Project Vijay
Training module 1.2
Introduction to Project Vijay

22 June 2009

Agenda

Mobility sales and distribution: Basic definitions

Wireless: Basic definitions - I

First time users	**Customer using mobile services for first time**
Net Adds	**Increase in active subscriber base is called 'Net Adds'** **(= No of new connections sold – No of disconnections/ churn)**
New connections	**Total No. of SIMs sold during a duration are considered as New Connections**
Churn	**No. of disconnections leaving the operator are defined as churn subscribers**
Recharge Voucher	**Recharge voucher is a paper voucher which customer buys to recharge his prepaid SIM**

Note: New connections are also referred to as Gross adds

Wireless: Basic definitions - II

CTOP-UP SIM	C Top-Up SIM is a special SIM given to Franchises/Retailers, using which they can recharge a subscriber's SIM without using any paper vouchers
Electronic Recharge	When a subscriber recharges his prepaid SIM from a retailer's C TOP-UP SIM or through a website, it is called electronic recharge or flexi recharge
Commission	Commission is the money channel partner gets from telecom operator for making a sale. E.g. on RCV sale, Franchise gets 4.5% discount of which some part he will pass on to retailer
Trade Scheme	Trade scheme is a promotional scheme for channel partners (Franchise, Retailers) where channel partners could get more incentive over and above usual commission

- Incentive could be gifts/ prizes or extra commission in Rs
- Trade scheme usually runs for a short duration, e.g. in last 10 days of the month

E.g. Vodafone scheme on new SIMs			
Product sold	**Points awarded**	**Points slabs**	**Reward/ gift**
Magic box	25	< 7k	Durables: e.g. Music system, Refrigerator, washing machine, etc.
Handset bundle	20	8k – 23 k	Higher value durables: A/C, Blackberry, laptop, handycam, etc.
Pre-paid	10	25k – 50k	Motorcycle, TV, Foreign trip, etc.

Seven distinct channels exist within BSNL

Franchisee Retailer network accounts for bulk of wireless sales (SIMs, Recharge)

		# across India	Definition/ exclusivity	
1	**Franchisee Retailer Network**	• Franchisees: ~1,200 • Sub-franchisees: ~6,000 –13,500[3] • Retailers: 300,000 -350,000	• Specific area allocated, exclusive • Non-exclusive (via franchisee) • Non-exclusive (via franchisee/sub franchisee)	*Accounts for ~70-95% of wireless sales[4]*
2	**DSA**	• ~21,000 – 25,000	• Non-exclusive • Types: Individual, Post office, Petrol pumps, PCOs	
3	**Customer Service Centre (CSC)**	• ~4,100	• BSNL owned outlet (exclusive) • Focus on customer service (vs sales)	
4	**Company sales force (proposed)**	• Proposed: ~45,000	• Exclusive (composed of BSNL employees) • Teams of sales-force split product-wise • Activities planned: Door to door sales, Franchisee monitoring, org. of melas, etc	
5	**E-PIN franchisee**	• ~30[1]	• Provides soft pins[2] to retail outlets with POS terminals • Non-exclusive/ exclusive	
6	**Business Associate (BA)**	• ~5[1]	• Partner company (sys. integrator) for supply of products not available with BSNL, to meet all customer requirements • Non-exclusive	
7	**Business Development (BD)**	• ~150	• Exclusive (BSNL employees) • Function as key account managers	☐ External ☐ Internal

Note: All figures in this slide are approximate estimates obtained from BSNL 1. Incomplete figure – not available for all circles 2. PIN nos transmitted in electronic form to POS terminals, then printed as recharge coupons and sold to customer 3. Exact no not available 4. Will vary significantly by circle/ SSA
Source: BSNL

4

Franchisee channel: Structure and definitions

FoS (Feet on Street)	Franchise's employees who will visit retailer shops, deliver material and collect CAF[1] forms
Primary Sales	Sales of product from BSNL to franchise is defined as 'Primary Sales'
Secondary Sales	Any sales from franchise unit to retailer is defined as 'Secondary Sales'
Tertiary Sales	Product sales from retailer to end-customer is defined as 'Tertiary Sales'

1. Customer Application Form 2. Multi Brand Outlet

Salient features of BSNL S&D Policy for Franchisees

Reading material: BSNL S&D Policy 2006

|	
Franchise Selection	• Franchise selected through a bidding process among eligible post screening of EoIs • Eligibility criteria include educational qualification, historical turnover, past experience in S&D intensive businesses, available real estate etc. • No. of franchisees is determined by 'Telecom Points'[1] • Minimum of 3 franchisees to be appointed per SSA & minimum of 2 per revenue district
Franchise Terms & Conditions	• Each franchisee is to be allotted to a "primary area" of operation within the SSA • A franchisee is allowed to sell only in his primary area of operation[3] • A particular franchisee can have 30% of total area in a circle & a maximum of 4 franchisee-ships in the circle

Franchise Commission[2]	• Franchisee commission/ discount structure varies circle by circle
	• Franchisee is expected to pass on a minimum of 80% of commission/ discount received from the company to sub-franchisee/ retailers
	• Franchisee is paid commission on every SIM sold through franchise network
	  – Commission paid on SIMs has to lower than price of SIMs for consumer
	  – Max commission of Rs. 200 per SIM is paid; Actual commission applicable depends on retail price of SIM and on the volume of SIMs sold[2]
	  – Commission is usually paid in parts – for e.g. 50% up-front, remaining after CAF submission
	• Franchisee is given a discount on recharge sales value done through Franchise network (typically 4.5%-5.5% commission, depending on whether targets are achieved)[2]

Key Requirements from Franchise	• Performance Bank Guarantee: Type A SSA: Rs 10 L, Type B SSA: Rs 5 L, Type C SSA: Rs 3 L • Expected to appoint sufficient sub-franchisees (min of 10), involving BSNL in selection process • Sub-franchisees not required to be exclusive and is supposed to act as retailer & to enable franchisees to properly serve the retail network

1. Telecom points is defined as total sum of basic telephone and Fixed WLL connections as on 1st Apr of the year of franchisee appointment 2. Refer to BSNL S&D Policy 2006 3. Initially franchisees were allowed to operate in the entire SSA. However, this clause was modified through a circular from the corporate office
Source: BSNL's S&D policy 2006

6

Definitions – reach and extraction

BSNL Reach

Reach defined as the ratio of telecom retail outlets (multi-brand telecom outlets) that sell BSNL products to the total number of telecom retail outlets in a particular geography

Multi-brand telecom outlets selling SIMS (total)

sell BSNL SIMs (4)

Do not sell BSNL SIMs (4)

BSNL reach = 4 / 8 = 50%
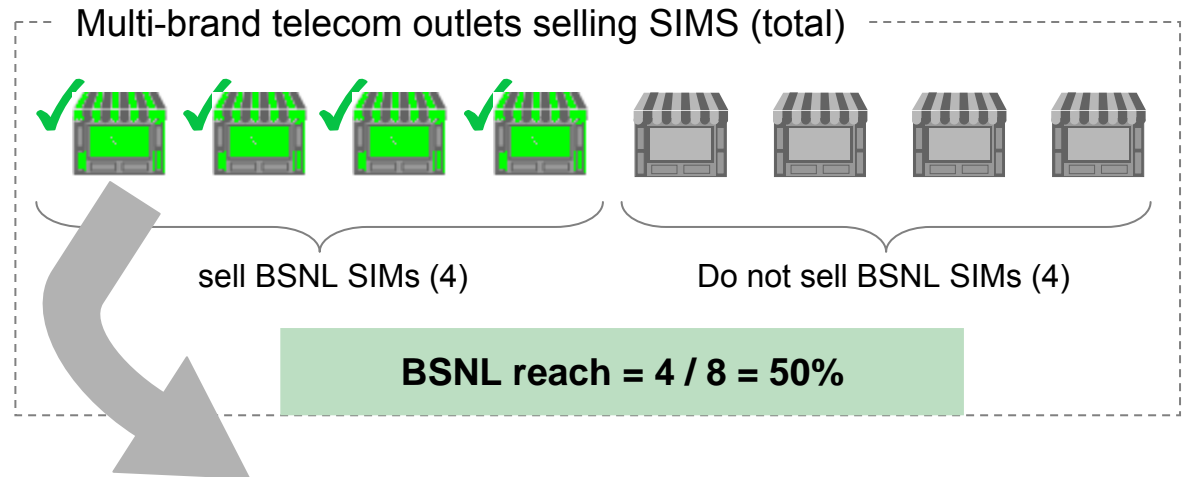
BSNL Extraction

Extraction defined as the share of BSNL sales in the total sales of a particular multi-brand telecom outlet
- By number of SIMs
- By value of recharge

Total SIM sales of a multi-brand telecom outlet

BSNL SIMs sold (2)

non-BSNL SIMs sold (8)

BSNL SIM extraction = 2 / 10 = 20%
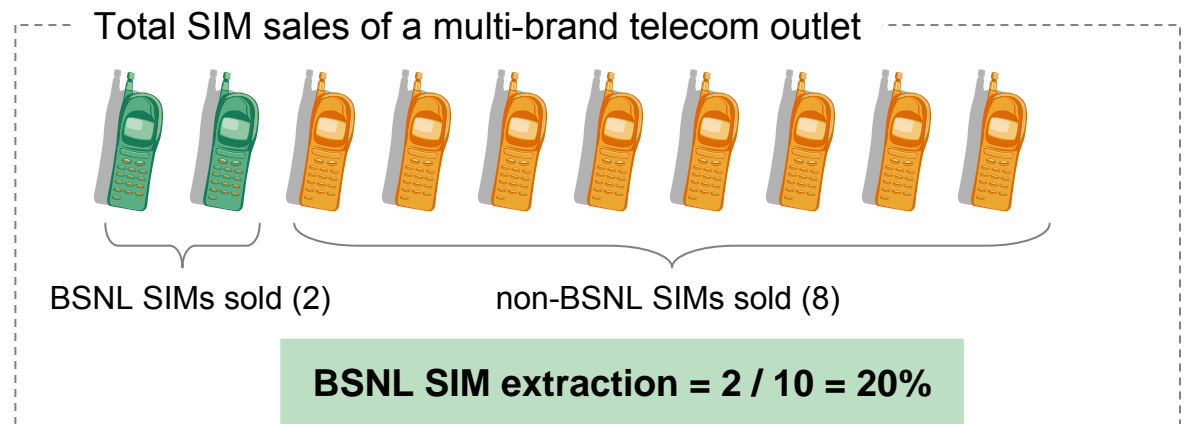
Agenda

