CASE STUDY

DataWind: Providing affordable tablets, apps & Internet to India's low-income households

DATAWIND

BCtA Commitment

DataWind joined the Business Call to Action (BCtA) in 2014. The company aims to bridge the digital divide in India by providing affordable mobile Internet devices.

By 2017, the company has committed to sell 5 million of its Ubislate tablets in India. DataWind expects to sell more than 80 percent of them to customers who live on less than US$8 per day.

Key company facts

Country of headquarters:
United Kingdom (originally Canada)

Year of foundation: **2000**

Number of employees (2014): **196**

Annual turnover (2015):
US$42 million

In Short

Low-income communities in India have disproportionally high illiteracy (up to 36 percent)[1] and school dropout rates (42 percent for grades 1 to 8).[2] DataWind addresses these challenges by providing its low-cost Ubislate tablets to consumers who previously could not afford an Internet-ready device. In this way, the company is helping to provide low-income communities with high-quality education and empowering students and teachers.

DataWind has designed the Ubislate to be affordable (it costs US$40-50)

"There are over 4 billion people without Internet access in the world. We've created a patented technology to bridge this digital divide."

— Raja Singh Tuli
Co-Chairman, DataWind

to offer access to e-learning apps and to provide Internet access for free or at low cost. Internet access also strengthens the local economy by opening access to business-relevant information. By early 2016, DataWind had sold more than 2.8 million tablets in India.

1 India, R.G. 2011. Census of India, 2011. *India, Provisional Population Totals, Chapter 6 – State of Literacy*. Available online: http://censusindia.gov.in/2011-prov-results/data_files/india/Final_PPT_2011_chapter6.pdf

2 Basumatary, R. 2012). School Dropout Across Indian States and UTs: An Econometric Study. *Int Res J Soc Sci, 1*, 28-35.

Link to the SDGs

4 Ensure inclusive and equitable quality education, and promote lifelong learning opportunities for all.

The role of Government

In 2010, the Indian government announced it would subsidize development of an affordable Android-based tablet in line with its vision to equip 220 million Indian schoolchildren with these devices. DataWind won the competitive tender in early 2011; however, disputes over the tablet's specifications led the Government to purchase only 100,000 tablets. It later postponed the rollout indefinitely. DataWind commercially launched its tablet in 2012, which required new financing partners to enable the business to reach scale.

The Government has been an important catalyst, subsidizing DataWind's initial development costs and waiving duties and taxes for local manufacturing while raising awareness of DataWind's products. However, disagreements about product specifications have led to financial and legal disputes, which delayed the project and – once picked up by the media – led to negative publicity for DataWind.[3]

3 World Bank Group. 2014. Inclusive Innovation: Harnessing Creativity to Enhance the Economic Opportunities and Welfare of the Poor. Online available at: http://innovationpolicyplatform.org/sites/default/files/rdf_imported_documents/Inclusive%20innovation%202014.pdf.

Business model

To bridge the digital divide in India, DataWind provides one of the world's cheapest tablet computers. For US$50, low-income households get a package that includes an Ubislate tablet computer, pre-installed software including educational apps and one year of free Internet access for web browsing.

DataWind made the Ubislate affordable for India's low-income households by excluding high-end features such as Bluetooth and HDMI interfaces, and by choosing open-source content and apps instead of costly proprietary software. The company manufactures its own high-value components in India, which has reduced production costs and created 1,200 jobs in two new factories. This strategy has enabled DataWind to scale up production and attract government incentives such as tax breaks for products produced in India. As a result, the company has expanded the profit margin on its tablets from 5 percent to 20 percent per unit.

