

Institute for
High Performance

Idea Cellular: Establishing a local sales channel in low-income markets

By Raghav Narsalay, Ryan T. Coffey,
Aarohi Sen and Smriti Mathur

Case Study

A large teal chevron graphic pointing to the right, positioned behind the text "High performance. Delivered.".

High performance. Delivered.

The telecommunications industry is one of the most mature and established industries in low-income markets across India. In urban centers and small cities, fierce competition for low-income subscribers is leading to market saturation. But a wave of fresh growth is under way, thanks to new thinking about how to reach those who have not yet participated in the telecom revolution. Case in point: IDEA Cellular launched an innovative sales model that helped the company rapidly build relationships with a large and entirely new group of low-income Indian consumers in remote towns and villages.

Impact of the inclusive business initiative

To succeed as a telecom provider in rural India, scale of the subscriber base is critical. It's needed both to keep the price-per-minute down, and to make it possible for the company to recover its costs for developing infrastructure. Given that small cities in rural India were already becoming saturated, Idea Cellular concentrated on reaching smaller villages clustered around them. These villages were largely ignored until then—lower population density made them more expensive to serve than urban areas.

Instead of emulating its competitor's hub-and-spoke model, Idea developed a direct distribution model to acquire and serve its customers. The company successfully integrated a village distribution and sales network into its small city and wider regional operations. The key to the network are local territory sales executives (TSEs)—indigenous villagers, often recruited under Idea's "Sons of the Soil" initiative, who run day-to-day sales operations in small villages.

The TSE model has been delivering both business gains and societal value. Thanks to effective recruitment and motivation methods, these employees quickly contributed to improving the company's bottom line. While providing employment to rural youth as TSEs, the model's ability to connect with customers in small villages has allowed Idea to rapidly scale its rural subscriber base.

Within a short time of launching its TSE network under the broader umbrella of Crack Sales System (CSS) Initiative, Idea became India's fastest-growing telecommunications provider. Thanks to rapid uptake of new mobile users in small villages, Idea's addition of new subscribers increased to 300,000 per month, up from 100,000 before the launch of the new strategy. Currently, Idea has also created over 3,000 jobs in rural India through this initiative. Incomes of its new rural employees have increased rapidly, doubling in many cases within a couple of years, and the incomes of new rural employees typically doubles within 2–4 years.

Barriers to scale

Low retention rates of local sales people: Initially, the company faced high human resource costs due to high attrition rates among TSEs. TSEs hired by Idea would often be poached by competing firms once they had been trained.

Infrastructure deficits: The average monthly operations cost for a rural site was much higher than that of an urban site. Insufficient supply of basic utilities such as power drove the higher costs.

Inflexible enterprise IT systems: Idea's rapid growth strategy in rural markets strained its enterprise IT systems. The company often experienced difficulty integrating new acquisitions into its operations due to either company- or regional-level differences in IT systems and standards. Equally important, the firm faced challenges in scaling its IT systems to keep pace with the explosion of new subscribers.

Strategies for success

Reforming organizational structure:

Managing a village-level sales force and coping with infrastructure deficits (e.g. lack of power) presented Idea with major challenges. The company determined that its existing HR and distribution systems were ill-equipped to address these challenges. Instead of adapting the company's existing processes—which could have led to inefficiencies in its core business—Idea formed a wholly owned subsidiary, Idea Cellular Services Limited (ICSL), to manage its rural sales force and distribution operations. Critically, Idea provided ICSL with the autonomy to address the unique challenges in rural markets.

The change in organizational structure quickly proved a success with TSE retention. While Idea had struggled with this, ICSL quickly developed new processes to improve retention rates. For instance, ICSL took control of developing and managing a new role, Field Sales Trainer. Through customized training for local markets, Field Sales Trainers improved TSEs sales efficiency and, as a result, their monthly income. Additionally, ICSL was instrumental in implementing an IT-based feedback platform which not only allows TSEs to express their problems but also provides Idea with a valuable source of grass-roots market intelligence.

Promoting the right organizational

culture: Idea's leadership has promoted an organizational culture that is focused on the business opportunity in low-income markets. It has launched firm-wide initiatives to effectively communicate the importance of low-income markets to the company's growth strategy. Each new recruit in Idea's corporate offices—located in higher-income urban areas such as Mumbai—is required to complete an orientation course on business development in low-income rural markets. In addition, Idea's leadership has taken steps to ensure that TSEs are aligned with the company's culture and are encouraged to communicate with Idea's management. They typically report sales results directly to Idea's middle managers and are asked to join regular meetings with the company's regional management.

Developing unique skill specifications for

local sale personnel: Idea discovered that effectively assessing local sales recruits is a unique process in low-income markets. The need to control personnel costs in these low-margin markets makes effective recruitment especially critical.

While competence in local languages and literacy is a non-negotiable priority, Idea also requires ICSL recruiters to place equal importance on nontraditional specifications. One is that sales recruits hold strong social standing among villagers. For instance, as part of its "Sons of the Soil" recruitment initiative, Idea often targets individuals with training in the Indian army. The discipline and leadership skills of these recruits often make them effective sales personnel but—even more important in the context of rural Indian villages—they often occupy a social position and respect among villagers that helps create trust in the company's offerings.

Company information

Idea Cellular is the third-largest mobile services provider in India in terms of revenue market share. As of July 2012, Idea was serving 120 million Indian customers and managing network usage rates of 1.4 billion minutes per day, making it one of the world's largest telecommunication operators by network volume. In India, Idea hosts the highest share of rural subscribers as a percentage of total subscribers, with two out of every three new Idea subscribers located in rural India.

About authors:

Raghav Narsalay leads the research team in India for the Accenture Institute for High Performance. He is based in Mumbai.

Ryan T. Coffey is a senior specialist with the Accenture Institute for High Performance. He is based in Mumbai.

Aarohi Sen is a specialist with the Accenture Institute for High Performance. He is based in Delhi.

Smriti Mathur is a senior analyst with the Accenture Institute for High Performance. She is based in Delhi.

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