Project Vijay: Key imperatives and objectives

India likely to have ~700 mn wireless connections over next 5 yrs

Growth will be front-loaded with ~53% new adds in next two years

India wireless connections growth (past and projected)

Subscribers (Mn)

Legend:
- Urban (dark green)
- Rural (light green)
- Overall (light blue)

~53% of total net adds during 2008-13

+96% +59% +20% +8%

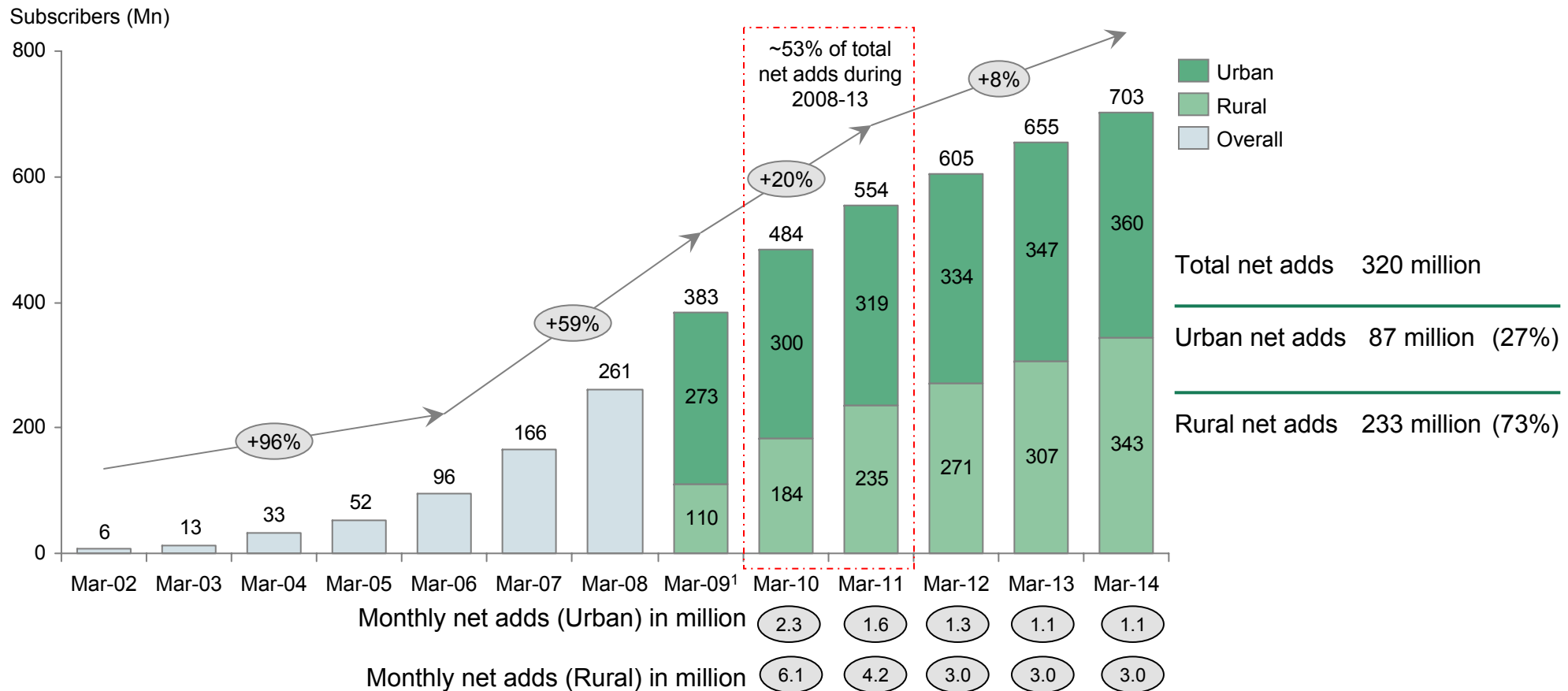| Year	Value
Mar-02	6
Mar-03	13
Mar-04	33
Mar-05	52
Mar-06	96
Mar-07	166
Mar-08	261
Mar-09[1]	383 (Urban 273, Rural 110)
Mar-10	484 (Urban 300, Rural 184)
Mar-11	554 (Urban 319, Rural 235)
Mar-12	605 (Urban 334, Rural 271)
Mar-13	655 (Urban 347, Rural 307)
Mar-14	703 (Urban 360, Rural 343)

Total net adds   320 million

Urban net adds   87 million   (27%)

Rural net adds   233 million (73%)

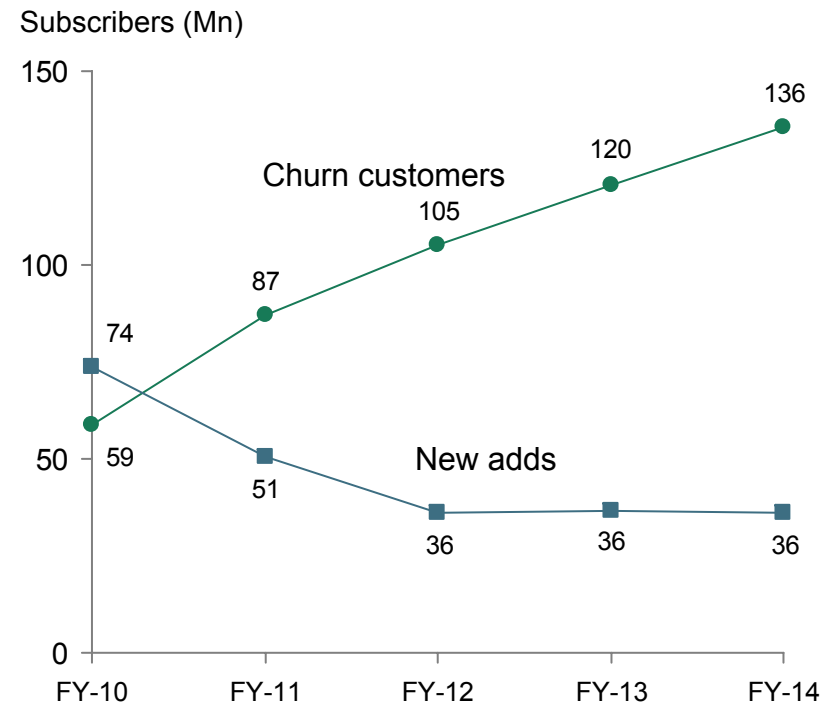|	Mar-10	Mar-11	Mar-12	Mar-13	Mar-14
Monthly net adds (Urban) in million	2.3	1.6	1.3	1.1	1.1
Monthly net adds (Rural) in million	6.1	4.2	3.0	3.0	3.0

1. BSNL & MTNL WLL not projected & excluded hereafter. Rural & Urban break-up estimated based on Jun-08 break-up
Note: Based on circle wise estimation; BSNL WLL data excluded for projections; Connections are referred as subscribers hereafter in this presentation
Source: COAI, AUSPI, TRAI, Census data, literature survey, BCG analysis

9

High churn expected to result in large number of subscribers switching operators across urban and rural markets

# of subscribers switching operators vs. new adds - Urban

Subscribers (Mn)

Churn customers: FY-10: 106, FY-11: 117, FY-12: 124, FY-13: 129, FY-14: 134

New adds: FY-10: 28, FY-11: 19, FY-12: 15, FY-13: 13, FY-14: 12

# of subscribers switching operators vs. new adds - Rural

Subscribers (Mn)

