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The Turn-around of Uninor

Paul N. Gooderham
Svein Ulset

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by

Paul N. Gooderham
Svein Ulset

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1. Introduction

On October 29, 2008, Telenor of Norway announced its plans to enter the Indian mobile market. For several years the company had been examining the potential of the Indian market, the biggest and most challenging of them all. A window of opportunity opened as the telecom ministry in 2008 decided to increase the number of licensed operators from seven to fifteen. Defying industry analysts who pointed to the ultra-competitiveness of the Indian telecom market, Telenor entered by paying $1.1bn (INR 61.35 billion) for a 60% stake in one of the new licensees, Unitech Wireless. Together they launched the Uninor brand.

Although a significant investment for Telenor, one year before the UK based multinational Vodafone had paid $11bn, nearly 10 times as much, for a 67 per cent stake in Hutchison Essar, India's third largest mobile operator. In late 2007 Arun Sarin, the CEO of Vodafone, who was born and raised in the country, told the *Financial Times* (2010) in an interview. "We are going to learn as much from India as we are going to take to India. Prices there are two-and-a-half US cents a minute, and they make a 35 per cent margin. How do you do that?" However, two and half years later, Indian tariffs had collapsed, due to fierce price competition, to less than one US cent per minute. In May 2010 Vittorio Colao, Mr Sarin's successor, wrote down the value of Vodafone's business in India by more than 25 per cent, or $3.3bn. Vodafone's difficulties were unique. The revenues of the 15 operators in India's telecoms sector were all under pressure.

Following its launch in December 2009 in eight of India's 22 telecom circles, Uninor made a strong start. The company racked up 1.3 million subscribers in its first month of operation, and continued to capture a higher share of new subscribers than the other newcomers as it continued launching services in five more circles. Despite this, revenue did not grow in line with business projections. In a highly congested market, price war caused rapidly shrinking margins. Panic broke out at Telenor. Something radical had to be done and quickly. Here is the story of how Telenor managed to turn around Uninor and put it back on the right track again.[1]

[1] The case draws on documents from Telenor and Uninor. Additionally we interviewed key managers on site in Uninor including its COO Yogesh Malik and its CEO (MD) Sigve Brekke in January 2012. In November 2012 we interviewed the former managing director (MD) of Uninor at Telenor corporate headquarters.

2. Background

The Telenor Group

Although a newcomer in India, Telenor is far from a newcomer in Asia. The company entered the neighboring countries Bangladesh (Grameenphone) and Pakistan (Telenor Pakistan) in 1999 and 2005 where it currently hold a number 1 and 2 position, respectively. In addition, Telenor has operations in Thailand (DTAC) and Malaysia (DiGi) where they are number 2 and 3, respectively. All in all, Telenor has more than 10 years of experience from operations in Asian markets.

The company has also subsidiary operations in a number of European markets and through its 31.7% ownership in VimpelCom indirect connections with an additional 20 countries. With 120 million subscribers in 11 markets and with 2010 revenue of NOK 95 billion, Telenor is among the world's 10 largest mobile operators, about one third of the size of Vodafone, the world's largest multinational mobile operator (after China Mobile).

In 2009 Telenor was used to being an early entrant into its markets and therefore an incumbent. It was used to limited competition and used to being able to position its offerings to the more affluent members of the countries in which it operated. Its joint venture with Unitech in India, Uninor, was to represent a decisive break with this past.

Unitech Wireless, a subsidiary of Unitech Group, was one of the would-be telecom companies that had received 2G licenses in 2008 for all 22 Indian telecom circles. Licenses were awarded through a first come-first served process, where eight companies belonging to the Unitech Group were awarded telecom licenses.[2]

In early 2009, the Unitech Group and Telenor agreed to enter a joint venture whereby Telenor Group injected fresh equity investments of $1.1bn (INR 61.35 billion) into Unitech Wireless to take a majority stake in the company. This was fresh operating capital invested directly in Unitech Wireless by Telenor. Telenor conducted these investments in four

[2] The method chosen by the authorities to allocate these licenses was later subject to intense controversy as part of the so-called "2G scam". In early 2012 the Indian Supreme Court, concluded an investigation of the license distribution that "leaves no room for doubt that everything was stage-managed". Based on the information made available to it, Telenor's due diligence of Unitech Wirless had been unable to uncover any of this. In early February 2012 the Indian Supreme Court withdrew all licenses that had been awarded in 2008 and Telenor had to bid for new licenses which were finally awarded in mid-November 2012. Although this period of intense uncertainty lies outside the remit of this case the events of 2012 are indicative of the complexity and sheer unpredictability of the Indian context that Telenor has had to learn to grapple with.

tranches, and subsequent to approvals from the Indian Foreign Investment Promotion Board (FIPB) and the Cabinet Committee of Economic Affairs (CCEA) took 67.25% ownership of Unitech Wireless. In September 2009, the company announced its brand name as Uninor. The name *Uninor* was composed of the names of the two owners of the joint venture. The logotype, font and the visual expression follows that of the Telenor Group and other Telenor companies. While Telenor business units operate under the Telenor brand in most markets, local aspects and requirements are always considered when deciding upon a brand name.

Uninor launched its first eight circles on 3 December, 2009, after completing one of the world's largest GSM Greenfield launches which was also one of the fastest telecom roll-outs ever in India. Six months later, five additional circles were launched including metros like Mumbai and Kolkata, making the brand commercially operational in 13 telecom circles of India. These circles together account for over 75% of India's population.

