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SALES AND DISTRIBUTION IN THE DIGITAL ERA

Sridhar Marella
Chief Architect

Padam Jain
Solution Consultant

Viswanathan Ramaswamy
Vice President

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Abstract

Sales and Distribution (S&D) in the retail mobile segment of Telecom Operators is undergoing a massive shift. Systems that catered to traditional (S&D) activities were originally limited by being too rigid in their capability to adapt to the differences in processes and functionalities arising from different markets. Additionally, the oncoming 'Digital Era' poses newer challenges where the interactions applicable in the distribution networks themselves are undergoing a massive shift.

While the developed markets have a significant population that interacts through digital channels, the developing markets have their own dynamics with very large segments of population that still depend on face-to-face interactions and where internet penetration is a big challenge. In these markets, both traditional and new age digital capabilities must co-exist.

As such the current designs of S&D systems are insufficient to meet the needs of the evolving Digital Era – in all markets - as they are limited by a traditional understanding of retail distribution chains.

This paper attempts to provide certain insights into the nature of the changes and the corresponding architectural demands on S&D systems of the future that cater to the Developing Markets.

Sales & Distribution in the Digital Era

Overview

Telecom operators (Telcos) in the retail mobile segment are under tremendous pressure. Together with falling revenues, the advances in Digital are creating new challenges. Traditionally, the approach of accessing markets through elaborate distribution channels was quite successful.

With the onset of the Digital Era, as consumers start interacting with the operators through multiple digital channels, the physical point-of-presence will cease to be the primary point of interaction for sales. These points-of-sale will have to transform from purely retailing centers to encompass many more aspects that contribute to customer experience with upselling / cross-selling being a significant component of their function.

The relationships amongst all the constituents of the supply and distribution chain will undergo a radical shift in the Digital Era. Efficiencies in the supply-chain built over decades will undergo dramatic changes, further eroding the profitability of Telcos.

Market Influence on Digital Distribution

Before we examine the impact of the Digital Era on the Telecom S&D chain, we must understand that different markets have different needs for distribution networks. In the Developing Markets that have a very large under-served population, distribution networks are the primary vehicles for sales. Here, new customer acquisition is a significant focus of these networks. Going forward, both the classical channels and the digital channels will co-exist, thereby posing even greater problems of operational management.

In the more developed markets, the emphasis is more on upsell / cross-sell of additional services since new acquisitions are relatively lower. In these markets, the shift towards Digital has its own set of challenges.

Traditional IT solutions that cater to Sales and Distribution (S&D), have to be redesigned to handle this shift. This paper will focus more on Developing Markets where the problem is more acute.

Key Entities of S&D Systems

Let us examine the key building blocks of the classical S&D systems first. The figure below shows the fundamental business entities of the solution. Each of these entities has under it a hierarchical structure of sub-entities.

This paper will look at the potential changes in each of these dimensions – and their associated transactions.

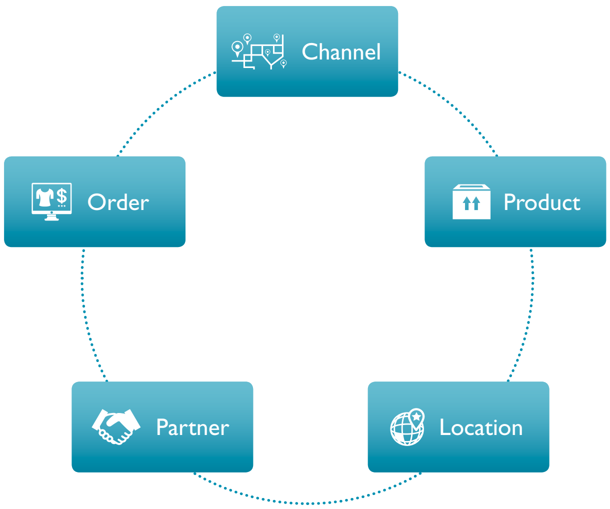

Figure 1: Fundamental Entities in Distribution

Blurring of Channel Boundaries

The figure below shows the classical categorization of channels. In the traditional selling, each of these channels had a different set of partners, an overlapping but distinct set of products sold through them and so on.

