the years to come.

But when the market opened up further in 1996, with regional licences being offered by the Government, Hutchison chose to sit out of the bidding due to its concerns over both licence terms and high fees.

“We are risk takers, but measured risk takers,” says Ghosh. “Sitting out was a wise decision for Hutchison.”

Ghosh's understated comments mask the critical nature of the situation, in which back-breaking licence fees pushed operators to the wall and severely stunted the development of



# 98

The company becomes the largest roaming operator network in India.

Citing concerns over tenure and fees, the Group elects to sit out on bidding for newly offered regional licences.

# 99

The Indian Government introduces a new National Telecom Policy, replacing licence fees with a revenue-sharing scheme and extending the licence period from 10 to 20 years. The move sets the stage for Hutchison and its Indian affiliates to go on an acquisition drive.

# 2000

In January the Group acquires 49% of Sterling Cellular, which operates the Essar brand in the Delhi metro circle. Its Indian partners, principally Essar Teleholdings, own the balance.

In Mumbai, the Orange brand is launched on February 14 to replace Max Touch.

In July, Usha Martin Telekom is acquired, covering the Kolkata circle under the Command brand.

In September, the Group acquires an interest in Fascal, the top cellular operator in Gujarat, operating under the CellForce brand.

Also in September, Orange-world mobile Internet services are launched, allowing access to a wide range of information via Orange WAP phones.

# 2001

After the January 26 earthquake in Gujarat, Fascal is the only telecom operator left fully functioning.

On July 31, Hutchison affiliates are allotted three more licences to operate 1800 MHz services in the states of Karnataka and Andhra Pradesh, and in the city of Chennai.

September heralds the launch of Yahoo SMS services in Mumbai and Voice Command is launched in November.

By September, Hutchison India affiliates have 1 million subscribers and rising fast. Between December 2000 and November 2001, Hutchison's total India affiliate base increased 75%, all organically grown.

1,100,000  
1,000,000  
900,000  
800,000  
700,000  
600,000  
500,000  
400,000  
300,000  
200,000  
100,000  
000

1998

1999

2000

2001

SUBSCRIBER NUMBERS



Across the social spectrum, everyone's talking.

the cellular industry. By 1998, commentators were forecasting the death of the sector as most foreign players bailed out. Ghosh notes that it was Hutchison's long-term commitment—along with its understanding and experience of the same business elsewhere—that enabled it to keep faith and therefore remain in India.

With the Indian cellular market set to open up further this year, the Group will face more competition and challenges. A recent move to allow landline service providers to offer mobility has antagonised the larger cellular operators, further proof that India's regulatory environment is not for the faint hearted.

"This is a market that requires a lot of stamina and back-breaking effort," says Ghosh, "but if you have the vision, the commitment and a clear strategy, results will come. Our basic approach is to take the long view, but execute like hell for the short-term results."

#### PAYING DIVIDENDS

The Group's commitment to India began to pay dividends in 1999, when the Government overhauled the industry's regulatory structure to favour a competitive environment that would stimulate affordable, effective telecommunication for all citizens. The new National Telecom Policy replaced fixed licence fees with a revenue-sharing scheme and increased the licence period from 10 to 20 years.

"The market structure changed to one that suited a long-term player like Hutchison," Ghosh confirms.

Almost immediately, Hutchison embarked on an expansion programme, acquiring stakes in three licences through joint ventures. The Group acquired interests in Sterling Cellular in Delhi, Usha Martin in Kolkota and Fascel in Gujarat. In nine

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months, Hutchison established itself as one of the country's major players.

Hutchison's ability to forge strong alliances with like-minded Indian partners has been a key aspect of its success. The Group's partners include Essar Teleholdings, Kotak, the Hinduja and Max.

"All our partners are amongst the earliest investors in India, and are committed to building shareholder value through customer focus," Ghosh says. "They also possess strong market intuition and understand the realities of building a big business in this country."

Hutchison's presence in the affiliates has also facilitated the alignment of strategies and processes over the

past 18 months. Customer service, sales and marketing are all areas that have seen swift harmonisation, and the next stage will see the establishment of a single corporate entity with common branding.

In July 2001, a Hutchison joint venture acquired three additional cellular licences for the high-tech states of Karnataka and Andhra Pradesh and also the fourth metro city of Chennai, with a strong exposure to the South. Hutchison affiliates now enjoy a footprint of 23% of the national population, which in turn has 50% of the purchasing power. "The Group has an exquisitely focused and premium footprint," Ghosh enthuses.

The Group's phenomenal development in India also owes much to a workforce that has set new standards in innovation and dedication. A palpable sense of verve runs through the ranks at Hutchison Max Telecom's Mumbai headquarters, where the strategy has been to recruit and retain the brightest minds. Their inspired creativity drives the progress of the businesses, and Ghosh is fulsome in his praise of the employees.

"This is a company with a tremendously motivated group of people. The *esprit de corps* and work ethic are simply remarkable. Throughout the Group, we have one of the country's best workforces and we have a tremendous restlessness to learn further," says Ghosh. "The goal is to be a leading player, not just in India, but to do things that are leading edge by any international standards. We shall definitely persevere."