The India Challenge

Over the last 5-6 years, India has been celebrated as the world's fastest growing mobile market, expanding from 3-4 million subscribers in 2001 to almost 900 million "SIM" subscribers by end of 2011. It is important to bear in mind that many subscribers have two or more SIM cards which they use according to which one is providing the best deal for any particular call.

By the end of 2009, as Uninor started launching its services, most higher-income potential subscribers were already captured by incumbent operators. Despite that the incumbents were well established Telenor still considered India to be a very attractive market. As the second largest economy in the word and with 50% of its population of 1.2 billion people under 25 years of age, Telenor believed that India represented an exciting opportunity. This excitement was regarded as fool-hardiness by many industry analysts.

The onslaught of newcomers following the government issue of new licenses in 2008 resulted, however, in fierce price competition. The price war hit incumbents as well as newcomers very hard. Despite subscriber growth rates of 40-50%, revenue growth seldom rose over the mid-single-digits level. This caused incumbents to call for consolidation and some newcomers to search for exit and permission to hand back the concessions in return for refund of the license fee. In a note on Vodafone in May 2010, Bernstein Research said: "If you were looking for emerging market exposure to mobile growth, India was probably not a great choice." The country, it added, "is a competitive mess, and its regulation grows more capricious and nonsensical by the day".

For sure, newcomers had stringent requirements placed upon them, designed to ensure a prompt rollout of services and to prevent them reselling spectrum at inflated prices. Furthermore, spectrum ownership in India is capped, preventing the main players from snapping up the smaller ones for their valuable assets. However, the new licensees largely failed to meet the rollout requirements applied to their licenses, and by 2010 most were facing DoT fines for delayed service launches. Therefore, in the longer run, it was argued that consolidation was the only alternative. According to Sanjay Kapoor, CEO of Bharti Airtel's India and South Asia business (reported in Total Telecom (2010:17):

"Most markets have four to five operators and just the top two or three make money. India is a larger market and probably five or six will prevail, but anything over and above that is a crowd, and obviously some M&A activity will come to surface the moment [the] government liberalizes the stance on it for consolidation to happen."

3. The Uninor Case

Initial Entry

At a press conference in Delhi and Oslo October 29, 2008, Telenor announced its plans to enter the Indian market. The entry strategy was worked out by a team of Telenor professionals led by Telenor's CEO Fredrik Baksaas and Telenor's Asia chief Sigve Brekke. The essence of the strategy was to copy the main feature of the already successful operating strategies in Thailand and other Asian markets. Important features of this strategy were:

- hands' on local distribution
- high network quality
- efficient operation
- high level of transparency
- flat and lean organization

- speedy rollout

Over and above these features was the notion that Uninor should aim to serve the mass market rather than high-end users and do so on the basis of pre-payment rather than post-payment.

To lead the local operation Telenor selected one of its most successful Norwegian subsidiary managing directors (MDs) who was esteemed for his highly effective and successful turnaround of one of the European operations. Rapidly installed at Uninor with his management team from his previous operation he was confronted by one hard fact: the notion that Uninor should aim to serve the mass market was no more than that. Although Telenor had invested in producing a business case for entering India it was arguably incompletely specified and therefore open for strategic changes and local adjustments. The size and diversity of the Indian telecom market - consisting of 1.2 billion people, 29 languages, 2000 ethnicities, huge distances, social inequalities, many rival companies, and uncertain regulations - was simply too much for one business case. Nor had Telenor had enough time and resources to develop more complete business cases covering each of the circles it planned to enter. Instead Telenor relied on previous experience and already well-functioning operating models developed by sister subsidiaries in neighboring Asian countries, and on the operating strength of its Norwegian MD and his European team.

On the ground in India the Uninor MD quickly decided to depart from the idea that Uninor should target the mass-market. Instead he selected to implement a premium services strategy. There were seemingly three very sound reasons to do this:

First, the high ARPU (average revenue per user) that Telenor required from its Uninor MD, could most readily be achieved in the premium services, higher-income segment of the market.

Second, although most of the premium service market was already taken by rival operators, high level of churn still offered an opportunity to capture a substantial part of the market.

Third, it was precisely the premium services strategy that was being recommended by the highly influential consultancy company McKinsey which had been hired to assist in the implementation phase.

Delegating to the local MD the responsibility for getting the strategy of the operation into place was part of the DNA of Telenor. Indeed adjusting – however radically - the strategy to how local conditions were perceived on the ground was precisely what the Uninor MD was supposed to do. That is not to say that he did not have a local board to answer to but that board was supportive. Furthermore, as Telenor CEO Fredrik Baksaas' first choice to head up the Indian operation, the Uninor MD had the full support of the top management of Telenor in making a decision that was supported by the members of the highly competent and well-functioning management team he had brought to India with him.

With Ericsson as its equipment supplier and Indian Wipro as its IT partner Uninor manned its operation and achieved a record fast rollout. Thus within ten months of arriving in one of the world's most competitive mobile telephony markets Uninor's first MD and his team were up and running. The question was would its premium services strategy prove to be the right strategy. Like any strategy the definitive answer to that could ultimately only be determined post-implementation. If it was not the right strategy that would raise other fundamental questions about Telenor: how quickly is it capable of early-recognition of strategic failure and to what extent does it have the capabilities to engineer a swift turn-around?