As we move into the Digital Era, while the non-direct channels will continue to perform their current functions, they also have to cater to completely new demands. Customers will increasingly interact with the operator through their own self-service channels. From a sales standpoint, it is more important to ensure that all products and services are available at the self-service point of sale. Conversely, the non-direct channels will have to move beyond selling mere voice and basic-data related products and look at additional services - become device collection points and act as extended customer service endpoints. Thus, these non-direct channels will become more like direct channels.

Shrinking of Partner Hierarchies

New partnerships are emerging with various suppliers who are directly involved in fulfilling requests for new services and not merely in forwarding requests for fulfillment in a long chain.

New devices have to be delivered inperson to subscribers. The role of the partners has to change to receive devices from various third-party providers, to bundle these devices as per the operator's plans and to upsell. Thus, in the Digital world, we will see a disruption of the distribution chain. A product-specific relationship amongst suppliers and resellers / retailers will now be established – where any distributor can supply to any retailer a specific product.

Territory Management and Sales KPI Management

As both structures - channel and partner structures - change in the digital world, the measure of sales by territory will also have to be relooked. Traditional sales KPIs look at measures like gross-adds, product-based revenues, device sales by revenues and by volumes and so on – measured specific to the territories where the sale actually occurs.

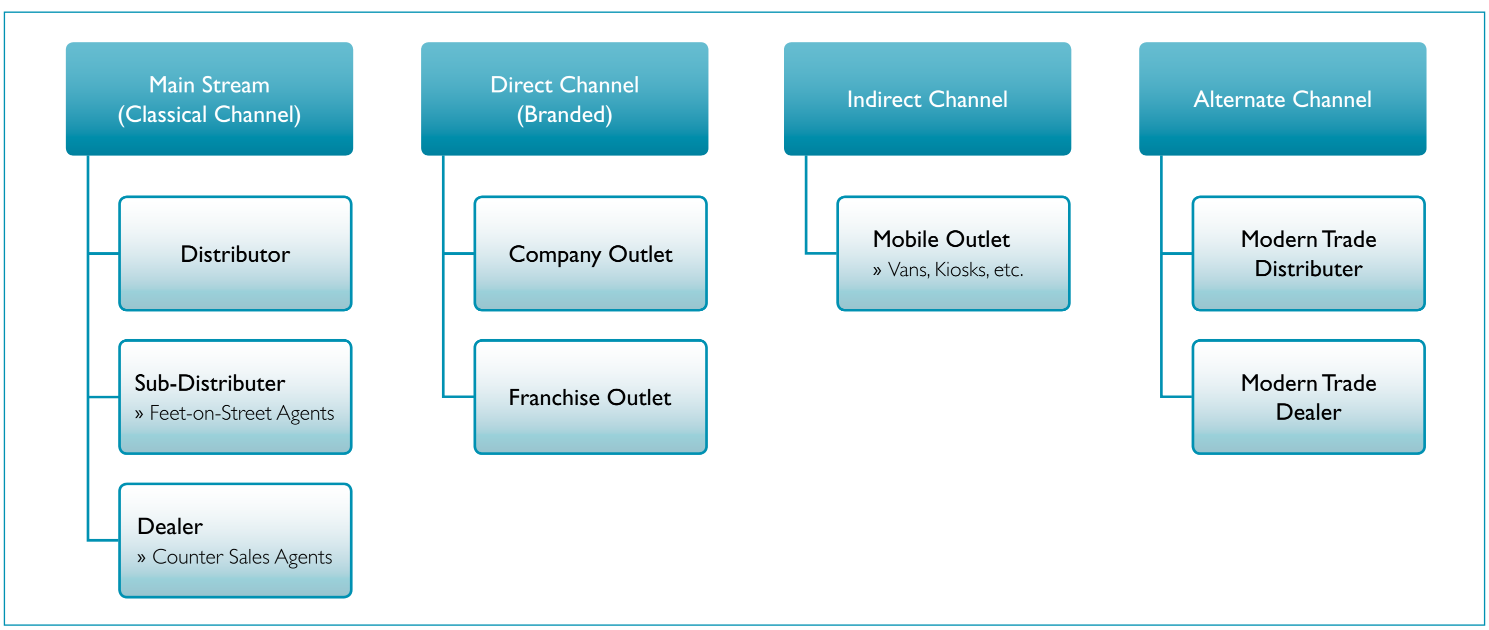

Figure 2: Typical Channel Structure in Sales & Distribution

Systems that do not support gathering of data pertaining to sales though digital channels will not be able to cater to the future needs. S&D systems will have to define new logical territorial boundaries that overlay physical territories for Digital Distribution separately (or in some cases completely do away with the dependency on territory definitions).