The Ubislate includes free, pre-installed apps from partners such as Yahoo and educational app providers such as TES India and CK-12 Foundation. Partners p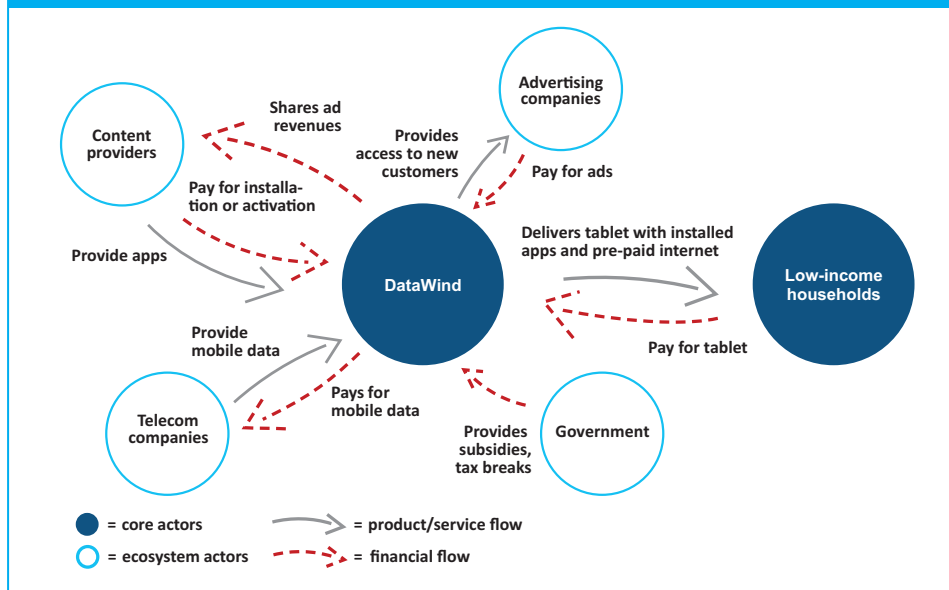ay DataWind a fee for each installation or new customer registration. DataWind also shares the revenues generated through banner ads displayed within the pre-installed apps with the app developer.

To enable free Internet access, DataWind purchases wholesale access to mobile data from wireless network operators. Economies of scale enable the company to negotiate bulk data plans with India's leading telecom providers, Reliance Communications and Telenor. The company has also patented a cloud-based technology, which reduces the amount of data needed for web browsing by up to 97 percent, further reducing the cost of mobile data.

The free Internet access DataWind provides in the first year is for web browsing only – audio/video streaming and local downloads are not included. After the first year, customers pay between US$2 and US$3 per month for web browsing.

DataWind sells its tablet nationwide through distribution agreements with retailers such as UniverCell, Spice Retail and Iris Computers. Aware that television is the most effective sales channel for low-income people without Internet access, DataWind has launched special sales programmes in cooperation with the television retail channel HomeShop18.

Business model and key actors

Business results

DataWind is the largest tablet computer provider in India, with a monthly sales volume of 150,000 units and an overall market share of 18 percent in 2015. During the 18 months after going public in 2014, the company tripled its sales revenues per quarter from US$4 million in July 2014 to US$12 million at the end of 2015. It reported a gross profit of US$10 million in 2015.
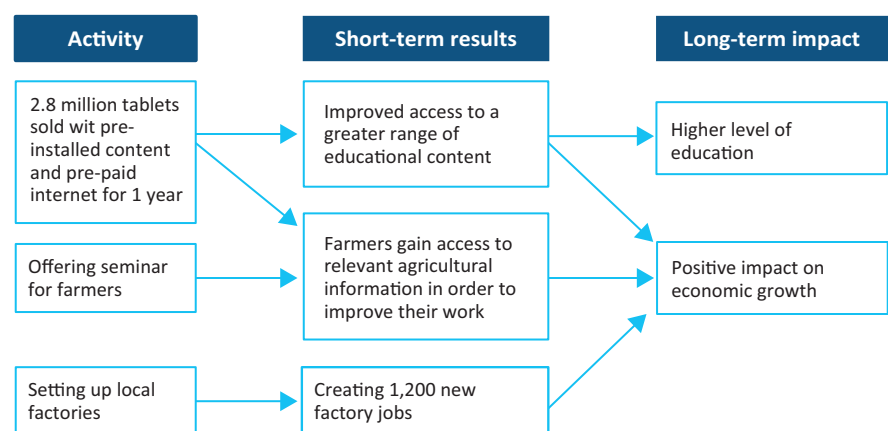
In the low-cost market (below US$75 per tablet), the company's market share has been as high as 58 percent (Q4 2015). Furthermore, because DataWind has proven that a tablet can be manufactured and sold for less than US$50, it has created a new market segment with more tablet makers entering the market at this price point. As a result, in the past four years, the low-cost tablet segment has doubled in size from 20 percent to 40 percent overall market share. According to DataWind, its tablet is almost 40 percent cheaper than the next cheapest model in the market, which has the same specifications.