Premium strategy

Uninor launched its first eight circles on 3 December, 2009, after completing one of the world's largest GSM greenfield launches which was also one of the fastest telecom rollouts ever in India. Six months later, five additional circles had been launched including metros like Mumbai and Kolkata, making the brand commercially operational in 13 telecom circles of India. Together these circles account for over 75% of India's population. A set of financial targets were announced for the new venture such as reaching an 8% pan-India market share by 2018, breaking even on EBIDTA within three years of launch and obtaining positive operating cash flow within five years of launch. The operational peak funding requirement was set at INR 155 billion.

With its first MD at the helm, Uninor pursued a "premium position" strategy just as Telenor had done in most of its other foreign markets: i.e. a high level of customer service; choice of plans; comprehensive presence; and high-end VAS services (but not streaming).

The brand was built around an ambition to serve the young, aspiring India, using emotional messages to stimulate growing consumption of premium services. In terms of Figure 1 Uninor had positioned in the top left quadrant alongside the long established Indian national champion, Bharti Airtel.

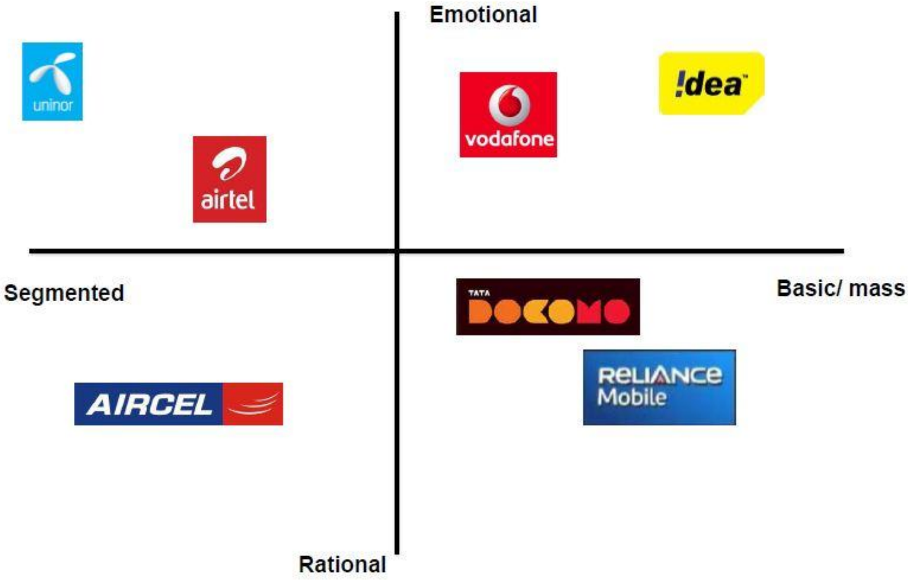


Figure 1: Uninor's initial strategy.

However, Uninor's late entry as greenfield operator combined with severe entry barriers, created serious problems for making this strategy work. By the end of June 2010, 7 of the 15 operators accounted for 96% of the India's 636 million mobile subscribers, "leaving the newcomers to battle it out for the scraps" according to Total Telecom (2010) a daily newsletter. With a subscriber base of zero and unoptimized network coverage across 13 circles, Uninor was literally dwarfed by giant incumbents like Bharti and Vodafone with a subscriber base of 75-100 million and unmatched network coverage across all of India's 22 telecom circles. Distribution channels were losing confidence, retailers wanted additional commission to accommodate Uninor services, and rising pressures from leading media houses did not make things better. With a premium service offering and a market positioning strategy that did not differ significantly from the market leading incumbents, the Uninor campaign gradually lost momentum.

Turnaround

Declining growth under cut-throat price competition with established rivals created acute need for radical change. The Uninor MD, however, considered declining growth to be more of a normal downtime event following massive service launching, and decided to stay the course. After all, Uninor had just launched having completed the fastest and most successful rollout ever in the Indian mobile market. Telenor Asia chief Sigve Brekke was of another opinion. As the more Asia-experienced of the two, Brekke read the signals from leading media, distributors, retailers, subscribers and competitors differently. Revenue did not improve. After recurrent but unsuccessful attempts at changing the strategy, Telenor CEO Baksaas decided to intervene. After 18 grueling months in India Uninor's first MD and his entire team were moved back to Norway to be replaced by a new cost-focused management team headed by Telenor's long-serving Asia chief, Sigve Brekke.

Telenor central management also decided to fully support the new management team's radical turnaround initiative. In strategic marketing terms, this implied converting the company's approach from segmented marketing of premium services with a primarily emotional appeal ("solving your communication needs") to mass marketing of basic local services with a purely rational appeal ("providing you with the best basic local services to lowest price"). In terms of Figure 1 Uninor moved from the top left quadrant to the bottom right.

In the fall of 2010 the tagline 'baat mein dum hai' was introduced to reflect this radical shift in strategy to a basic services and a mass market approach. The tagline emphasizes Uninor's 'value for money' position, and is further emphasized by simple, clear and light-hearted advertisements where functional product benefits are evident to the audience. In more general terms, Uninor's low-cost strategy implied targeting the special need of most Indian customers for low-priced reliable basic local services and then tailoring the company's value activities accordingly.

Low-cost strategy

Top management at Uninor started communicating to employees their low-cost strategy by introducing three clear-cut strategic objectives. Uninor was to be:

- best on basic local services (voice and sms)
- best on mass market distribution
- best on operating costs.

At every company gathering these objectives were repeated until they had been memorized by employees. They were a means not only of telling employees what Uninor was trying to achieve, but also what it was not aiming to do.