Churn customers: FY-10: 59, FY-11: 87, FY-12: 105, FY-13: 120, FY-14: 136

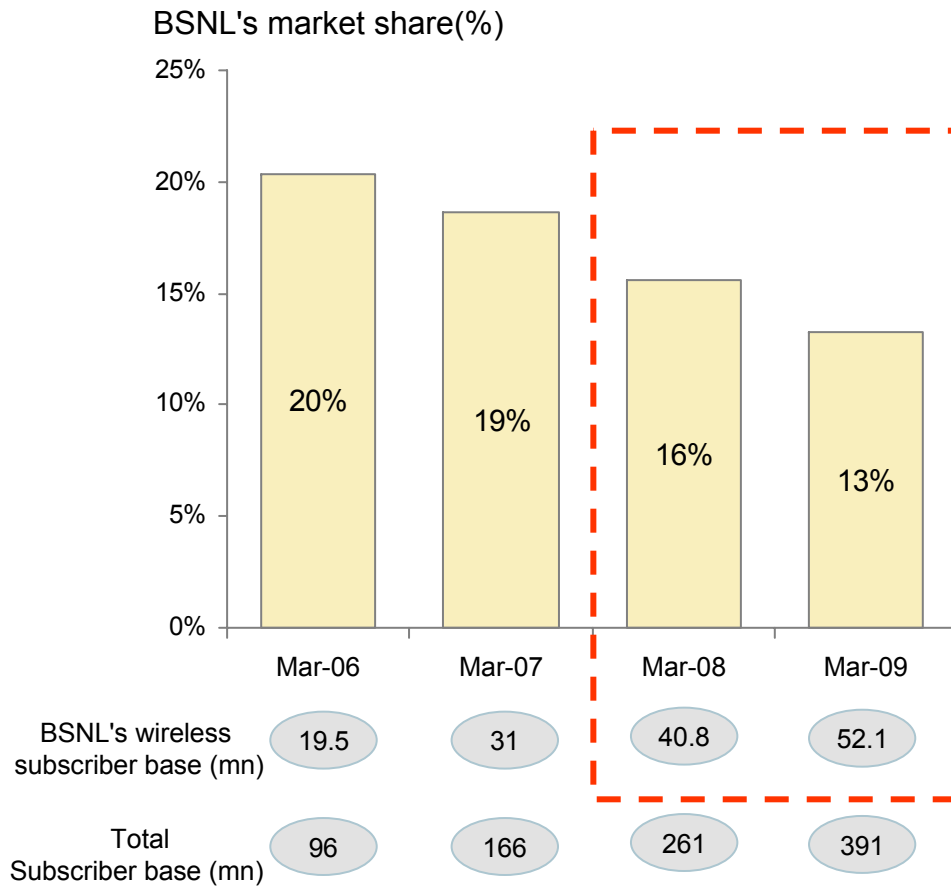New adds: FY-10: 74, FY-11: 51, FY-12: 36, FY-13: 36, FY-14: 36
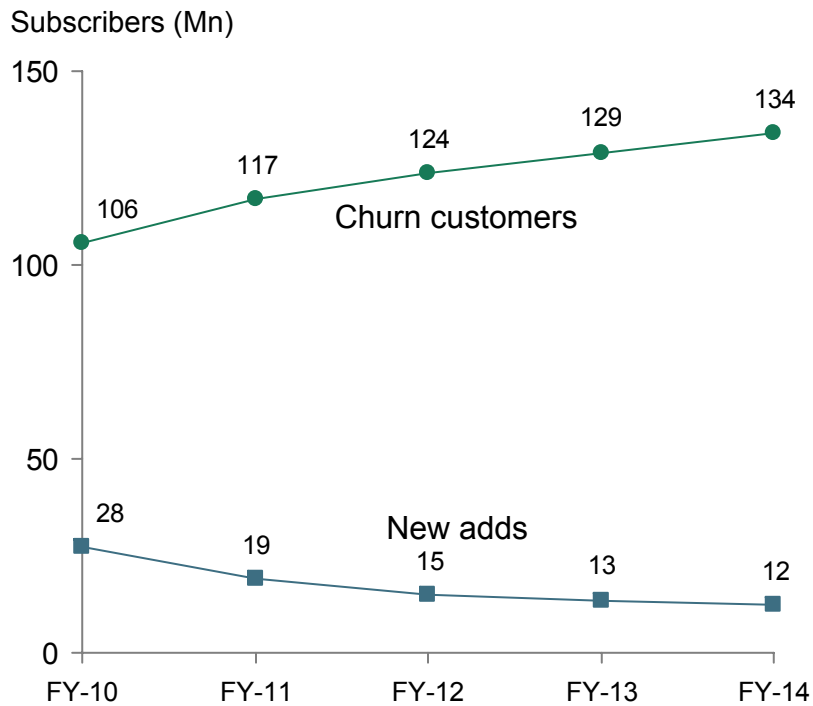
BSNL will need to focus on customer retention and churn management also

Note: Churn subscribers are subscribers switching operators & not churning out of industry.
Assumptions: Churn assumed to be 3-3.5% per month. Churn out of industry is assumed to be zero.
Source: TRAI, BCG analysis

Over the past three years, BSNL has lost significant market share in the wireless space

BSNL's market share (Mar'06-Mar'09)

BSNL's market share(%)

	Mar-06	Mar-07	Mar-08	Mar-09
	20%	19%	16%	13%
BSNL's wireless subscriber base (mn)	19.5	31	40.8	52.1
Total Subscriber base (mn)	96	166	261	391

BSNL's share of net adds (Mar'08-Mar'09)

Subscribers (Mn)

Total wireless net adds	BSNL - wireless net adds	Non-BSNL - wireless net adds
122.4	10.9 (9%)	111.6 (91%)

Source: COAI, AUSPI, TRAI

11
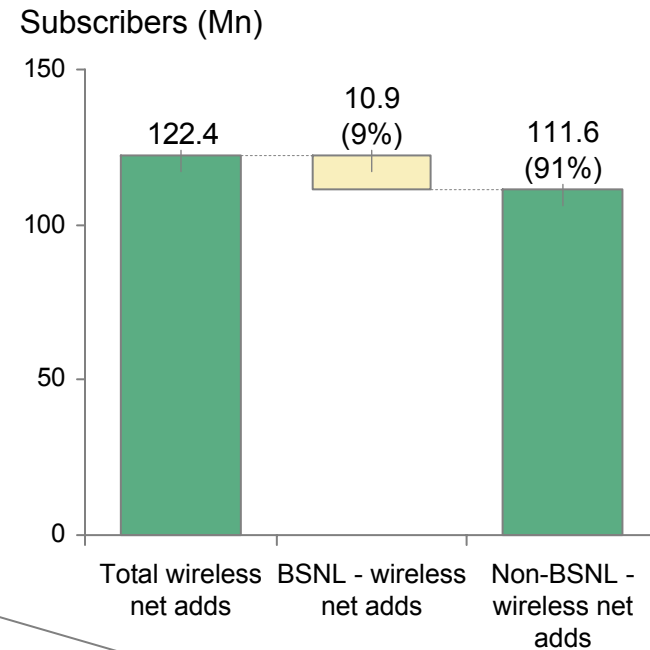
BSNL is weak on key aspects of Mobility

Sales and Distribution, and Product pricing identified as key focus areas

Sales and Distribution

1. Low retailer reach
2. Lack of channel management structure in field
3. Limited push by retailer due to low satisfaction

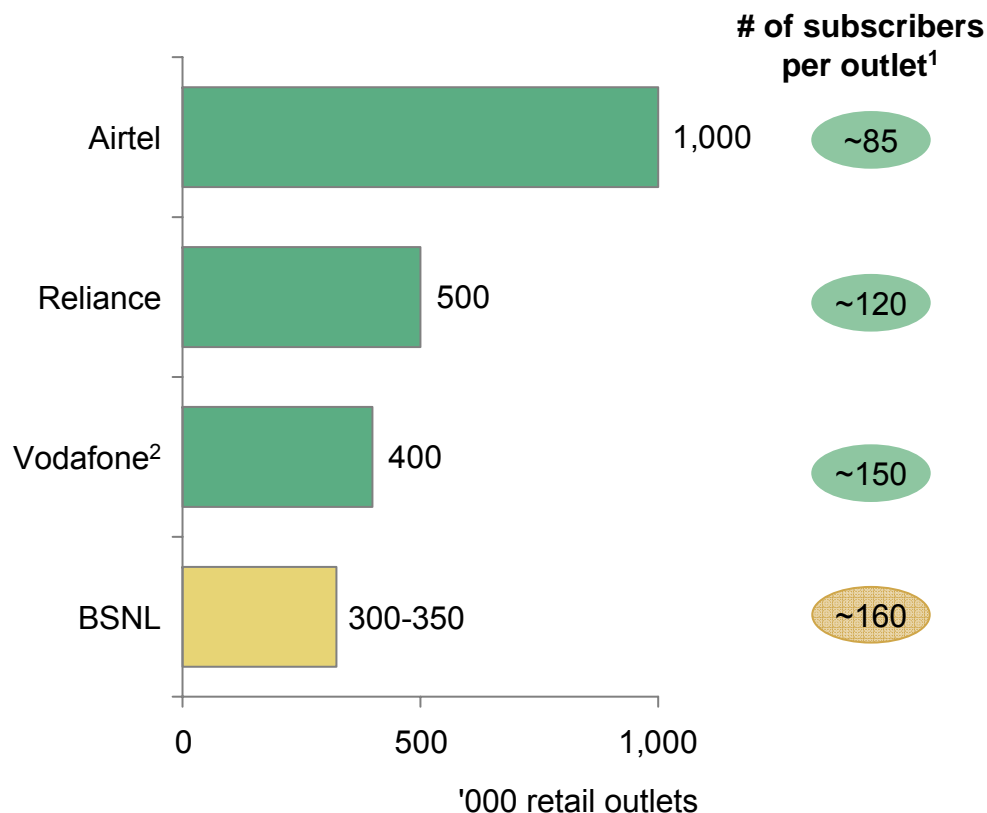**Marketing and Product Management**

- High entry costs for customer; Lack of targeted STVs resulting in high customer lifecycle cost
- Lack of VAS effectiveness; Lack of focus on 3G services

Customer Service and Provisioning

- Poor customer service
  - Poor access, interface, service tracking and assurance

BSNL significantly lags behind competition in retailer reach, esp. in rural areas

No of retail outlets reached by operator (2008)

of subscribers per outlet[1]

Operator	'000 retail outlets	# of subscribers per outlet[1]
Airtel	1,000	~85
Reliance	500	~120
Vodafone[2]	400	~150
BSNL	300-350	~160

'000 retail outlets

Reasons for low retailer reach

- **Less number of franchisees**
  - BSNL has only 1200 franchisees compared to 5000 distributors of Airtel

- **Low Reach of each franchisee**
  - BSNL distributors do not focus on expanding retailer reach (earn ~80% of profit via selling recharge to existing retailers)
  - Target setting not market-driven and ineffective

- **Channel conflicts**
  - Lack of area demarcation which leads to channel conflict between distributors
  - DSAs also servicing retailers, thus causing conflict with distributors

1. Dec '08 2. Nov '07 3. Includes Jharkhand 4. No of retail outlets for BSNL is sum of retail outlets selling C-TOP UP recharge (assumed to be 90% of total retail outlets) and outlets selling RCV only
Source: BSNL, Press search, Investor presentations, COAI and AUSPI, TRAI, Market Interviews

