
PwC view

Five trends to watch in telecom during 2014



As always, before we move on to the next year, let us revisit the predictions we had made for the Indian telecom industry in 2013. Better than last year, we scored four out of five!

Five trends PwC India had predicted for Indian telecoms in 2013

Was PwC right?

What do we think now?

#01

Slowdown in subscriber growth



We were right here. Subscriber numbers de-grew at the end of 2012 due to new customer information regulations which forced millions of disconnections. Even in 2013 the subscriber base grew only by 5%, as compared to 19% in 2011, and over 40% in 2010.

#02

The network comes back to life



Capex is estimated to shoot up by 40% in 2013 compared to the doldrums of 2012, but capex/sales are still low at 12%. This is way below the 20% to be expected for a country where network roll out is still underway. We were correct, though the network needs much more investment.

#03

Focus on return on capital



We got this right. Despite capex constraints as well as debt reduction, the industry is still relentlessly pursuing growth. Return on invested capital increased from around 3% last year to a forecast of 5% in 2013. EBITDA margins are at 29.5%, thereby approaching the emerging Asia average of 35%.

#04

Excite the customer



We should have been right, but the industry is moving slowly, partly due to lack of investment, but also due to the challenges of executing difficult strategies to combine innovation, technology and business transformation. This is going to be a multi-year journey.

#05

Litigation, litigation



Right, unfortunately. From 3G roaming to arbitrary penalties and fines, sometimes in 10 year old cases, all fuelled uncertainty for operators. For 2014, we see positive steps to streamline the regulatory and legal landscape.

The year 2014 will see a restoration of vitality within the sector, especially in the second half of the year.



Telecom in 2014

Our forecast

#01

Data hungry Indians! Data consumption should grow across 2G, 3G, fixed broadband and 4G. Wi-Fi rollouts by major operators may facilitate growth. Challenges remain with introducing localised content en masse, but with smart phone penetration on the rise and network quality set to improve, many of the requirements for data growth are being met.

#02

Year of the SMAC. Social Media, Mobility, Analytics and Cloud: Operators will attempt to integrate services more closely with social media platforms, and start introducing advanced analytics through big data in order to get a 360-degree understanding of customer behaviour. Enterprise players can increase their focus on collaborating for solutions in areas such as healthcare, logistics and financial services, though we see this as a two to three year play. The year 2014 will see the beginnings of a long journey in the avenue of SMAC.

#03

Put the money where the network is. With new revenue growth to come from rural voice and customers demanding better quality, network expansion and upgrade will pick up. Several operators have announced investment plans, some will buy spectrum in the auctions of early 2014, and we may even see LTE trials in the liberalised 1800 MHz band. PwC's recent customer value survey shows that 52% of users regard the network as more important to their mobile experience than the handset (even though only 11% have network as top of mind recall).

#04

Regulatory mist to lift. Some uncertainty will always remain, but Indian regulators are introducing more clarity on spectrum pricing for the upcoming auctions, and attempting the same on spectrum trading, usage charges, re-farming and M&A. Whilst we may not expect any more new entrants, additional clarity may bring new investments as well as action into the sector. However, we must hope that regulation won't stifle new growth, for example in M2M.

#05

Game of circles. With licenses coming up for extension and more liberal M&A guidelines expected soon, in 2014 we see the prospect of some operators buying stakes in other players across numerous circles. This industry has an appetite for three to five national players, and a small number of regional players and we may see initial action in this space following the general elections.

*If you would like to discuss our findings further,
please contact our telecom leaders:*



Mohammad Chowdhury

India Telecom Industry Leader

+91 22 6669 1560

mohammad.chowdhury@in.pwc.com

<https://twitter.com/mtchowdhury>

<http://forbesindia.com/blog/author/mohammad-chowdhury/>



Sandeep Chaufla

India Telecom Tax Leader

+91 124 330 6506

sandeep.chaufla@in.pwc.com



Avijit Mukerji

India Telecom Assurance Leader

+91 124 4620 515

avijit.mukerji@in.pwc.com

pwc.in

Data Classification: DC0

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NJ 138 - Dec 2013 TelecomTrends.indd
Designed by Brand and Communication, India