Uninor also developed a “winning every day” mantra. This was far from being empty words. At corporate headquarters in Gurgaon all sales figures are monitored on a daily basis in what is known as the Uninor “war room”. These sales figures can be broken down at any level and they are used to set daily targets for distributors of its SIM cards. Thus a feature of Uninor is one of extreme transparency. Another feature of Uninor’s systems is that it can swiftly identify high value customers (the 25% who account for 75% of its revenues) who are decreasing their use of Uninor’s services. A locally translated text message is automatically triggered to provide an enticement to return to Uninor.

In cost saving terms, the three objectives meant: getting rid of all unnecessary costs in network operation, IT services and distribution; and exploiting remaining capacity through radical outsourcing and cost sharing with other market players.

For example, to enhance utilization of networks and IT systems, Uninor decided to concentrate base stations to high traffic areas and outsource operation of network to Ericsson and IT systems to Wipro (applying their innovative “Transformational Partnership” model, see below).

Network operation

To lower its network operation costs, Uninor pursued the same type of radical outsourcing of network infrastructure as pioneered by Bharti, thereby achieving rapid capacity scaling at lowest possible costs. With a more recently rolled out infrastructure in place, Uninor operates one of the most modern GSM networks in the country. Uninor's modern equipment has enabled it to introduce targeted offerings and serve a large audience with limited spectrum, further enhanced by its IT-partner Wipro (see below). By moving base stations out of low traffic into high traffic areas (cluster optimization) and applying the network utilization method developed by Dr. S. Hariharan (VP Networks of UP West), Uninor managed to squeeze significant more capacity out of their mobile network than any of their competitors. In addition, by working closer with their equipment supplier Ericsson on network optimization and utilization methods, Uninor expects to enhance capacity and reduce operating costs even further.

IT-services

Like its rival Bharti, Uninor chose to outsource IT-services which allowed it to target its service offerings and optimize its spectrum usage better. But, unlike Bharti, Uninor decided to invite their favorite IT-provider Wipro to work much closer with them than anyone had practiced before. Initially, Wipro was highly skeptical of such a closely integrated, ambitious initiative. Gradually, however, Uninor managed to convince Wipro to accept the gain sharing conditions of the partnership model. The model worked successfully. By developing smarter IT solutions in close collaboration with Uninor IT staff and under joint project management, Wipro IT engineers managed to reduce the number of IT service personnel dramatically. Besides, by focusing insistently on simplification, Wipro helped Uninor avoid making other operators' most common mistake of letting their IT architectures develop into increasingly more complex and costly-to-operate structures. The outsourcing deal implied that ownership of all IT equipment was transferred to Wipro. The gain sharing agreement implied sharing the resultant cost saving of which Uninor received 75% and Wipro 25%, thereby taking the concept of outsourcing to "the next level". As such, Uninor's "transformational partnership" model for the Indian market represented a radical break not only with standard Telenor practice, but also with telecom conventions more generally.

Mass distribution

To avoid head-to-head competition with incumbent operators, Uninor decided to abandon distributors who offered competing products and services and developed a network of Uninor exclusive distributors instead along with an extensive network of "C" and "D" level retailers. These retailers or points of sale (POS) were "Mom & Pop shops" selling a wide variety of products and services. Besides Uninor products these shops also sold competing offerings from other mobile operators. Numerous retailers were supplied with Uninor products and services (SIM cards, subscriptions, recharges, special offers, etc.) by a comprehensive network of field sales agents supervised by the above mentioned Uninor exclusive distributors, using technology-enhanced equipment and techniques – some for the first time in India.

It works in the following way: Independent distributors that operate under exclusive agreement with Uninor buy SIM cards from Uninor and resell these to numerous small POS for a commission using a comprehensive network of sales agents (Retail Sales Executives (RSEs). Each RSE deals with 50-60 POS which sell SIM cards to phone users for a commission. Additionally there are Key Account Managers (KAMs) who operate in a similar way to RSEs except that they deal with a much smaller number of larger retailers. Unlike its competitors Uninor has designed its system in such a way that POS cannot sell SIM cards to other POS thus maintaining “distribution hygiene”.

The commissions at each stage of the distribution chain can only be used as a kind of Uninor currency that enables sellers to buy more SIM cards, subscription and recharge products. When these products are sold to the next stage in the distribution chain, commissions are turned into cash. Unlike its competitors Uninor’s POS are not dependent on receiving payment from the distributors. Commission on sales is immediate, transparent and predictable. That is not always the case in regard to its competitors. Uninor views this as constituting a competitive advantage.

A particular feature of the Uninor human resource model is that the RSEs and KAMs are directly employed by employment agencies such as Manpower and Adecco who offer medical insurance and a certificate of employment. In other mobile operators their equivalents are employees of the distributor who may be tempted to under-pay and to recruit sub-standard employees. REMs and KAMs are trained and hired by Uninor (thereby operating as a kind of house consultants). Another exclusive feature of the Uninor model is that RSEs can have a career leading to direct employment by Uninor. High performing RSEs may be promoted, first to the position of KAM, then to Territory Sales Executive (TSE) who are directly employed by Uninor, and finally to the positions of higher level sales or business managers.

By end of 2011, Uninor was represented through a mass market of over 400,000 points of sale, 7000 sales agents (RSEs and KAMs) and 1,700 distributors across 13 circles, serving 36 million subscribers.