② BSNL has very limited channel management structure and policies

		BSNL	Airtel
Channel mgmt. team in the field		◯ • ~350 sales heads[1], one in each SSA	● • ~2,000 dedicated sales mgrs., with ~5,000 addn. workforce
Distributor support – ordering and delivery		◐ • Distributor visits SSA to place orders, collect products[2]	● • No visit required by distributor; Door-step delivery in 1-2 days
Distributor/ sub-distributor monitoring	**Agreement**	◐ • Distributor: ~2 yrs agreement • Sub-Distributor: No agreement[4]	● • Distributor: No duration • Sub-distb: Tripartite agreement[3]
	Channel norms	◯ • No trade schemes • No inventory/ Feet-on-street/ beat norms; No tracking	● • Trade schemes often provided • Inventory/ Feet-on-street/ beat norms specified and tracked
	Target setting	◐ • Distributor: Set, but not tracked • Sub-distributor: No targets set[5]	● • Targets set in consultation; Pressure/ incentives to achieve
	Company visit	◐ • Distributor: ~Once a month • Sub-distributor: No visits	● • Distributor: 2-3 times a week • Sub-distb.: 2-3 times a month
	MIS	◐ • Distributor: Monthly report; No common interface for MIS • Sub-distributor: No report[6]	● • Daily report on activations, weekly report on sales • Common system/ interface
Retailer monitoring	**Incentives Company visit MIS**	◯ • No trade schemes • Very few visits by BSNL • No report via distributor	● • Several schemes offered, esp. towards end of the month • Visit 1-2 times a month • Daily report on activations, stock • Weekly report via channel[7]

1. Typically, SDE Mktng. in each SSA (under DGM Sales/ Mktng., AGM Sales/ Mktng.) manages the channel 2. Delivery could take 1-10 days depending on SSA inventory 3. Agreement between company, distributor and sub-distributor 4. May have an agreement with the distributor 5. May have targets set by distributor 6. May send reports to distributor 7. Distributor/ sub-distributor
Source: BSNL, Market interviews

● Strong ◐ Medium ◯ Weak

14

③ Retailer satisfaction is low leading to limited push at POS

Retailers dissatisfied with distributor service frequency and lack of attractive trade schemes

Perceptions of retailers who have never sold BSNL products[3]

Category	%
Few visits by distributors	42
Customers are not interested	30
The profit is less	26
Service is not good	26
Poor network	24
Non availability of products	21

Only ~15% of retailers who are not selling BSNL products currently[1,] want to sell BSNL products in future

Reasons for discontinuing BSNL product sales by retailers[2]

Category	%
Poor service from BSNL	60
Customer demand is less	29
Network related issues	27
Commission related issues	25
Call rate/ scheme related issues	21
Activation related issues	19

■ Customer pull related issues
■ Retailer push related issues

1. Sample size: 253 2. Sample size: 63 3. Sample size: 190
Source: IMRB Survey '08, Market survey

Areas covered under Project Vijay are a key priority for the Consumer Mobility business

Sales and Distribution
- Need to increase product reach (to 90%+)
- Create channel management structure to push sales

Focus area for Project Vijay

Marketing and Product Management
- Improve tariff attractiveness through systemic interventions
- Push 3G services aggressively; improve VAS effectiveness

Customer Service and Provisioning
- Improve front-end customer experience, and back-end resolution process
- Create enabling organization, processes and systems

16

Key objectives of Project Vijay

Project Vijay Objectives

Expand reach – ensure availability of BSNL products at more than 95% of telecom retail outlets

Capture significant share (25-30%) of retailer's counter sales (increase extraction)

Build distinctive channel management capabilities

Nurture and build strong and viable channel partner network

Seven building blocks of Project Vijay have been defined, in order to achieve these objectives

1 **Creation of Proj. Vijay team**

Training of team

2 **Wireless Potential Index analysis**

3 **Tariff Tool: Training and Rollout**

4 **SancharSoft: Set-up and Rollout**

SancharSoft: Refinement

5 **Market Retailer Survey**

6 **Revised Channel norms**

7 **Review Mechanisms**

Start of a circle

Ongoing refinement & stabilization
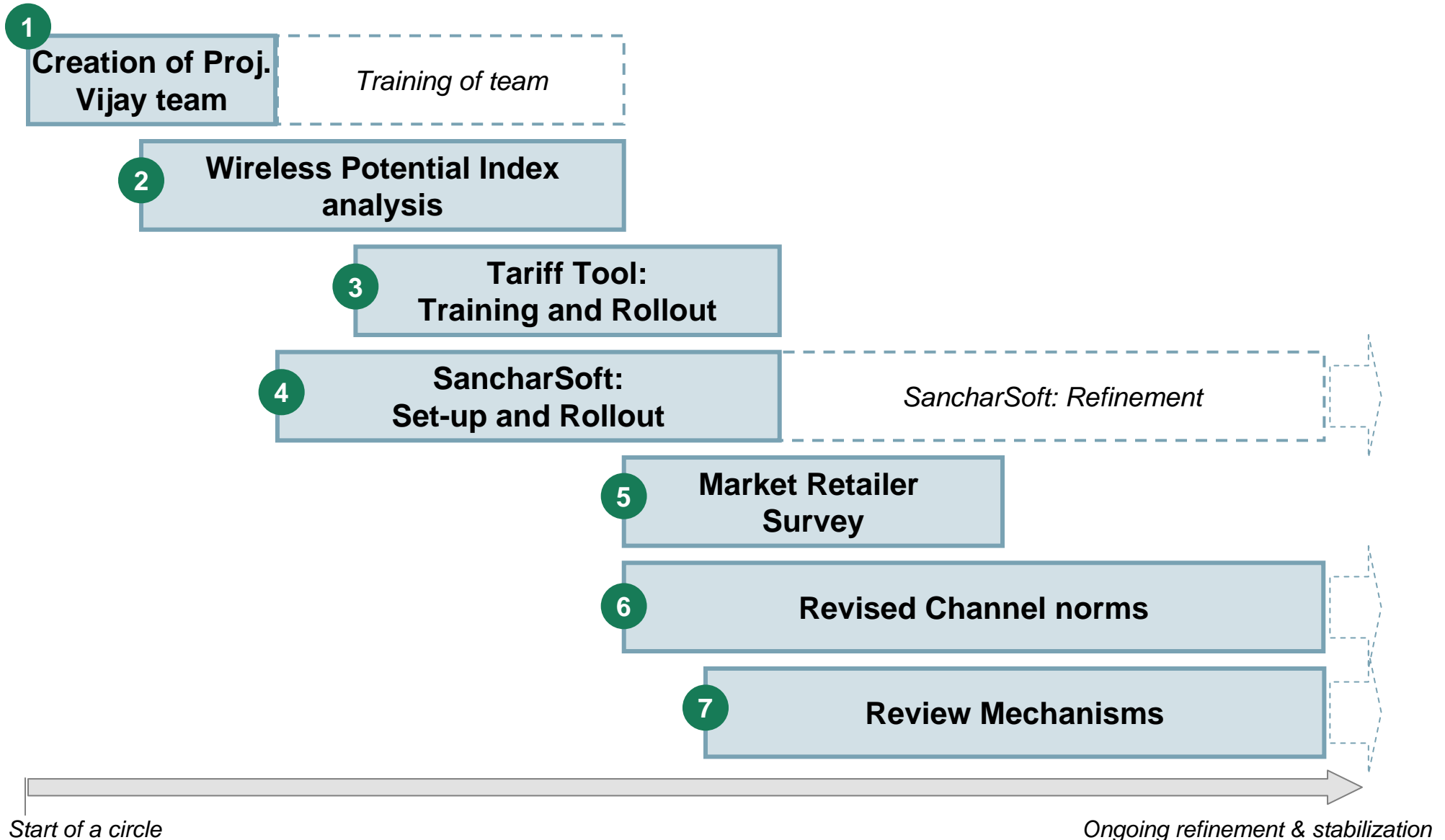
Agenda

Team creation

Existing channel structure consists of franchisee retailer network, managed by SSA nodal person (s)

