

Revamp, Rise, Reinvent

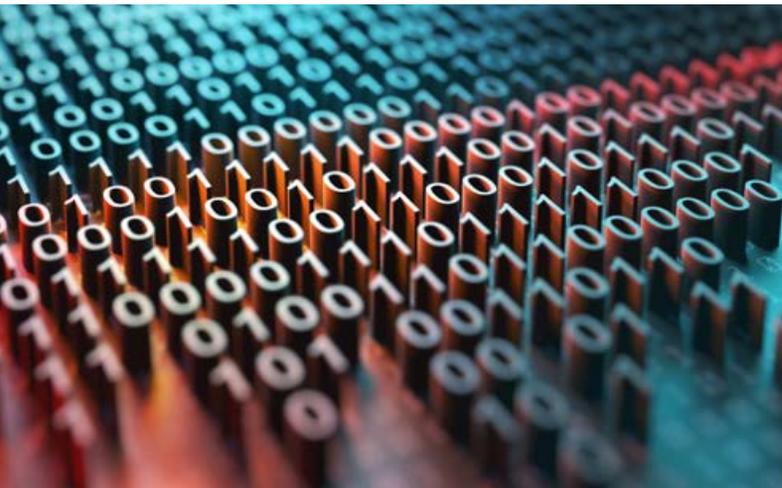
XL Axiata wears extra large for transformation



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“The movement from voice and SMS to data services is much faster than we expected,” comments XL Axiata CEO Dian Siswarini on the rapidly changing Indonesian market. But, in a nation where 98 percent of subscriptions are prepaid, loyalty is low and churn is high. Telcos must satisfy the demand for data services with an experience that keeps users happy.

By Gary Maidment



The only way is digital

Though the consumer shift to data is a well-known global trend, the speed at which it's happening requires telcos to react with extreme agility. For a large business that's dragging a slew of traditional practices behind it, transforming into a nimble digital player is tough: “It's not just about the business model or product; it's about the whole mindset of our employees. Transformation has to be supported by the right

organizational structure and the right policies and strategies,” explains Siswarini. “It isn't something that can be done overnight, and so we're taking baby steps.” With a special division assigned to digital business, XL Axiata is progressing well in areas like finance and advertising for B2B customers. But, for Siswarini, “The most challenging part is making our core business more digital and more agile.”

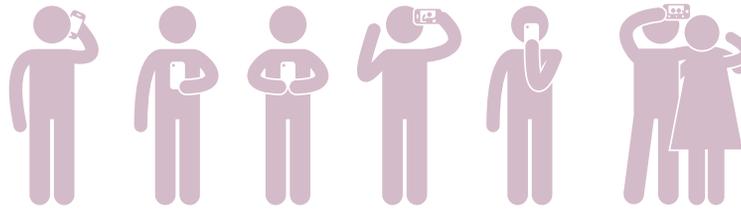
Voice has gone quiet

On top of digital transformation, Indonesia's unique market dynamics heap additional complexity onto telcos in the consumer domain. For one thing, the prepaid dominance and trend for daily top-ups are hard cycles to break when only 60 million of the archipelago's 250 million people have bank accounts. The recipe is perfect for strong churn and weak loyalty: “People have a tendency to buy a new SIM card every month,” says Siswarini, “and some change them two or three times a month. They just keep churning.” She also believes that the burgeoning appetite for data encourages disloyalty because subscribers care less about changing their phone number if they're using data more than voice services.

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— Dian Siswarini, XL Axiata CEO





XL Axiata's 3R strategy

The shift to data will only grow with Indonesia's increasing smartphone penetration, which tops 40 percent now and is predicted to rise to 47.6 percent by 2019.

What's a telco to do?

XL Axiata upscaled its operations and subscribers in 2013 with the acquisition of local rival Axis from Saudi Arabia's STC. Even so competition remains fierce, further cementing the fickle nature of Indonesian subscribers because there's so much choice out there: "There are still six operators offering data services even after the acquisition," says Siswarini. "This means there's an abundant supply of network capacity for consumers."

An obvious response to strong competitive forces like these is to reduce prices, which has had an equally obvious consequence. "The pricing level for data services in the Indonesian market is one of the lowest in the world," comments Siswarini. XL Axiata, for example, offers 100 MB of data for 1,600 rupiah (US\$0.12), less than half the price of one of its competitors.

