
Building The India Of Tomorrow (1196)

Manoj Kohli

*Chief Executive Officer & Managing Director
Bharti Airtel Limited*

For Bharti, social responsibility is vital. You may not know what the name Bharti means. Bharat means India, which means our commitment and dedication to growing India, building the India of tomorrow, is complete. Not only will we build telecom infrastructure, which is so vital for India; also, we'll build soft infrastructure in relation to telecom infrastructure. There are two soft infrastructures that are lacking in India. One is education, and the second is healthcare. We chose education as our social responsibility. Within education we chose underprivileged children, and especially girls who, in the literacy analysis, we found are not getting education at all. Some are not getting it at all; some are studying up to fifth standard and discontinuing at that time; some are studying up to eighth and ninth and then discontinuing and getting into some employment, which is also bad. Child employment is bad in India. Because of family circumstances, because of poverty, they have to do it. But if you miss basic primary education, your future, in terms of employment, health, building a healthy family, and of really having a gainful life is very bleak. So what we said was, "Let's do one big thing, rather than try to do too many things. Let's focus on education. Let's focus on literacy of underprivileged children, so that these children can develop in such a way that they achieve their full potential." Each of them is brilliant, let me tell you. They have fantastic potential. Based on this, we sanctioned more than \$50 million for Bharti Foundation. That foundation has a plan to achieve 550 schools covering 200,000 children from villages by 2010. I'm happy to share that we already have done 160 schools, covering 20,000 children; these already are running in four states of India. As we move in the next two years, we'll cover many more states of India. We are away from the urban areas. These schools are not in the urban areas. These schools are in rural areas where children have aspirations, but don't have resources. The children actually want to become software engineers. They want to become pilots. They want to become doctors. The only thing is, they are not getting that catalyst like they do in Bharti schools. We are reaching out and saying that we'll give them all education. We're starting with primary schools, then going to secondary schools. We are also helping parents to understand how important and how precious education is. Some parents are so poor that they really can't afford to educate their children. We are counseling our parents that it's important. The fees are nominal, which even the poorest of the poor can pay. This is a very special journey that Bharti has now started. As we build on one side a high quality telecom infrastructure in the country, we also build high quality social structure in education of underprivileged children in the country. We want this country to come up to its potential, which we have been losing for centuries. We think one of the biggest companies in the country owes it to the nation to do this. Employees are feeling proud. Employees feel that this company is not only about making money, but also this company is about genuinely and intrinsically contributing to

the nation, beyond the business. We'll have so many positive side effects of this contribution to social responsibility. In the long run, the company will become much stronger.

Business Model Reinvention (1197)

Manoj Kohli

Chief Executive Officer & Managing Director

Bharti Airtel Limited

When we started our journey in the sector in 1995, we knew that we needed deep pockets for this industry. The telecom sector demands a huge amount of funding, billions and billions of dollars. We also knew that Indian customers would need to be serviced with low prices, very affordable prices. Now, these two things actually didn't connect with each other. On one hand, we invest billions of dollars. On the other hand, we sell at a very low price. Obviously, we may not have a viable business plan. So we thought to ourselves, how do we get over this? If we are to succeed in this sector, then let's create a new paradigm. Let's create a new business model. On December 6, 2002, we had a meeting in Jaipur during which we decided that if we had to offer the lowest prices in the world, then we needed to have the lowest cost in the world. There was no choice. It was a necessity. So we said, okay, let's now modify the business model according to the needs of the customer; and we asked, what do we do? We initiated a huge, five-part outsourcing strategy. First, we outsourced our entire network to Ericsson and Nokia. We buy capacity from them not in terms of black boxes but in terms of Erlangs--Erlang is the measurement of traffic. So we buy capacity. And we make the payments to them when we utilize that capacity. Now, this was completely innovative--it was the first time in the world--and it took about six to eight months to convince the Ericsson and Nokia senior management, especially their CFOs. Their CFOs are tough, you know. Today our networks do 1.5 billion minutes a day, which is one of the highest in the world. It's been victorious. Second, we outsourced IT. We knew IT was something that we didn't understand. We are not an IT company; we are a consumer company. Let's not try to do something that we don't know. So we outsourced IT to IBM; and IBM, being the biggest IT company in the world, committed to it. Today, IBM deploys hardware, software, services, and people, and they take X percentage of my top line, which is the across revenues, every quarter. The third outsourcing initiative we took on was the call centers. Today we have 82 million customers, and even if half the customers make one call each a month, we have 41 million calls each month. Now, how do we cope with it? We aren't call center experts. We went to the world's best call centers--fortunately, those BPO companies are in India--and we outsourced to these BPO companies. The fourth outsourcing initiative was our tower companies. We build passive infrastructure. We have about 80,000 to 85,000 towers in the country, and we'll build many more in future. So we thought, why don't we share this infrastructure, rather than having every operator building a separate tower for itself, investing so much of resources--steel, cement, and so