| Circle office | CGM (Circle Head) |
| GM Sales | GM Mktng. |

| SSA/ Region | SSA Head |
| SSA nodal sales/ marketing[1] |

| Channel | Franchisee (s) |
| Sub-franchisee (s) |

| Retailer | Multi-brand Outlet Retailer | Multi-brand Outlet Retailer |

Customer
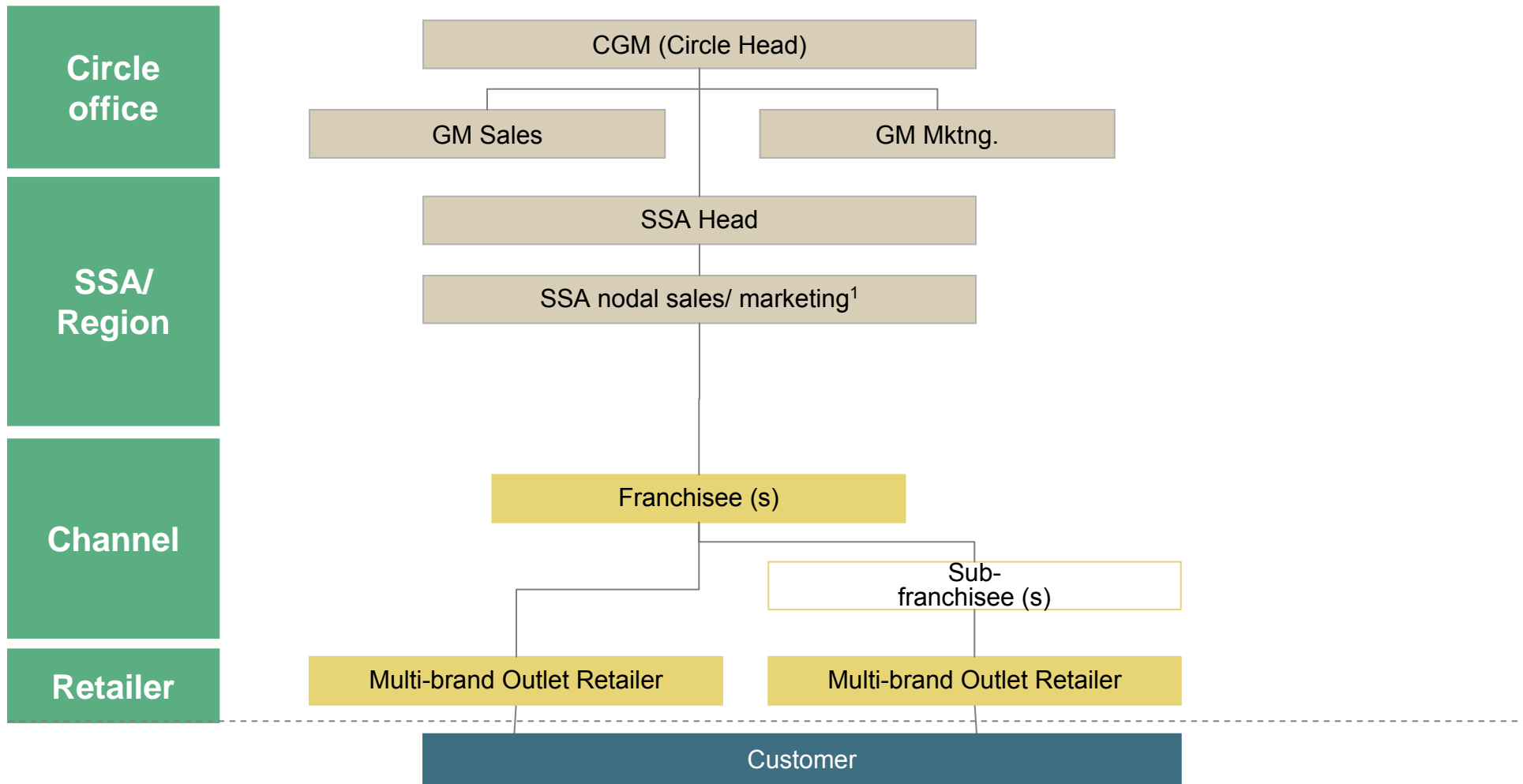
Note: This structure is only representative; Actual structure in a circle/ SSA may vary 1. Could be any combination of three layers: DGM Sales/ Mktng., AGM Sales/ Mktng., SDE Mktng.
Source: BSNL

20

Revised team structure for Project Vijay

New roles created at HO, Circle and Corporate level

Head Office

- Project Sponsor (Director, Cons. Mobility[2])
- Project Champion (HO) (GM, Cons. Mobility, S&D)
- Rollout Managers (DGM)
- *Dedicated DGM stationed at circle but reporting at HO*

Circle

- Project Champion (Circle) (CGM)
- Project Leader[1] (GM/ DGM Cons. Mobility)
- Circle level Nodes (SDE/ JTO)

SSA/ Region

- SSA/ Region Head
- SSA sales head – Cons. Mobility (DGM/ DE/ SDE)
- Franchisee Managers (SDE/ JTO)
- Retailer Mgr Coordinator (SDE/ JTO)
- Retailer Managers (TOA/ TTA/ TM)
- *Channel Mgmt. team*
- Franchisee
- Sub-franchisee
- MBO Retailer
- MBO Retailer
- Customer

Legend:
- New roles created in BSNL
- Channel (external)
- Interact via Project Vijay review process

1. Actual designation depends on the size of the circle; Large circles would have a GM Consumer Mobility (S&D) as the Project Leaders, reporting to PGM Consumer Mobility (who reports to CGM) 2. Consumer Mobility

21

Role description and requirements of Project Vijay team
HO/ Circle

Role	Designation	Level	Reporting to	Role description/ requirement
Project Sponsor	Director, Cons. Mobility	HO	CMD	▪ Provide oversight, overall direction to the pilot across circles
Project Champion (HO)	GM Cons. Mobility – S&D	HO	Director, Consumer Mobility	▪ Provide overall direction and specific inputs at corporate level; Resolve key bottlenecks escalated by Rollout Mgrs
Project Champion (Circle)	CGM	Circle	CMD	▪ Provide overall direction and specific inputs at circle level; Resolve key bottlenecks
Project Vijay Rollout Manager	DGM	Circle	GM Cons. Mobility – S&D (HO)	▪ Dedicated, 1 per circle ▪ Stationed at the circle, reporting to HO ▪ Responsible for overall roll-out of Project Vijay in circle ▪ Expected to drive on-the-ground implementation in cricle and escalate unresolved issues at the circle level, to HO
Project Leader	GM/ DGM Cons. Mobility[1]	Circle	CGM[1]	▪ 1 per circle ▪ Responsible for overall roll-out of Project Vijay in circle, incl. team formation, process changes, value outcome
Circle level nodes	SDE/ JTO	Circle	GM Cons. Mobility – S&D[1] (Circle)	▪ Dedicated ▪ 1 SDE/ JTO for every 5-6 SSAs under implementation ▪ Guide SSA teams with best practices, key risks at a particular stage, etc. ▪ Help SSA teams resolve and escalate issues

1. Actual designation depends on the size of the circle; Large circles would have a GM Consumer Mobility (S&D) as the Project Leaders, reporting to PGM Consumer Mobility (who reports to CGM)

Role description and requirements of Project Vijay team
SSA/ Region

Role	Designation	Level	Reporting to	Role description/ requirement
SSA Sales head – Cons. Mobility	DGM/ DE/ SDE	SSA/ Region	Region/ SSA head	▪ Dedicated, 1 per SSA/ Region ▪ Responsible for overall roll-out of Project Vijay in Region/SSA, incl. team formation, process changes and value outcome ▪ Act as Sales head, Mobility at SSA/ Region level
Working team – Franchisee Manager	SDE/ JTO	SSA/ Region	Sales head – Mobility	▪ Dedicated ▪ Provide support and manage franchisees and sub-franchisees
Working team – Retailer Manager Coordinator	SDE/ JTO	SSA/ Region	Sales head – Mobility	▪ Dedicated ▪ Provide support and manage retailer managers
Working team – Retailer Manager	TOA/ TTA/ TM	SSA/ Region	Retailer Manager Coordinator	▪ Dedicated ▪ Act as retailer survey team, to map retailer universe (up-front) ▪ Directly interact with and provide support to retailers on an ongoing basis

Three key functions defined in the channel management team

Franchisee Manager

Support franchisee to increase sales and reach
- Provide prioritized list of retailers in Franchisee's area
- Support in FOS appointment, beat plan creation for FOS
- Support in delivery of material to Franchisee doorstep
- Document issues/ queries of Franchisee, devise action steps to address them
- Supply of POS material to Franchisee
- Ensure provision of SancharSoft login, training

Monitor Franchisee performance
- Communicate targets at beginning of the month
- Collect data on a daily basis
- Performance management and review against norms/ targets

Retailer Manager

Collect feedback from retailers to enable audit of channel
- E.g. collect feedback on service provided by franchisee to retailer

Resolve complaints/ issues and address queries
- Act as retailer helpline to address queries and aggregate complaints
- Provide inputs to RMC via filled in templates to ensure complaint resolution

Maintain retailer database for the allotted area
- Maintain contact details of existing retailers
- Update retailer list on an ongoing basis with new retailers

Collect market and competitor information on an ongoing basis
- Collect sales, extraction, etc. information from retailers
- Collect information on competitor trade schemes, launch plans, etc.

Retailer Mgr Coordinator

Process coordination
- Allocate area (i.e. retailers to RMs) and create journey plan for RMs
- Coordinate daily process with RMs
- Monitor data entry
- Conduct validation visit with RMs

Daily review of RMs performance
- Incl. no of visits made, no of templates submitted against required

Daily action on data collected by RMs
- Compilation, review of RMT daily report with SSA sales head
- Provide Retailer wise data to respective FM/ Franchisee
  - E.g. Material availability, replacement of inventory, etc.
  - New retailers added
- Provide retailer-wise data to SSA sales head for action on cross-selling

Agenda

Market Retailer Survey

Market Retailer Survey to map total retailer universe in the circle

Market Retailer survey

Key objective
- To baseline existing retailer universe before pilot launch
- To develop channel norms for franchisee FOS #s and service frequency, based on analysis of retailer universe

Geography covered
- Survey to be conducted in each SSA of circle
- Both urban & rural areas to be covered

Survey Duration
- Survey to be completed in 3-4 weeks duration

Compensation
- Conveyance, based on TA rate
- Incentive on every form filled

Questionnaire templates
- Survey Questionnaire
- General instructions sheet

Questionnaire for Market retailer survey

RETAILER INTERVIEW
Questionnaire

Name of Surveyor		Survey Date	__ / __ / 2009
Name of Shop		Shopkeeper's Name	
Address			
Shop Number		Road Number/Name	
Locality Name			
Town / Village		Tehsil	
Development Block			
Pin Code		Landmark	
Mobile Number		Landline Telephone No.	

Question No. 1: Circle the correct option.
(a) Do you sell SIMs (of any brand)? (Yes / No)
(b) Do you sell recharge vouchers (of any brand)?
(Yes, paper vouchers / Yes, electronic recharge / No, don't sell)
(c) Do you sell BSNL SIMs? (Yes/No)
(d) Who sells BSNL SIMs to you? _____ (Please fill in the name)
(e) Do you sell BSNL recharge?
(Yes, paper vouchers / Yes, electronic recharge - CTOPUP/ No, don't sell)
(f) Who sells BSNL recharge vouchers to you? _____ (Please fill in the name)
(g) Who has given you the BSNL CTOPUP SIM? _____ (Please fill in the name)
(h) What is your BSNL CTOPUP mobile number? _____ (Please fill CTOPUP no.)
(i) Do you sell BSNL SIMs or recharge further to shops in nearby areas or villages? (Yes / No)

Question No. 2: Can you please provide details for your sales of last month?

