

STRONG Connectivity

The telecom logistics industry is working as a catalyst to aid India in its growth as a global telecom manufacturing hub. Remya Philip reports

The ubiquitous prevalence of telecommunications in the country is due to a silent and swift revolution which has transformed India's obsolete communications industry beyond recognition. Today, India is on the cusp of a telecom revolution, with spin-offs percolating to every strata of society. The slow pace and the obscure technology of earlier communication systems are quickly receding into the past. India's enviable new telecommunications systems are in line with the best available across the globe.

A KPMG analysis revealed that the Telecom Regulatory Authority of India (TRAI) recorded a total telephone subscriber base of 688.38 million as on July 31, 2010. The teledensity consequently increased to 58.17 percent, considerably higher than the 41.08 percent recorded last year. The wireless subscriber base too amplified to 94.78 percent by the end of July 2010 of which 30.72 percent was from the rural areas. With such remarkable growth rates, the telecommunications industry is in a boom phase.

The success story of India's telecommunications has opened the door to an equally thriving industry in the field of telecom logistics. LOG.INDIA caught up with prominent

telecom providers and 3PLs to find out how they keep telecom logistics running.

The Chain Of Supplies

The supply chains of all the leading brands like IITC, Samsung cell phones etc. follow a similar cycle, which goes like this — since most of these brands get equipment manufactured in China or Taiwan, the equipment is first imported from manufacturers based in China and Taiwan and transported to warehouses spread all over the country. Nokia is an exception to this as they have a manufacturing plant in Chennai. Most of the equipment comes fully designed and assembled after which their MRPs are set at the Indian warehouses. The cost is decided on a per unit basis with a final price tag that includes a fixed cost for the logistics involved.

From the warehouses, the equipment is distributed in essentially three ways:

- Tele forward agents — They carry out regional distribution in the north, south, east and west of the country.
- Super stockist agents — They are responsible for distribution within the various states.
- Direct distribution — Distribution within towns and metros.

Ericsson, one of the world leaders in telecom network equipment, has been associated with the Indian telecom industry for more than a hundred years. The corporate has set up factories for telecom equipment in Sweden, China and Jaipur. Almost 70 percent of the network equipment originates from Jaipur while the rest comes from Sweden and China. From the factories, the equipment is transported to warehouses and then to various sites. At the sites, equipment is installed and integrated as per the operators' requirements.

Bharti and Vodafone are among the operators Ericsson extends its

services to. In the case of equipment from Sweden and China, they are imported by either air or sea, after which they are transported to the respective operator circles in India.

Chinese distributors are playing a powerful role in the Indian telecom supply chain. With their low prices, they have made cell phones affordable. But the flip side is that the local manufacturers suffer as they are compelled to set their prices extremely low to compete with the Chinese.

Tej Nirmal Singh, Director and Head-Supply, Ericsson India Pvt. Limited, believes that "The Chinese distributors are very aggressive when it comes to both price and delivery. However, operators like Bharti and Vodafone who are our clients for example, do not use Chinese equipment thereby establishing their loyalty to us. In any case, the existence of Chinese distributors is a good thing because they constantly keep us on our toes, especially by playing on costs."

Since time is of the essence, telecom providers work in synergy with 3PLs to speed up the supply chain. The 3PLs, in their pursuit to fulfill the rising needs of consumers in the shortest possible time, are constantly inventing new ways to get their job done effectively.

Role Of 3PLs

Spear Logistics based in Pune started providing warehousing and distribution services to Airtel in 2003-2004 when telecom was in a nascent stage of growth. They have over 60 warehouses spanning about 1,600,000 sq.ft of warehousing space with supporting infrastructure and capital investment. Their other clients include Aircel and Essar Telecom. As a 3PL, Spear provides contract warehousing services and also manages secondary transportation, with their own delivery systems, for some customers.



The Chinese distributors are very aggressive when it comes to both price and delivery. However, operators like Bharti and Vodafone do not use Chinese equipment."