on. Why don't we have three operators on the same tower and share the cost one-third each? We hived off tower companies, and we have two of the largest tower companies in the world with us now. We are sharing with companies like Vodafone, Idea, and many others in the country. The fifth outsourcing was on the distribution side. We knew we couldn't develop distribution in India. For example, today we cover 5,000 towns and 400,000 villages, and we can't establish showrooms and shops in all of them. So we said, okay, let's outsource to local entrepreneurs, guys who know the people locally and who have entrepreneurial spirit to carry Airtel brand. This venture was very successful. Today we have about 900 exclusive Airtel showrooms. We have one million non-exclusive retail outlets that sell soaps, shampoos, and so many other things, but they also sell Airtel. Overall, what we have done in this new business model is outsource all expertise areas to people who are better than us. And we don't mind saying it. They are better than us. We have kept to ourselves our core competence. Our core competence is customer management. Brand is so important for us. We don't outsource that. People management and motivation of our people, that's our job. Financing is our job. And, finally, regulation management is our job. These five things we do because that's our core competence. Everything else, we don't do. Everything else is done by our strategic partners, who have better domain knowledge, skills, and capabilities to help us. Today in the global telecom sector, the Bharti Airtel business model is looked at as most unique, most viable, and great for all emerging markets.

Collaborating With Partners To Scale (1199)

Manoj Kohli

*Chief Executive Officer & Managing Director
Bharti Airtel Limited*

We have always been, at Bharti, collaborating with customers and partners, because we believe that, for a small company like ours to grow and become such a large company of 125 million customers--which is third largest in the world after two Chinese companies--will not be easy. We need support and help from customers and partners continuously. I'd like to share with you two examples. Let me first start with our collaboration with IFFCO. IFFCO is the largest fertilizer company of India. It has 36,000 society offices all over India in the rural areas. It has 55 million members, farmer members, all over India. In the marketing company we picked up a small equity, and we said, "Let's have IFFCO as a partner as we go rural in India." Today we cover 385,000 villages in India, and we have a market share that is far ahead of any other brand in India in the rural areas. It's primarily because IFFCO and Airtel actually are working together in all these societies. When a farmer comes to buy fertilizer, insecticide, or pesticide, he or she actually buys Airtel, too. Also we are providing specialized content in Airtel by helping farmers to understand market prices, when they have to sell their output, understand costs of various resources they use, or to have a health line of their personal health or cattle health, etc. We have done a lot of agriculture content, which is vernacular content, because there are