	Number of activations (SIM sales) in last month	Total Recharge sales in the last month, in Rupees (electronic and paper vouchers both)
Airtel		
Vodafone		
BSNL		
Idea		
Reliance GSM		
Tata GSM		
Reliance CDMA		
Tata CDMA		
Aircel		
Other		

Market retailer survey questionnaire   *Project Vijay*

BSNL teams surveyed multi-brand telecom retail outlets across all categories of retailers

High **Attractiveness for telecom sales** Low

Characteristics	Class A	Class B	Class C	Class D
# of SIMs sold per month	• More than 100 SIMs per month	• Between 50-100 SIMs per month	• Less than 50 SIMs per month	• Negligible (mostly nil; may sell 10-30 SIMs per month)
Recharge sales per month	• More than Rs. 3 lakh per month	• Between Rs. 1-3 lakh per month	• Between Rs. 0.5-1 lakh per month	• Less than Rs. 50,000 per month
Type of shop	• E.g. large multi-brand telecom outlets	• E.g. large kirana shops, medium multi-brand telecom outlets, STD/ PCO shops, etc.	• E.g. medium kirana stores, small multi-brand telecom outlets, etc.	• E.g. small kirana stores, paan shop, tea stall, etc.

Source: Market survey in SSA Lucknow and Unnao, Feb-Mar '09

Overall, BSNL channel has key gaps related to reach and extraction

	SIM	Recharge

BSNL reach	— • **Low reach (~57%) for BSNL**
	+ • **BSNL reach better in high volume (larger) retailers as compared to low volume (smaller) retailers**
		— • **High overall reach on account of indirect coverage**
		  – Direct reach ~35%
		  – Ad-hoc indirect reach through non-designated franchisees and others ~ 60%

BSNL extraction	— • **Overall BSNL extraction ~20%** • **BSNL not tapping high volume retailers efficiently** – BSNL extraction falls down to 19-20% in high volume retailers as compared to ~25% in low volume retailers	— • **Overall BSNL extraction ~25%** • **Lower extraction (~20-25%) in outlets with indirect reach**

Significant potential to increase sales by improving direct reach and extraction

Telecom retailer universe is concentrated with Class A and B retailers accounting for ~80% of total sales

Retailer split by # of SIMs per month, # of outlets

% of total

n = 2,483

	Break up by total # of retail outlets selling SIMs	Break up by total # of SIMs
Class D	23	8
Class C	22	15
Class B	40	50
Class A	14	28
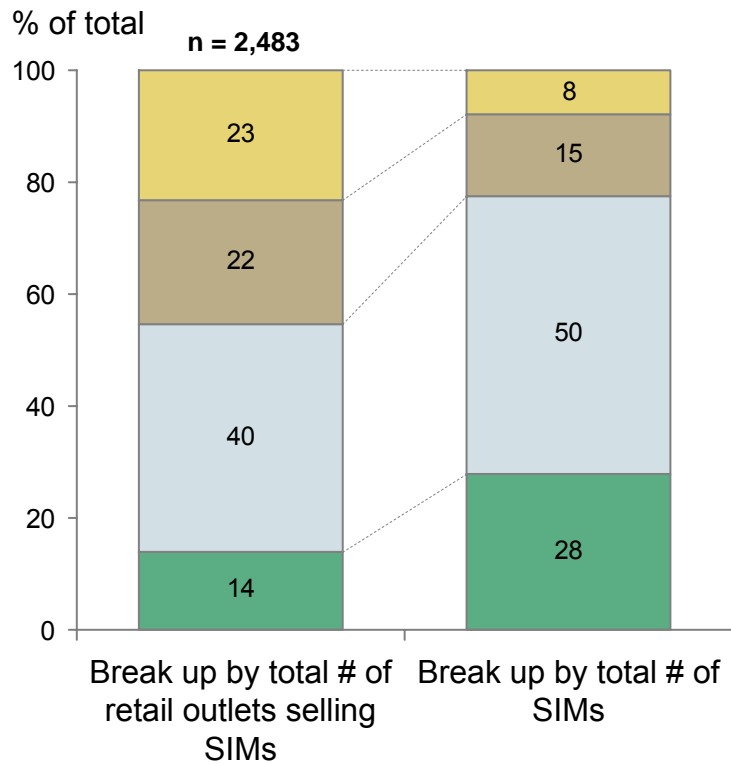
57 SIMs per outlet

Retailer split by Recharge value per month, # of outlets

% of total

n = 4,069

	Break up by total # of retail outlets selling Recharge	Break up by total Recharge value
Class D	35	10
Class C	20	12
Class B	35	49
Class A	11	29

~80% of total Recharge sold by ~45% of retailers

~Rs. 128k RCV per outlet

Legend:
- Class D
- Class C
- Class B
- Class A
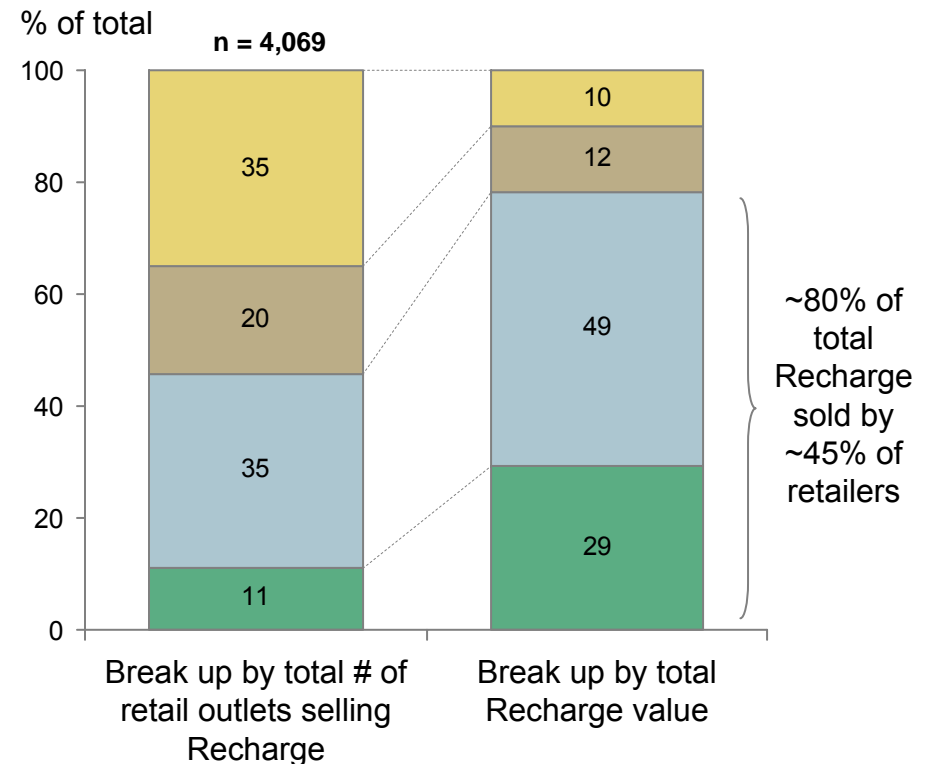
# of SIMs per outlet

Recharge value per outlet

BSNL's franchisee channel has low direct reach and is not tapping the high-volume outlets efficiently

Results in Lko, Unnao

BSNL extraction and coverage by type of outlet (# of SIMs per month)

% of total
n = 2,483

Break up by total # of retail outlets selling SIMs:
- Class D: 23
- Class C: 22
- Class B: 40
- Class A: 14

Break up by total # of SIMs:
- Class D: 8
- Class C: 15
- Class B: 50
- Class A: 28

- ~26%
- ~23%
- ~20%
- ~19%

Avg ~57% — BSNL reach in SIM outlets

Avg ~20% — BSNL extraction in SIMs
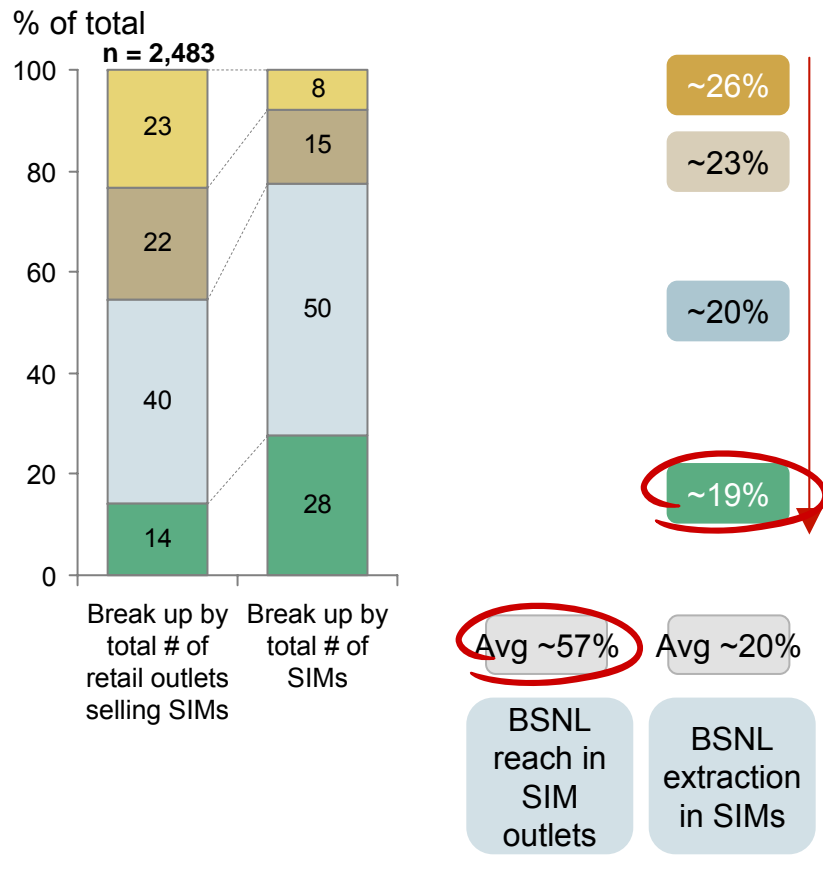
BSNL extraction and coverage by type of outlet (Recharge value per month)