Products and Services

Traditionally operators served customers with Telco products like Voice and Data based products and plans. In the Digital world, the biggest change will be the proliferation of partner products – for which operators will forge new partnerships. This implies that certain resellers who only sell one type of "Telco-only" products may reduce in number significantly. This will have significant implications in terms of the modeling of eligibility rules for product availability for various partners.

Architecture of the Future S&D Products

When we look at the changes imposed by the digital era, we must bear in mind a key principle of designing systems: either make a system highly configurable or adhere to its definitions strictly. Both these approaches have their pros-and-cons.

Based on the above characteristics, the future S&D applications will have some newer architectural blocks in the coming days to support the Digital Era as shown in the figure below.

In the figure above, there are certain blocks marked specifically to cater to the 'Digital' functionalities explained earlier. These blocks are the ones that do not exist in traditional solutions for S&D solutions. Let us examine the role of these 'add-on' capabilities with reference to the figure above.

Mobile Interface: This will be the de-facto interface for any interaction by the users of the S&D solution. The mobile interface will have to present interfaces to all the different actors involved in the S&D chain: Retailers, Distributors, Operators and end subscribers.

In Memory Caching: As the users (described above) interact through multiple modes of interaction, there needs to be a capability that enables users to move between different modes of interaction during the course of their transactions without loss of information.

API Gateway Layer: In the digital world, many of the capabilities described above would reside outside the enterprise and to fulfill a business process, interactions with those capabilities is necessary. As the scale of interactions grows, a robust infrastructure – provided by the API gateway - to handle these interactions is necessary.