— Tej Nirmal Singh,
Director and Head-Supply,
Ericsson India Pvt Ltd

Most of the equipment comes directly from manufacturers to warehouses. B2C products such as cell phones and accessories are delivered to clients who are located all over the country. The locations include Tier-1, Tier-2 and Tier-3 cities. Passive and network telecom equipment travels from warehouses directly to sites. Various modes of delivery are used including primary road transport, express door deliveries by road, air and couriers.

The IT systems including the WMS deployed by 3PLs help keep track of inventory in terms of volume. A carrier management team exists to keep track of trucks while they are in the process of transporting equipment. Most telecom service providers have a regional warehouse in the Tier-1 cities of each state, enabling efficient distribution to retailers.

Drive India Enterprise Solutions Limited (DIESL), a TATA group company and a leading provider of integrated logistics solutions, offers services to well-known telecom companies such as TTSL, Virgin Mobile India, Nokia Siemens Network, Maxx mobiles etc. The company transports the entire gamut of telecom equipment from SIM cards to towers and generators. Though the corporate has its own dedicated vehicles to transport equipment, it also uses vendor networks depend-

ing on the client's requirements. The company has more than 176 warehouses with WMS and IT tools, spread all over India managing over 1.25 million transactions per month.

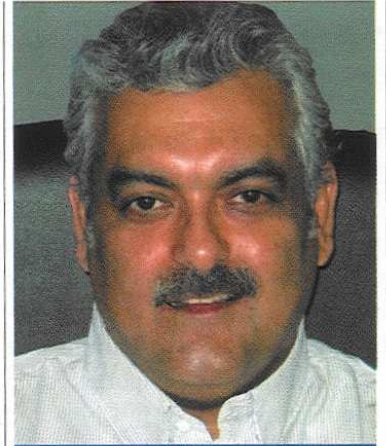
DIESL provides kitting and packaging services as well for some of their clients like TTSL, TTML and Virgin. The use of state-of-the-art SAP based ERP systems aid in maintaining accuracy and clarity in inventory management through periodic inventory audits and freight management.

DHL, which is already renowned for its 3PL services, provides services for telecom as well. Alcatel Lucent and Ericsson are just two of the brands on DHL's list. Their role in supply chain management for telecom involves mainly two services — customs clearance of the cargo and delivery to warehouses. In order to ensure timely delivery of their services they see to it that the cargo is dispatched to the respective locations within 24 hours after customs clearance.

Most of the 3PLs have training programs to train labour at their warehouses to carry out functions like MRP, bar-coding, labeling, etc. Reverse logistics is one of the value-added services that nearly all 3PLs provide. This involves bringing back faulty equipment for repair to the warehouses and then sending them to their respective manufacturer service points. A close looping system is followed to ensure that repaired or replaced equipment are brought back to the warehouse in due course.

Bright Future

Ernst and Young predict that India's telecom service revenue will hit US \$55 billion by 2012 and in doing so, contribute over 6 percent to the GDP. At this rate, India's objective of emerging as a global telecom manufacturing hub is easily attainable.



We are at a stage when everyone is mindful of the fact that costs must come down. This helps bring about consolidation leading to lesser work, but of much higher quality."

— **Gautam Dembla**,
Director,
Spear Logistics



• Spear Logistics has over 60 warehouses which span about 1,600,000 sq.ft of warehousing space.



Equipment stored in racks at a warehouse of Spear Logistics.

And the way things stand now the logistics of telecom will only help hasten this process.

With telecom providers and 3PLs working earnestly to provide time and cost effective services, Gautam Dembla, Director, Spear Logistics rightly sums up the Indian telecom logistics industry by saying, "We are at a stage when everyone is mindful of the fact that costs must come down. This helps bring about consolidation leading to lesser work, but of much higher quality. The penetration is so high that today even rural areas are receiving services of the same quality as the urban areas." The telecommunications network with its growing strength and connectivity is thus going to help India's telecom industry retain its well-earned global recognition for a long time. 🌅