15 recognized languages in India. We do content in different kinds of languages. This has been a great win-win. IFFCO has won because its own equity has gone up in the farmers' minds. We have won because our own acceptance in the villages has gone up, because IFFCO was already there. Now IFFCO and Airtel are coming together. Another example I want to share is more of a technology example, where IBM and Airtel have built an SDP, a service delivery platform, which is the first time after DoCoMo of Japan, and some European telcos had it, but no one else in the world had it. This service delivery platform is an engine that manages all the new products, all the entire ecosystem of content partners. There are 500 content partners. All of them can actually plug it into this platform, and they can deliver their content seamlessly. There is a billing that happens in a very transparent fashion. This controls the security, the privacy, and all of this is handled in a robust way. Also we are able to do a lot of up-selling and cross-selling because of our service delivery platform. This was actually a joint evolution by IBM and Bharti, because we felt that our knowledge is partial. IBM also wanted to build a large platform in a major telecom country. We again had a win-win. Both companies benefited, the customer is benefited, and our overall levels of knowledge have gone up. I think partnerships should be done proactively, when you see an opportunity. Either we can do that alone, or if you can't do that alone, then let's do it along with a partner. It's better that companies pick up partners early on in the stage, so the partner and the company actually work together toward a great success. If you do it a bit late, then you have already missed the potential of that opportunity, and if there is a difference in values and vision, partnerships don't work. You need to check out the DNA, check out the vision of our future. If it is congruent, then you will do it. If it's not, don't do it.

Embracing External Learnings (1195)

Manoj Kohli

*Chief Executive Officer & Managing Director
Bharti Airtel Limited*

Bharti Airtel is a young company. We turned 13 last week, which means we started in '95. We started on ground zero. We were a very small company, with a turnover of about \$5 million. We had no major capabilities, no major assets, no brand, no technology. We have become a company that is the second largest private sector company in India today, within 13 years. Let me share with you how we have done it. First, let me talk about the leadership team. We have been very conscious that our leadership team has to be global, because we felt that we don't want to be the best of India--we need to be best in the world. The leadership team we brought from across the world. Our CFO comes from the UK. Our customer service director comes from Italy. Our auditor comes from Australia. Our CTO, network chief, as well as CIO, IT chief, comes from the U.S. Of course, other colleagues who are Indians have certain global experience, which I think is very precious for us. We are bringing in best practices and great learnings from all those global companies into our young company. In many companies there's an internal culture of

rejecting new learnings. I think we are completely opposite. We embrace new learnings. We love to learn. We love to change. We love to go through proactive change before the market, before the industry requires us to change. There's a bit of a pain there, because when you change early, you have to go through pain, slightly higher pain vis-à-vis some other company which changes later. We are fine with that pain. That pain leads to a big pleasure, a big achievement of a larger market share.

[It leads to] a company which is much more proactive, a company that looks at the future much more intelligently compared to another company that reacts. In a similar vein, we have done the same with strategic partners. We have had many strategic partners in the last 13 years, great partners like British Telecom, Telecom Italia, Vodafone, and now SingTel. All of these strategic partners have invested money in our company. That is a small part of the contribution. A far bigger part of the contribution is good practices and great learnings, whether it's Vodafone, where we picked up huge amount of learnings; whether it is BT, how a large organization has to be run and controlled; whether it's Telecom Italia, how we keep at the cutting edge of technology. Finally

[with] SingTel,

[we had many] learnings of new products. We launched many new products after picking them up from the Philippines, Indonesia, or Thailand, where SingTel has operations. We have a slogan in the company that we shamelessly copy. We don't suffer from a syndrome that it's not invented here; hence I will not do it. So consciously, we copy. We of course adjust and acclimatize the product according to Indian conditions. You don't have to invent the wheel again, when the wheel is invented; you just need to adjust the wheel according to market conditions. Overall, we have built this corporation in the last 13 years from zero to 82 million customers, through hunger for learning--hunger for learning through our management teams, and hunger for learning through our strategic partners.

Encourage An Entrepreneurial Spirit (1200)