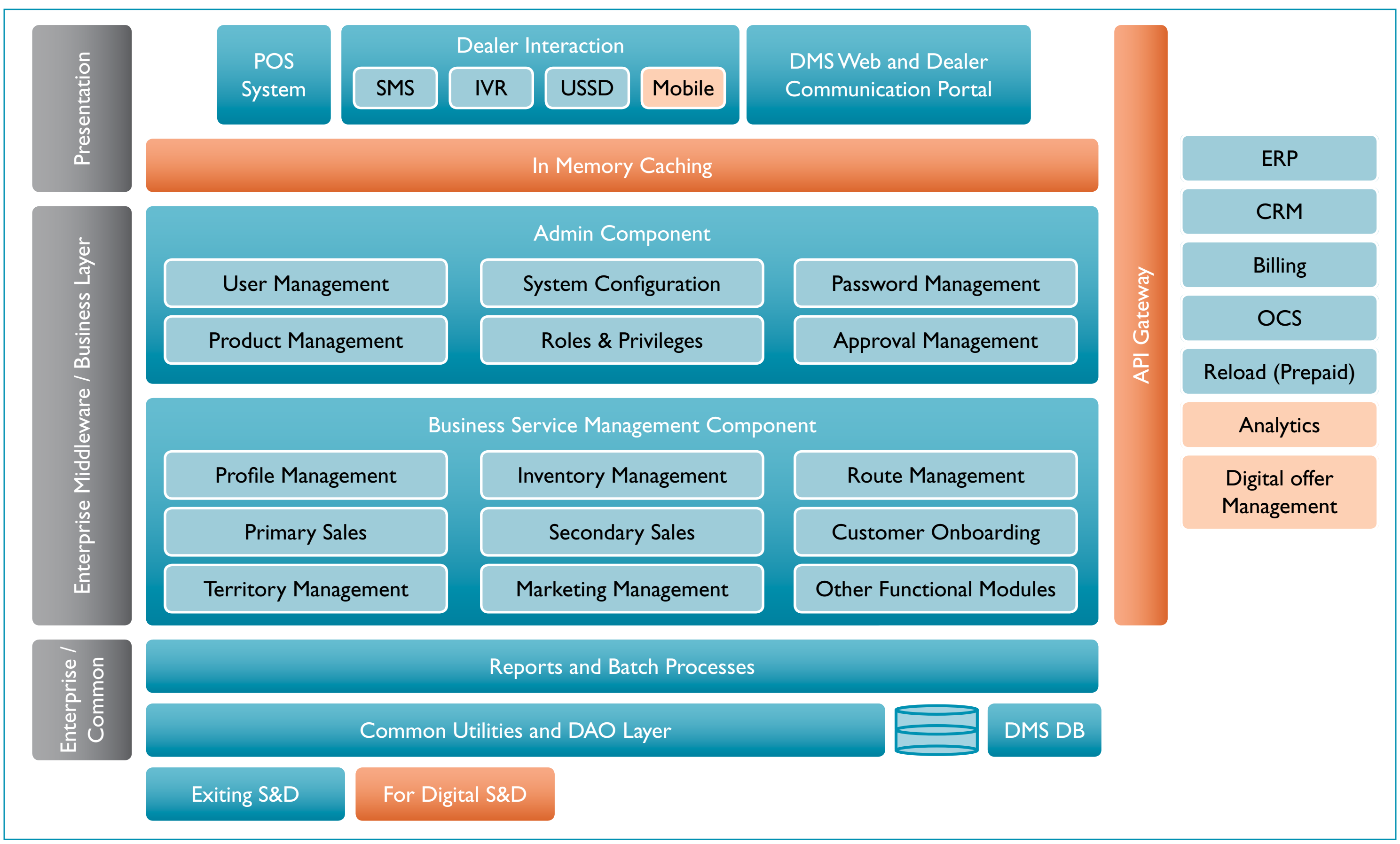

Figure 3: DMS Architecture to meet the Digital Future

Analytics and Offer Management: While analytics as a capability already exists in all enterprises, their access by S&D systems in the decision making process is not prevalent. Analytics provides the necessary data to push new product promotions for retailers and distributors, create real-time offer management capabilities etc.

Traditional S&D systems lack these capabilities and as we move into the 'Digital Era', solution providers who offer these capabilities will help operators to be winners by engaging their channel partners in completely newer ways that were hitherto not possible.

Conclusion

Traditional boundaries defining the distribution channels, partnerships, products etc. are undergoing rapid changes today and will rapidly accelerate in the coming years.

Any system meant for supporting S&D must gear up to meet this future. Key amongst them are the changes to the five basic elements that constitute the building blocks of a S&D System – Channels, Partners, Territory (Location), Products and Orders. The implication of Digital on these aspects will necessitate a new architecture and introduce new architectural blocks into current systems.

We have examined the implications of these changes as also the capabilities required to handle the challenges posed by these changes. Operators who do not make this change will neither be able to manage the complexity of sales through digital channels nor be able to handle operational aspects pertaining to introduction of new kinds of partners and products.

About the Authors

Sridhar Marella is a Chief Architect for a portfolio of large accounts in the Communication Service Provider business of Wipro. His experience spans both wireless and wireline industries. He has been responsible for creating multiple solutions for clients around the globe in Asia, Europe and the US spanning OSS / BSS and Enterprise IT. He was the architect for a recent Sales and Distribution transformation for a client across multiple countries.

Padam Jain is a Solution Consultant in the Communication Service Provider business of Wipro Provider industry. He has in-depth knowledge and experience not only in wireless but also in wireline industries. He was the business architect for a Sales and Distribution transformation project, concluded recently, for a client across multiple countries.

Viswanathan Ramaswamy (Vishy) is Vice President in Wipro, handling global technology competency and practice for the Communications Service Provider industry. He heads a team of telecom domain professionals experienced in areas of OSS, BSS, SDP, telco cloud, network applications, etc.

With over 26 years of industry experience in the telecommunications field, Vishy's expertise ranges from R&D, project implementation to network operations. Vishy is an IP networks and OSS expert, with current knowledge of IT and network convergence. He holds a Masters degree in Electronics & Controls and Bachelors in Electronics and Communication Engineering.

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