

Tonse Opinion
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Digital PTT: Potential to rock the Indian cellular Applectart?

This is interesting. While the Indian cellular gravy train is hurtling along at roughly 8 million subscriber additions per month, what could potentially pose a threat? A little known but powerful technology called Digital Radio PTT [Push To Talk] could pose a threat. To find out how, read on.

As cellular subscriber base swells into the 265 million + range most mobile operators are focusing on the following areas: network footprint, spectrum, operating costs, ARPU and brand. Average churn across competing GSM / CDMA operators has now become a predictable number and growth rates are healthy. Integrated mobile operators are focusing on Broadband Wireless / 3G as the next growth area. Wire-line is considered good only to subtend Broadband services and FMC is being considered futuristic. And Digital Radio PTT is being ignored as a tiny niche, grossly undermining its tremendous potential.

What is Digital PTT?

Digital PTT is not a brand new technology and has been around for years. Digital PTT, a generation ahead of its analog cousin [Analog PTT] runs on a digital private trunk radio network called iDEN (a Motorola pioneered proprietary standard) and offers secure one-to-many multicast voice communication. Digital PTT is a perfect solution for all those applications that require extremely fast voice communication from one person to many simultaneously. Best fitting applications are ship-to-shore communication, all forms of distress signaling, emergency calling, health services, services for fire and security personnel, Intelligence / border surveillance-type communication and in main-stream businesses perhaps a ready-fit for logistics and transport type operations where an instructor or superintendent is advising instructions to several junior / field staff.

Digital PTT requires a specific form of PTT-enabled device where a cell-phone like handset with a special Push-To-Talk key embedded along-side is used. iDEN numbering plan is entirely different from a cellular plan and works based on a dedicated switch which controls the voice traffic within the network. iDEN allows voice calls to be set up between itself and GSM / CDMA / PSTN networks via a gateway.

Is there a real threat?

Digital RTS (Radio Trunked Service) PTT based Procall, has been recently launched in India by Agrani, a division of the Essel Group (which has brought several leading technology businesses into India including the Zee Television network). The service has been launched recently in Bangalore, and the company has secured additional licenses to operate in 6 more circles and is seeking licenses to run Digital RTS in seven more circles.

Considering the promise of this proven PTT technology [Iden serves about 28 million global users], it is possible that within the next 18 months or so, Procall would have a nation-wide network. This would be tremendously useful for its customers as they would have a national footprint to communicate. If this service gains about a couple of million subscribers in the period – lets say, 1 million subscribers then at an expected average ARPU of Rs. 800 per month, we are looking at an annual revenue of about \$240 mil. Pretty sizeable!

So why should the mobile operators worry? Simple reason: mobile operators today do not offer Push to Talk services. While some of them do offer some form of Voice conferencing, one-to-many voice service is still considered low-priority. It appears that most cellular operators have not understood the potential of this vital sector or are too busy shoring up traditional voice business.

Historically, the regulatory regime has severely punished some early PTT attempts thereby killing or delaying this potentially wonderful service. Under today's regulatory environment in India, a voice-channel based PTT solution such as one from Kodiak Networks is a perfect solution for cellular operators to provide PoC (Push to Talk over Cellular) but for some reason few have taken the initiative. The price of this delayed approach may be a migration of the subscriber base that has a need for the PTT service to move over to the Digital RTS PTT service providers.

The real threat for cellular operators is not just a possible revenue loss. It is even more significant if you consider that after building a subscriber base of 3-4 million if Digital PTT operators start providing voice services under some form of an extended license.

Let us not forget that at the end of the day, regulatory / license ruling is a matter of extending service benefits to the masses at a price. Not many years ago, Reliance successfully negotiated with the regulatory bodies to enhance a WLL technology into a Pan-India cellular operation including national roaming. By the same argument, a Digital PTT operator with a sizeable national subscriber base should be allowed to enhance this service to provide cellular calling nationwide.

We can learn from others mistakes

Let us for a moment look at the world's most successful Digital PTT service: Nextel in the US. Nextel emerged from what was originally a pure play PTT service called Fleetcall, which was enhanced later to iDEN technology and was made voice-capable. Nextel went on to become one of the most successful voice and PTT service providers and built an extremely profitable operation with an average ARPU that was 18-20% higher than traditional cellular operators. The quality of service at Nextel was so high that customer churn was minimal and users rarely complained about higher service fee. Nextel was also the first to provide GPS capability to its phone users.

AT&T, Verizon and Sprint who were competing cellular operators could do precious little to win back customers because mostly they had no comparable PTT service offering. This is also the reason why Sprint eventually made the bold move to acquire Nextel in 2006 (which by then had a market capitalization of about \$32 billion). Sprint has continued to perform poorly since the merger, for a variety of reasons (in 2008, write off of several billion dollars and stock reduced to Junk status by Fitch Ratings).

The Indian cellular industry can learn from some of these mistakes. Firstly regulators have to think through benefits / demerits of incremental licenses before awarding the same. From a market perspective, cellular operators have the opportunity of avoiding churn among high-ARPU enterprise customers by offering PoC over GSM / CDMA networks. And from a strategic perspective, Digital RTS PTT service providers have a great opportunity to strike when the cellular operators are still shoring up their basic voice subscribers by building a profitable PTT subscriber base of high-ARPU enterprise customers.

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