Uninor’s distribution chain is a unique asset in the Indian market and represents as such a potential source of competitive advantage over other newcomers. It may even represent an advantage over incumbents such as Bharti Airtel and Vodafone in the competition for the poorest customers at “the bottom of the pyramid”. All other operators, incumbents as well as new entrants, rely on independent distributors with their own field sales force without the kind of seamlessness characterizing Uninor’s distribution chains. These more distant operators, separated from their field sales force and without the ability to monitor and influence the efforts of sales agents the way Uninor does, must rely on market pull instead to drive sales. This may work fairly well for large incumbents with high coverage and esteemed brands, but not for new entrants lacking similar coverage and brands. To compensate for their disadvantages, new entrants therefore need to implement a correspondingly effective push model capable of convincing customers about the relative benefits of the Uninor offer. So far, Uninor is the only operator in the Indian market that has developed such a highly effective push model.

Subscribers

Through capacity based pricing (e.g., peak hour charging, dynamic pricing, price optimization, and LUT zoning) customers are incentivized to utilize the network in a more optimal, and mutually beneficial, way. For example, dynamic pricing offers the customers super-low call charges in return for placing their calls at times and places where there are excess capacities in the network. By responding to such price incentives, customers may contribute both to reducing the investment in excess capacity to handling peak traffic and to increasing the utilization of such capacity, thereby lowering the average cost per voice minute (cpm) significantly. Like Ikea, that offers their customers lower price on furniture in return for doing part of the assembly themselves, Uninor offers their customers lower price on phone calls in return for utilizing their scarce network capacities better. As the first mobile operator in India, Uninor introduced Dynamic Pricing, a concept that gives consumers discounts that are based on current network traffic at an individual site and change with location and time. About 40% of Uninor’s customers are on a Dynamic Pricing plan.

Uninor organization and management

Consistent with its cost leadership strategy, Uninor cancelled all costly development activities for half a year and focused on building a “super lean” business model. This implied executing a painful cost cutting program whereby 600 of its total 2.600 employees were forced to leave. This caused anxiety among remaining staff. Those who remained had to come to terms with that the premium telco they had joined was now to be a low-cost provider. In many of their minds low cost was tantamount to low competence. Many of these were young professionals motivated not just by salary or status but also by Uninor's Scandinavian "flat structure". Uninor now had to convince employees that low cost operations would yield high growth which would enhance their value. Uninor MD Sigve Brekke played the leading role in communicating the importance of tailoring all possible value activities to deliver ultra-low-cost basic services. To execute this he used every major occasion to (1) remind the company’s employees of the company’s threefold strategic objectives concerning basic services, distribution and costs, (2) emphasize the kind of trade-offs that need to be made and the activities that need to be prioritized to execute the low-cost strategy (3) tighten the fit among activities along the value chain, from upstream network optimization to downstream service marketing via its RSE/KAM based distribution system. By the end of 2011 a new confidence among employees was being developed. However, the annual attrition rate was still about 20 percent.

4. Preliminary Effects

Gradually, Uninor started to improve, capturing an increasing share of net additional SIM customers and growing their revenue and market share without much extra costs. At the end of 2011 Uninor is a half billion $ company. With impressive 34% in net additions in October 2011, Uninor is currently performing far above its main incumbent rivals Bharti and Vodafone with only 12-13% in net additions. Hence, its ambitious goals of (a) capturing 8% of the Indian market by 2018 and (b) turning EBITDA positive by end of 2013 at an expected traffic volume equal to one third of the current break-even volume of their leading local competitors, seems increasingly attainable. Although Uninor had above or close to 6% market share in four of its 13 circles for June, and close to 8% in some of these for November (not shown), there are significant improvement potentials in others, mainly in the south.