Manoj Kohli

*Chief Executive Officer & Managing Director
Bharti Airtel Limited*

This company is about change. Bharti Airtel, when it was launched in '95, started with an entrepreneurial spirit, which is very important for any new company. We also started with a lot of passion and enthusiasm of our employees for success. The culture we built, and the DNA we built, initially was very change-oriented. We believed that you should love to change; you should embrace change; you should not worry about the side effects of change. If you change faster, you'll be able to get on top of the market and hazardous competitors. Luckily for us, our competition was slow. They were large companies; they

were bureaucratic, hierarchic, and not eager to change. Change, and the speed of change, actually became the biggest weapon of Bharti Airtel. Let me come to the second stage, in 2005, when we initiated a new vision that we want to be the most admired brand by 2010. We initiated a new slogan called "think fresh, deliver more." We said that, as a company, we want to think fresh every day. We want to think about new solutions to old problems, new solutions to new problems, paradigm shifts, and things that are risky. Where you feel a bit of a risk, take the risk. Make mistakes, but don't repeat mistakes. The day you find out that there's a mistake, cut the cost on that day. But make mistakes. We encourage making mistakes. We encourage taking risks. Our culture was started as an EE culture, entrepreneurial-entrepreneurial culture. That's good for a start, but it's not a sustainable culture. Then we changed it to an EP culture, entrepreneurial-professional culture, where an entrepreneur leads it and professionals follow. This was important, because we had to build a large company. Now we are at the third stage, which is a PE culture, professionals-entrepreneurial, where professionals are leading, and professionals themselves are entrepreneurs to build the future. The fourth stage is PP, professional-professional, which you don't want to go to, because all the large multinationals are at PP stage, where they have lost the entrepreneurial edge of the company. We never want to be a PP company. We'll stay as a professional entrepreneurial company, where professionals, like me and my senior colleagues, are actually building the future, building many more Airtels out of the present Airtel by being entrepreneurs. I'm not a professional alone. I'm an entrepreneur. We're giving this kind of an ethos, and building this DNA, across all the leadership team members. They actually get a plus factor over their normal professional duties by being entrepreneurial, taking risks, and doing some experiments that no one else tries to do. More often than not, they succeed. Even if they don't succeed, we don't mind it, because we need to be different. We need to achieve the success, not through money or funding, but through intellectual capability.

See Disruption As An Opportunity (1198)

Manoj Kohli

*Chief Executive Officer & Managing Director
Bharti Airtel Limited*

Our industry, the Indian telecom industry, has been a story of disruptions. Some we have responded to. Some we have left. Let me give you a couple of examples. One example is from 2003 when our CDMA competitors--CDMA is a technology, by the way--launched big moves in the market to conquer the market. We had to respond with something different, something that changed the playing ground. So we launched EasyCharge for our prepaid system, which converts the paper coupon into electronic recharging. We positioned it so well--and fortunately we had a hero from Bollywood, Shahrukh Khan, to help us position it on television--that customers and retailers picked it up very fast. They felt that this was something that was at the cutting edge. This was technology coming into the hands of all kinds of people. Even if you don't understand technology, or even if you

are not too educated or literate, you still can use the technology, because it's so easy and convenient. EasyCharge became a huge wave across the country. The second example I want to give is later in 2004, when again we had a huge attack from some CDMA companies in the marketplace and where we started losing market share. We came out with a new idea called lifetime prepaid, where customers get free incoming calls for life. Customers in India have a psyche that they don't like paying for incoming calls. That became a rage in India. When we developed that product, I remember my time with my marketing chief. We said, "Let's develop a product that is close to the heart of the customers." Then we said, "Let's de-risk it from the company's point of view, so that we don't hand over so much that we risk the company or risk the revenues." The tariff actually was higher, but the positioning of the product was so attractive. Within a matter of two or three weeks, millions and millions of customers in India started flocking to the shops to pick up that product. Lots of competitor shops closed because of that. Today, if you ask a normal Indian customer, he'll say, "We want to use Airtel. We want to use the lifetime product of Airtel." That has become today 30-40 percent of our normal sales; even today, after four years, it sells well. You need to respond to such cases of disruption carefully. You can't react. You should never react. You should go behind the mind of a competitor. Why did the competitor do it? What is the benefit here the competitor felt it would achieve? If you want to do a "me too," that's very easy. You can respond within 24 hours. But for a brand like Airtel, we never thought so. We said, we'll not do a "me too." We'll take it to the next level. We'll lift the aspirations of the customer to another height. So the customer really forgets that intervention of the competitor, and comes to us. The objective was to convert the threat into an opportunity.