% of total
n = 4,069

Break up by total # of retail outlets selling Recharge:
- Class D: 35
- Class C: 20
- Class B: 35
- Class A: 11

Break up by total Recharge value:
- Class D: 10
- Class C: 12
- Class B: 49
- Class A: 29

- ~24%
- ~24%
- ~25%
- ~26%

Avg ~94% — BSNL reach in total outlets

Avg ~25% — BSNL extraction in recharge

Legend:
- Class D
- Class C
- Class B
- Class A

Source: Market survey in SSA Lucknow and Unnao, Feb-Mar '09

30
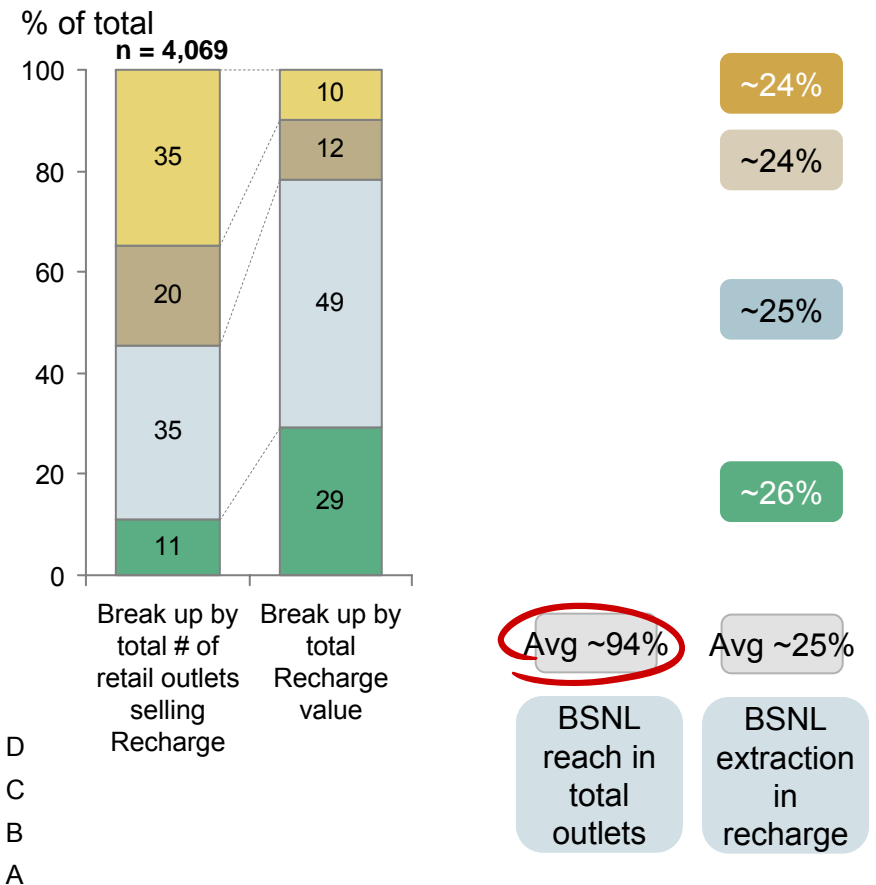
In addition, several gaps were observed within BSNL's channel resulting in lower extraction

1 Trade schemes, commission

% of retailers
100

10	No trade scheme
6	
13	
71	

~90% of retailers offered trade schemes

Retailers offered higher commission (via trade schemes) by competition

% of total responses
40

20 to 30 | 30 to 40 | 40 to 50 | 50 to 70 | 70 to 100

- No trade scheme
- Trade scheme - Not specified
- Trade scheme - Free gift only
- Trade scheme - Commission[1]

Competition (Avg)
BSNL

2 Distributor service frequency

Low visits by BSNL Franchisee FoS

No of visits in a week

	Overall	Class A	Class D
Competition	2.8	3.0	2.6
BSNL	1.7	1.7	1.5

3 Visit by company personnel

% of responses (Class A)

74 — 12

Yes, visited by Co personnel

% of responses (Class D)

64 — 6

Yes, visited by Co personnel

Note: Above responses are based on ~690 valid responses to Questionnaire 2 1. May also be offered free gift in addition to commission
Source: Market survey in SSA Lucknow and Unnao, Feb-Mar '09

Retailer reasons for not selling BSNL: ~75% related to sales and distribution

Reasons for not selling BSNL

%

100	

Never been approached by franchisee — 38

Service by franchisee is not good — 25

BSNL products are not available with the Franchisee — 9

Commission on BSNL products is lower — 5

Customers do not want to purchase BSNL — 6

BSNL's network is not available/ has issues — 16

Others — 2

Total — 100
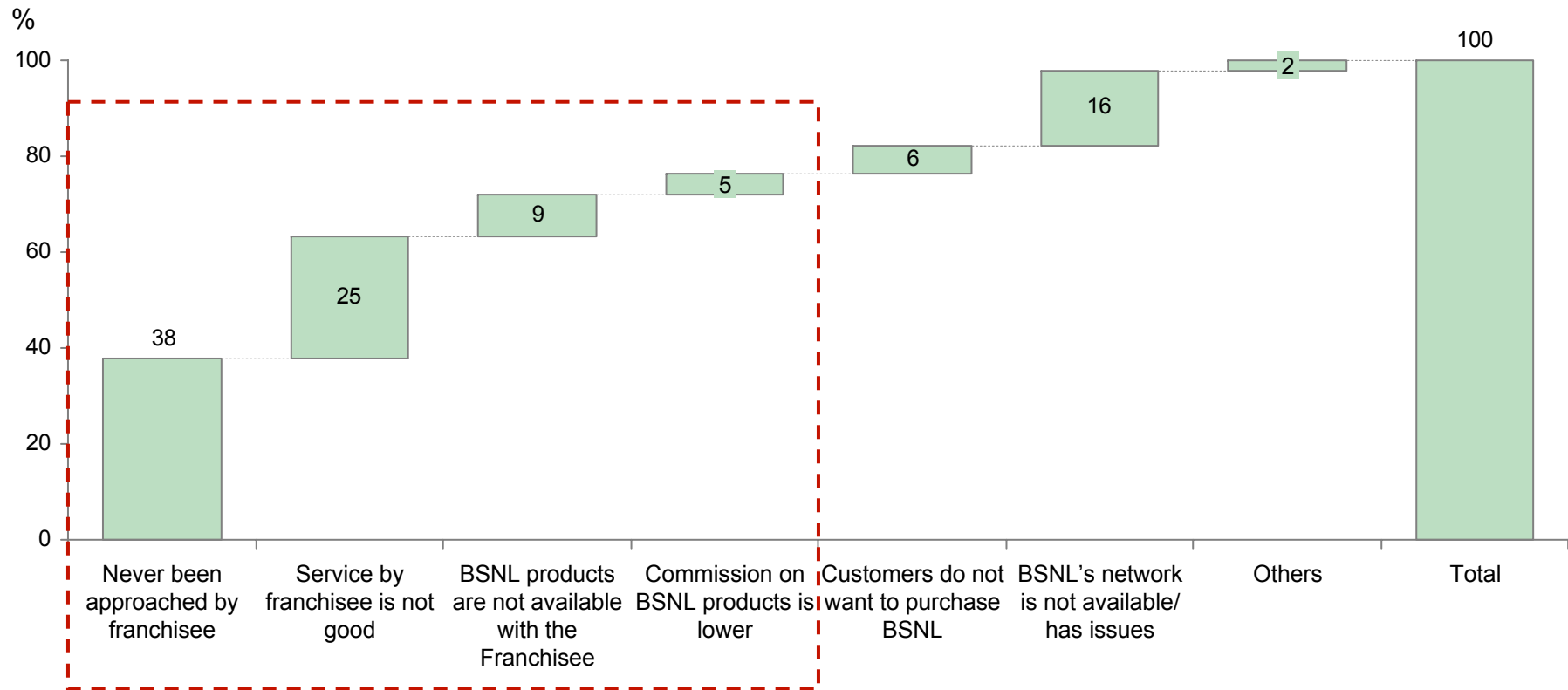
Source: Market survey in SSA Lucknow and Unnao, Feb-Mar '09

Agenda

Wireless Potential Index

Key steps in wireless potential index analysis was done at sub-district level

Step 1: Assess wireless market potential (2009-13)

New adds potential
(Projected teledensity, population)

Urban	Rural

Potential from subs changing operators
(Projected subs; Churn rate[1])

Urban	Rural

Sub-dist. level — **Future market potential**

Urban	Rural

Sub-dist. level — **Projected teledensity**

Urban	Rural

Step 2: Derive addressable potential (2009-13)

Sub-dist. level — **Addressable market potential for BSNL**

Urban	Rural

Step 3: Derive (for BSNL)
- Sales targets
- No of channel partners
- No of channel managers

Sub-dist. level — **Sales targets (SIM sales, RCV sales)**

SSA level — **No of F, SF**

SSA level — **No of FMT, RMT**

Note: F=Franchisee, SF=Sub-franchisee, FMT=Franchisee Management Team, RMT=Retailer Management Team
1. 3.25-3.5% per month

SSA-wise Wireless potential Index developed

Can be used to derive sales targets, no of channel partners and channel management team

Illustration of SSA-wise Wireless Potential Index (WPI)

SSAs	WPI
• SSA1	0.10
• SSA2	0.14
• SSA3	0.15
• SSA4	0.09
• SSA5	0.07
• . . .	
• . . .	
• SSA xx	0.15
Total	**1.00**

- Sales targets
- No of channel partners
- No of channel management team

Sub-dist. level → Sales targets (SIM sales, RCV sales)