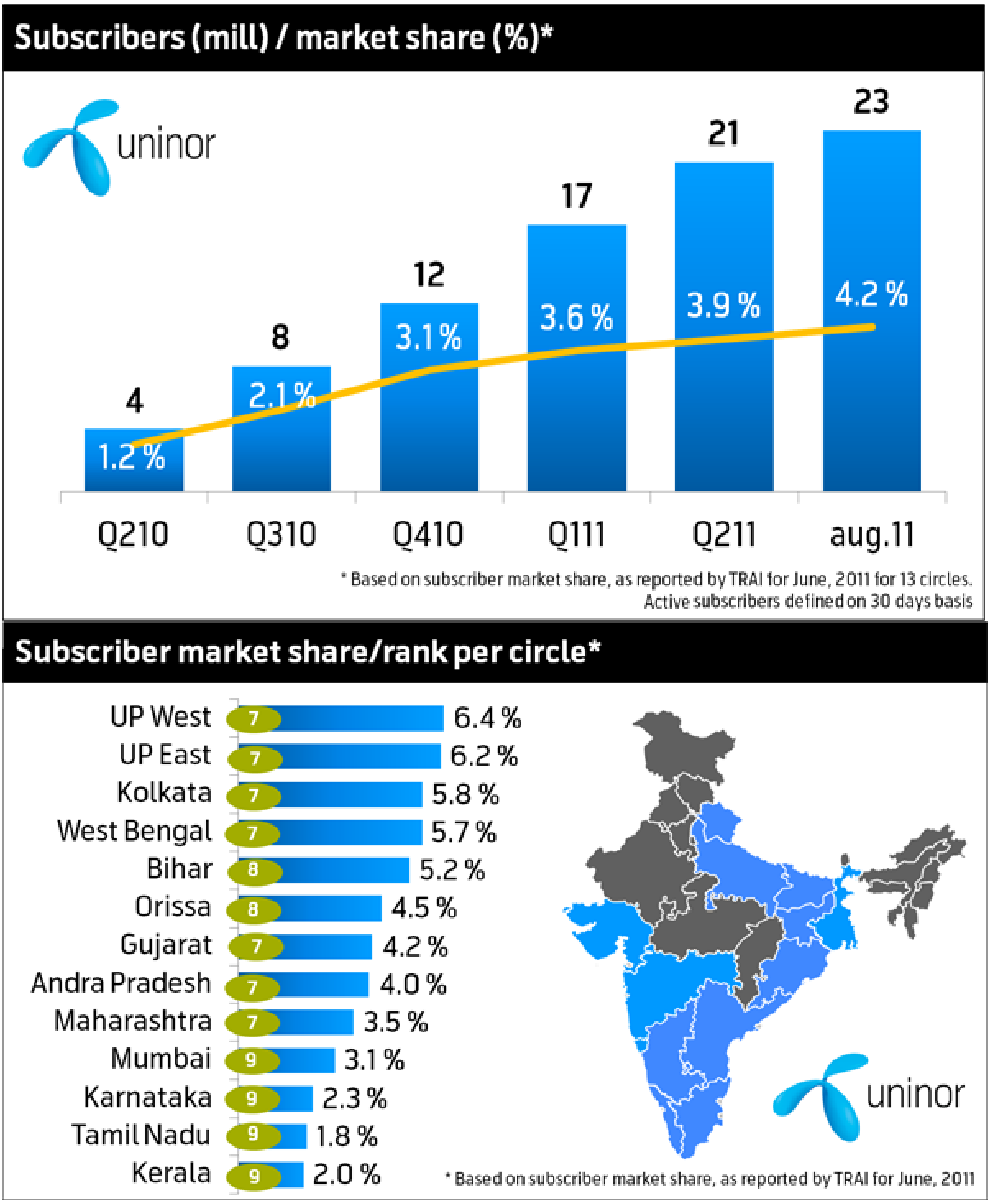
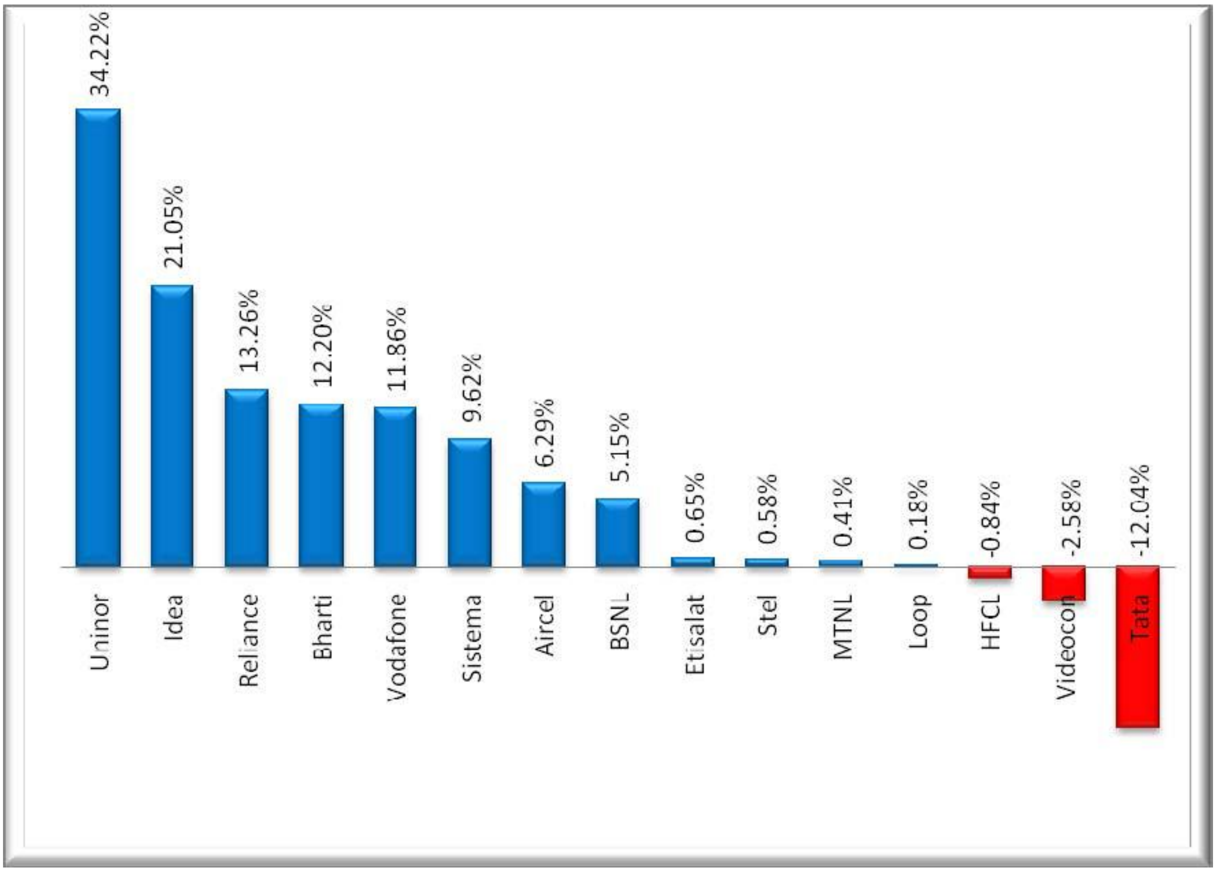