Though an effective short-term approach, competing on price alone isn't an effective strategy for the long-term.

Something more is needed than "just selling subscribers access," says Siswarini, which can only take telcos down the dumb pipe route. "Previously we were known as a price leader [but] unless you have a very good cost structure model, that isn't sustainable." To raise its game, XL Axiata has started bringing rich content offerings to the table framed under its new 3R strategy. The main aim of 3R is to get firmly back in the black with new business models that center on data services.

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Revamping involves shifting the telco's business model "from volume-based to value-based to cut churn and create a more sustainable business environment," says Siswarini. Rising up what she terms the "segment ladder" means developing a cohesive business model that shifts away from the low-price value proposition because, she explains, "You can't position yourself as a price leader and then say, 'oh we want high-end subscribers.'" This segmentation is designed to give access to more people, then deliver high-value services under the XL brand. "Reinvent", according to Siswarini, is the digital transformation part of the 3R equation, reflecting the medium- to long-term goal of evolving from a telco into a strong digital player.

In the near term, the ways to “Revamp” and “Rise” are to get people connected at a good price and offer great content bundles with flexible pricing, which is what XL Axiata is doing.

Entertaining subscribers the 3R way

“It’s content that demonstrates the value we can offer,” states Siswarini. Alongside the Yonder music app, XL Axiata offers VoD and live services on its Tribe platform for people to watch sport in real time and stream their favorite shows – a lot of Korean soaps in Indonesia’s case. Alongside content, Siswarini points out that XL Axiata’s pricing strategy is no longer locked in on winning a price war, “It’s flexible and doesn’t just focus on service or traffic quotas like gigabytes,” instead taking a broader approach that’s designed to engender loyalty and encourage more postpaid subscribers. And it’s working.

Starting to reshape the market

The 12 months leading up to September 2016 saw an 18 percent growth in postpaid subscribers for XL Axiata, taking numbers past the half million mark to top 1 percent of its 45 million subscribers. During the same period, the company’s ARPU increased by 8 percent. In a market as unique as Indonesia, these gains are very promising. The uptake of postpaid deals implies an increased stickiness that’s rarely been seen before, while the ARPU jump shows that people will pay for decent content.

Wait, how many terabytes?

But doing all this requires some serious network muscle, especially when the 12 months leading up to September have seen XL Axiata’s total traffic load skyrocket by 145 percent from 136,188 TB to 334,910 TB. Anticipating this trend, the telco spent US\$250 million on its 4G LTE network in 2016 under the 3R strategy. As Siswarini puts

it, “Only 4G can deliver a good data experience.” Indeed, the investment has proved to be timely and wise, “Now, we’ve become the biggest LTE provider in Indonesia [and] as people move to LTE, ARPU increases.”

Equally, XL Axiata’s UMTS 900 project with Huawei is delivering rapid ROI, “We deployed 5,000 U900 sites with Huawei in just one month, a record for a non-China market,” says Siswarini. Using a low-frequency 3G band, U900 is an outstanding network performance solution that ticks boxes in the areas of superior 4.5G voice fallback, MBB coverage, and data service experience. According to Siswarini, the impact of implementation for consumers has been significant, “In just one month, data traffic increased by more than 30 percent...U900 gives a better experience because the U900 network spectrum travels farther than a 2.1 GHz network.”

A partnership for the long-haul

Gone are the days when a telco can just be a telco and go it alone. Siswarini believes in the value of long-term partnerships and approaching digital transformation with a player who knows the game well, which in her words means “someone who’s more knowledgeable and experienced than us at delivering digital services.” According to Siswarini, Huawei can help “because it knows about transformation, having transformed into an IT leader from a telecom equipment vendor.” As she points out, “It’s not only about the platform, network, or technology; it’s about how to fit this system into what consumers want. It’s in the revamping, in the adjustment, even on a daily basis. So, agile operations are what we need from Huawei.”

XL Axiata has the internal commitment and strong partnerships to propel transformation, network upgrades, and the 3R strategy. The telco is well on the way to reinventing itself as a leading digital player that doesn’t just respond to consumer habits, but also has a hand in shaping them. 