SSA level → No of Franchise and Sub-Franchise

SSA level → No of FMT, RMT

Source: BCG analysis
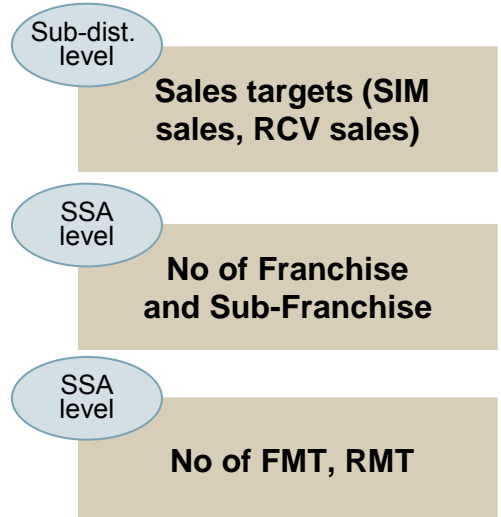
Agenda

Channel norms

Key channel norms need to be redesigned and customized by the circle to streamline channel operations

1 Target setting

Targets for SSA, and franchisees to be set based on
- Circle level target
- WPI[1] Index of the SSA
- # of retailers assigned to Franchisee

2 Feet-on-street norms; Retailer service frequency

Norms for # of FOS per F defined based on
- # of retailers covered by F[2]:

Norms for # of visits/ week to an outlet by FOS defined based on
- Class of retailer being visited[3]

3 Retailer prioritization

Retailers to be covered by F prioritized based on
- Class of the outlet[3]
- BSNL products being sold
- Type of outlet

9 Coordination across depts.

Coordn. by SSA sales head for smooth operation
- Accounts (AO sales)
- CAF Incharge (SDE)
- Mobile wing

Channel norms

4 Area demarcation if req.

SSA level check: Area fully allocated and demarcated
- Among franchisees

In case area is not fully allocated/ demarcated
- Demarcated basis algorithm

8 Addressal of cross-selling

Process created for addressal of cross-selling
- Written complaint by F
- Verified by RMs
- Action by SSA sales head/ SSA head/ circle

7 Commission structure

Possible revision in existing structure
- E.g. Amount of commission, Timing, Whether partly made direct to retailers, Mode of payment

6 Allowance/ awards for Channel mgmt. team

Allowance defined for FMT/ RMT
- Base and KPA linked allowance

Awards constituted
- E.g. Best Franchisee Mgr in circle, Best Retailer Mgr in SSA

5 Ordering/ delivery norms

Payment: via bank/ online transfer only
Ordering: FMT acting as single point of contact for F
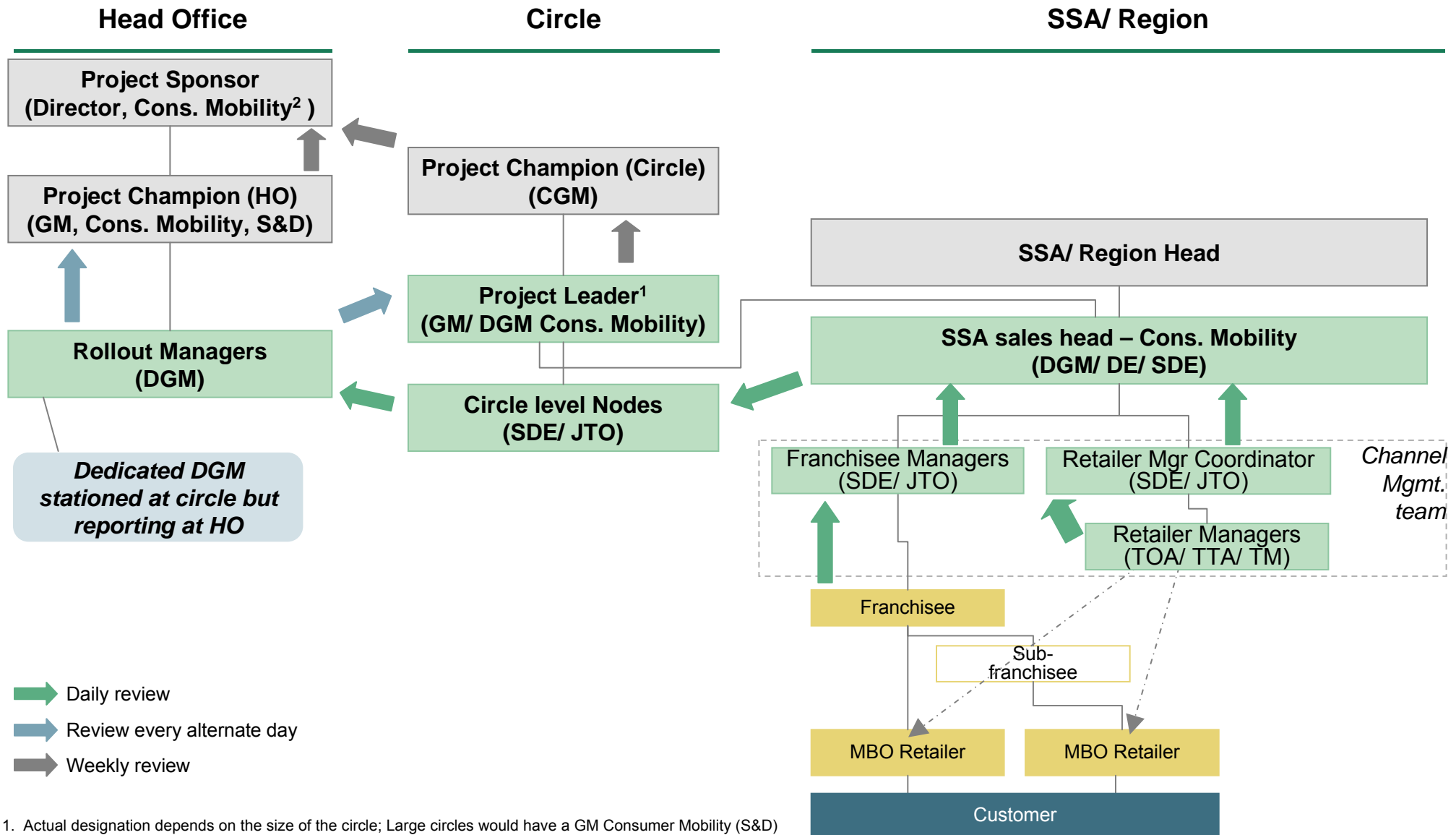**Delivery:** By BSNL to/ from F location

1. Wireless Potential Index
Note: F=Franchisee 2. Total outlets managed per FOS: Rural- Upto 45-50, Urban: Upto 60; No of outlets that can be serviced/ day per FOS: Rural:-~20 / day, Urban- ~30/ day 3. Classes A, B, C, D defined in Market retailer survey analysis in descending order of total telecom revenues per outlet; Service frequency by class of outlet:- Class A: Daily, Class B: Every alternate day, Class C: Twice a week, Class D: Once a week

Agenda

Review mechanisms

Comprehensive MIS and performance management system has been introduced; Review templates created

Head Office

Project Sponsor (Director, Cons. Mobility[2])

Project Champion (HO) (GM, Cons. Mobility, S&D)

Rollout Managers (DGM)

Dedicated DGM stationed at circle but reporting at HO

Circle

Project Champion (Circle) (CGM)

Project Leader[1] (GM/ DGM Cons. Mobility)

Circle level Nodes (SDE/ JTO)

SSA/ Region

SSA/ Region Head

SSA sales head – Cons. Mobility (DGM/ DE/ SDE)

Franchisee Managers (SDE/ JTO)

Retailer Mgr Coordinator (SDE/ JTO)

Channel Mgmt. team

Retailer Managers (TOA/ TTA/ TM)

Franchisee

Sub-franchisee

MBO Retailer

MBO Retailer

Customer

Legend
→ Daily review
→ Review every alternate day
→ Weekly review

1. Actual designation depends on the size of the circle; Large circles would have a GM Consumer Mobility (S&D) as the Project Leaders, reporting to PGM Consumer Mobility (who reports to CGM) 2. Consumer Mobility

39

Agenda

SancharSoft

Overview of Sancharsoft

What is Sancharsoft	• **Sancharsoft is a 'Sales & Inventory Management Tool' developed by BSNL to efficiently track flow of sales material (SIM, Recharge etc.)** • **Sancharsoft is a Web Application and is installed and deployed through CMTS Zonal Web Servers**
Objective	• **Sancharsoft a tool for Management of** • CMTS Sales & Distribution network • Franchisee and Retailers performance Monitoring. • Franchise and Retailers Database management and Reporting. • Payment of commission • Reconciliation of Recharge Vouchers with revenue realised • Reconciliation of CTOP up revenue realised v/s CTOP –up carried out
Modules & Roles	• **Sancharsoft is structured into three key modules** • SIM Module • Recharge Module • CTOP-UP module • **Sancharsoft will be used by various users at each level from top management to BSNL franchisee** • **Each user can carry out multiple pre-defined functions e.g. A franchise manager can view retailer wise sales reports, etc.**

Agenda

Tariff Tool

Tariff initiative aims to improve BSNL's relative tariff attractiveness in the market

Key objectives of Tariff initiative

Help BSNL increase customer retention and attract more new customers by improving its tariff competitiveness

- Improve understanding of BSNL's competitive positioning

- Help BSNL design starter packs according to a circle's competitive scenario and BSNL's position

- Help BSNL design tariff plans and STVs for target customer segments

Help BSNL assess potential revenue impact of any pricing intervention

A. Tariff Tool

- Tariff tool to analyze BSNL's relative market competitiveness
- Provide decision support to help design new plans/STVs and assess impact

B. Organization

- Dedicated team for collecting market intelligence and taking pricing decisions
- Roles & Responsibilities

Decision Making

D. Intelligence

- **Market Intelligence**
  - Competition data
  - Consumer insights
- **Internal Intelligence**
  - Subscribers' usage data
  - Network usage data
  - Performance data

C. Processes

- Data collection & monitoring process
- Work flow for tariff-recommendations and approval

Source: BCG analysis