Figure 2. Uninor subscribers

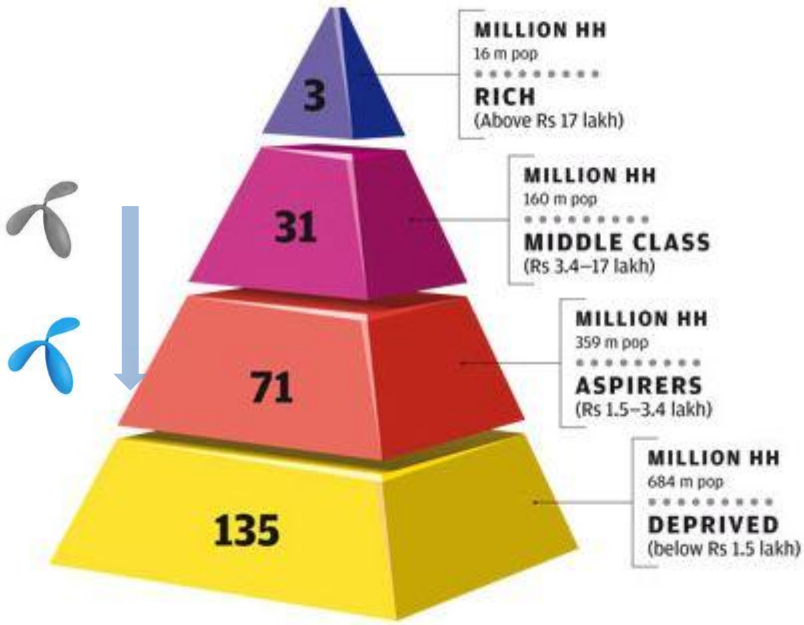


Source: Information Note to the Press (Press Release No. 57/2011). TELECOM REGULATORY AUTHORITY OF INDIA. New Delhi, 8th December, 2011

Figure 3. Service providers' share in net additions during the month of October 2011

5. Learning Implications

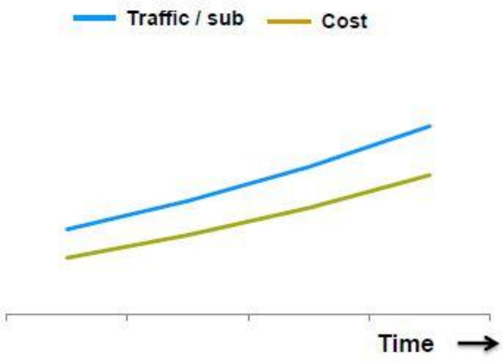
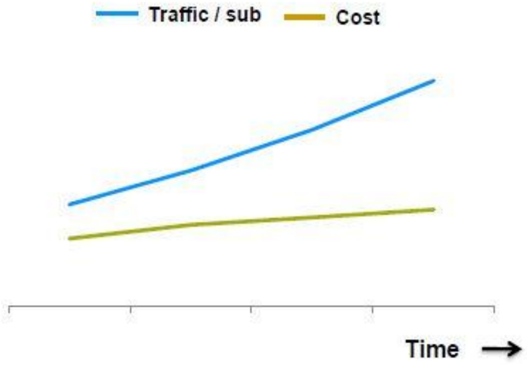
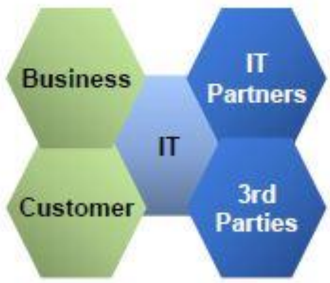
The income pyramid of India shows that majority of the Indian population is at the bottom of the pyramid.



Source: NCAER-CMCR 2010 annual income data.

Figure 4. The income pyramid of India

Thus as Uninor shifted its strategy it had to develop extremely low cost products to engage these customers. A prerequisite for this was to reinvent its cost structures. Prahalad and Hart (2002) argue that this cannot be achieved by fine tuning standard approaches. Rather, the entire business process must be rethought with a focus on functionality. Looking at the turnaround of Uninor, we can find most elements of such reinvention of cost structures.

Traditional Model	**Uninor Model**
 Traditional supply structure	 Revenue based supply structure
Outsource or managed service model where an average Telenor business unit had been leveraging on partner eco-system.	Transformational partnership model with efficiency gain sharing (innovative operating models and process focus).
Supply chain partner model: 	Collaboration oriented partner model: 

Source: Presentation by Yogesh Malik at NHH (16-09-2011)

Figure 5. A Comparison of the Uninor business model with the traditional business model

However, it is not set to get easier for Uninor. India is sharply divided between the rural poor and the urban rich. This is reflected in the price paid for mobile-telecoms spectrum. “In the 2010 auctions for 3G telecoms licenses, operators bid ten times more for a slice of the airwaves in affluent Dehli, with 18m people, than in east Uttar Pradesh, with 120m people” (*Economist*, 2011). In 2001 there were 600m active subscribers in India. However, as many of these were the rural poor usage levels were generally low. In September 2011 Sunil Mittal, the boss of Bharti Airtel, declared that the extra cost of servicing rural low-usage customers was making things unprofitable.

Prahalad and Hart (2002, 1) may argue that “The real resource of market promise is not the wealthy few in the developing world, or even the emerging middle-income consumers: it is the billions of *aspiring poor* who are joining the market economy for the first time.” However, operating at the bottom of the pyramid means efficiencies of a kind not associated with developed markets. This raises the question of whether the rest of the Telenor group, particularly its operations in the Nordic countries has much to learn from Uninor.

Uninor

In huge emerging markets like the Indian mobile market, there are probably two workable operator strategies, one premium “top-of-the-pyramid” strategy, and one low-cost “bottom-of-the-pyramid” strategy. Under the premium strategy, a large number of potential high-income customers, but a relatively small portion of the total population, are offered premium services at relatively high prices. Under the low-cost strategy, a much larger number of potential low-income customers, and a much larger share of total population, are offered basic services at very low prices. As the Uninor case illustrates, turning a low-cost “bottom-of-the-pyramid” strategy profitable, requires an operator that is not only capable of running its own specialized value chain at highest level of efficiency, but also capable of running connecting value-chains jointly with external partners (upstream service providers and downstream distributors and retailers) at similar level of efficiency. This is a demanding task and requires a kind of close quasi-integrated collaboration similar to the one obtained by Uninor’s transformational partnership model. To achieve this, the strategic priorities, resources and capabilities of a low-cost operator need to be highly specialized and focused on its extended low-cost value-chain, effectively sheltered from the competing priorities, resources and capabilities of a premium services operator. Combining the two strategies in the same company requires developing an ambidextrous company capable of pursuing both strategies. This is hardly possible without creating two separately organized units, but how separately depends on the remaining potential for activity sharing and skill transfer.

Telenor Group

Uninor’s COO Yogesh Malik argues that Uninor's experience with low-cost strategy can be of relevance to the rest of the Telenor group. He draws a parallel with Pepsi that regards the Indian market as an arena for learning how to become a low-cost operator. Besides, by making the “bit pipe” more effective the way Uninor did, Telenor would be much better prepared to fight the “Data Battle” in the future. However, Malik concedes there will be resistance to adopting such insights around the Telenor group. Obviously, Uninor’s ultra-low-cost “bottom-of-the-pyramid” business model is more applicable in low-income Asian and African countries than in high-income European markets. Some best practices and operating principles though might still be relevant for high-income European markets and transferable to premium services providers in these markets. Among these we may include techniques and principles associated with network optimization, transformational partnership and seamless distribution.

Appendix

Key milestones prior to turnaround:

- *29 October 2008: Telenor announces its plans to enter the Indian mobile market at a press conference in Delhi and Oslo*
- *19 February 2009: First management team of Unitech Wireless is nominated, with Stein-Erik Vellan as managing director*
- *15 June 2009: Unitech Wireless office moves to its new premises in Gurgaon*
- *4 September 2009: Mumbai hub office opened*
- *7 September 2009: First roaming agreement signed, with Digi in Malaysia*
- *19 September 2009: Unitech Wireless is renamed Uninor and is branded as part of the Telenor Group*
- *30 September 2009: Uninor is 1000 people strong. Ravi R Rao joins as 1000th employee in Karnataka Circle*
- *15 October 2009: Bihar team achieved 121 BTS site integrations on a single day*
- *22 October, 2009: Tamil Nadu network team completed 2000 BTS installations in exactly 100 days*
- *3 December 2009: Uninor launches commercial mobile services in 7 circles, reaching up to 600 million people*
- *22 December 2009: Uninor launches its commercial services in the Orissa circle.*
- *8 January 2010: Unitech Wireless received the third tranche of equity investment from the Telenor Group*
- *2 February 2010: Uninor receives fourth and final round of equity investment from the Telenor Group. The Telenor Group takes ownership to 67.25%, as per the shareholders' agreement.*
- *7 April 2010: Uninor gets the Most Promising New Operator in the Telecom Operator Award 2010 organized by tele.net*
- *30 April 2010: Uninor launches Dynamic Pricing in the three circles of Tamil Nadu, Karnataka and Andhra Pradesh*
- *4 May 2010: Uninor launches Unlimited Plan*
- *16 May 2010: Network infrastructure hits 20,000 integrated base transceiver stations (BTS)*
- *2 June 2010: Uninor launches commercial mobile services across 5 circles - Maharashtra & Goa, Mumbai, Gujarat, West Bengal & Kolkata.*
- *30 July 2010: Sigve Brekke, Head of Telenor Asia, is nominated as Managing Director for Uninor.*

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On October 29, 2008, Telenor of Norway announced its plans to enter the Indian mobile telecom market. Despite a strong start, revenue did not grow in line with business projections. In a highly congested market, price war caused rapidly shrinking margins. Something radical had to be done and quickly. A new cost-focused management team, headed by Telenor's Asia chief Sigve Brekke, was appointed. In record time, they managed to turn Uninor into a dedicated ultra-low-cost basic services provider for the mass market, based on optimized network capacity in 13 of India's 22 telecom circles. This was made possible by the utilization of an innovative "Transformational Partnership" model that combines radical outsourcing of information technology (IT) services with deeply integrated relational contracting for such services. As such Uninor's new operating model for the Indian market represented a radical break not only with standard Telenor practice, but also with telecom conventions more generally. Gradually, Uninor's results started to improve, with a prospect of turning EBITDA positive by end of 2013 with an expected traffic volume equal to one third of the current break-even volume of the leading incumbent.

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Et selskap i NHH-miljøet

SAMFUNNS- OG
NÆRINGSLIVSFORSKNING AS

*Institute for Research in Economics
and Business Administration*

Breiviksveien 40
N-5045 Bergen
Norway
Phone: (+47) 55 95 95 00
Fax: (+47) 55 95 94 39
E-mail: publikasjon@snf.no
Internet: http://www.snf.no/

Trykk: Allkopi Bergen