Development results

DataWind's key development goal is to provide as many people as possible with mobile Internet access. As of the start of 2016, the company had sold 2.8 million tablets with the goal of selling 5 million devices by 2017. Since DataWind's key design feature is affordability, the company expects that 80 percent of these 5 million customers will be living on less than US$8 per day. As recent studies show, affordable and connected Internet devices are crucial for delivering information and expertise to low-income consumers who do not have physical or financial access to essential goods and services.[4,5]

Results chain

Activity	Short-term results	Long-term impact
2.8 million tablets sold wit pre-installed content and pre-paid internet for 1 year	Improved access to a greater range of educational content	Higher level of education
Offering seminar for farmers	Farmers gain access to relevant agricultural information in order to improve their work	Positive impact on economic growth
Setting up local factories	Creating 1,200 new factory jobs	

DataWind focuses on education and commerce, with education the main focus so far. The company has partnered with leading content creators and aggregators to offer free content that supports the unique needs of students and teachers. DataWind also has recently partnered with Mitacs, a Canadian not-for-profit research and training organization, to create an educational mobile app for children in developing countries who do not have access to formal education. In addition, the company offers a pre-installed app from TES India – a free online teaching community where teachers can communicate, share and download more than 500,000 worksheets, lesson plans and teaching activities.

In order to support livelihood development, DataWind held a one-day workshop on organic farming in 2016 together with Ecosikh and Living Successfully Foundation; the event was attended by 120 farmers. DataWind's presentation detailed how farmers can benefit from global connectivity to promote their products and gain access to business-relevant information such as weather forecasts, market prices and farming practices.

By producing the Ubislate components locally, DataWind has created employment for 1,200 people in its manufacturing facilities in the Indian cities of Amritsar and Hyderabad.

4   GiZ. 2013. Connect the BoP – A Guide to Leveraging ICT for Inclusive Business. Online available at: https://www.giz.de/Wirtschaft/de/downloads/GIZ_Connect_the_BoP_Webversion.pdf.
5   Gnanasambandam, C., Madgavkar, A., Kaka, N., Manyika, J., Chui, M., Bughin, J., & Gomes, M. 2012. Online and Upcoming: The Internet's Impact on India. *Technology, Media and Telecom Practice,* Mc Kinsey and Company.

Key issues and solutions

The key challenge DataWind encountered was obtaining financing to bring its business to scale. Initially, India's Government had planned to procure 5 million tablets in order to meet its vision to equip 220 million schoolchildren with these devices. However, when the government postponed the entire project indefinitely, DataWind's management decided to launch its tablets commercially. Fueled by wide media attention, there was high demand for the Ubislate tablet, with more than 167,000 orders placed in a single day. A dispute with the Government about payments for the first batch of 100,000 tablets and the uncertainty surrounding its future cooperation prompted DataWind to look for other financing options in order to support the increased production of the Ubislate.
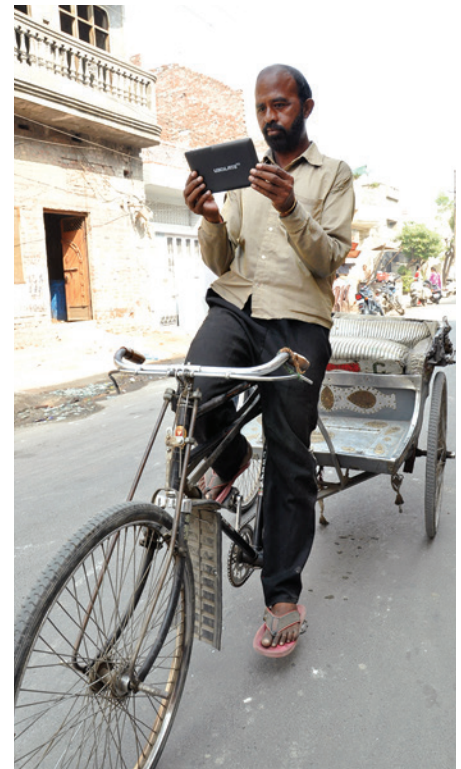
DataWind's search for financing partners was made especially difficult by its disputes with the Government. The conflict spilled over into the media and created a lot of bad publicity for DataWind. According to DataWind, anonymous sources alleged poor quality and a slow processor without substantiating the claims with equivalent comparisons. The company's management believes that the press reports covering these stories did not take into account

Outlook

Encouraged by the response it has received in India, DataWind is exploring partnerships with like-minded organizations looking to leverage technology for social development. In 2015, the company partnered with the telecom provider Airtel in Nigeria to offer Internet access bundled with its low-cost products. DataWind has also expressed interest in working with the governments of Turkey and Thailand to distribute low-cost handheld computers to students and teachers.

the reasonable expectation that a lower-cost device would likely conform to lower quality standards.

Consequently, DataWind's initial public offering took place later than expected – in July 2014 – raising US$23 million on the Toronto Stock Exchange. DataWind dedicated the main part of the capital it raised (US$8 million) to increase manufacturing volume with contracted manufacturers. It used another US$4 million to introduce broader retail sales channels, offer retail credit terms and launch infomercials. The company also deployed US$2.6 million for expansion into new geographical locations. This led to the tripling of its per-quarter sales revenues in the 18 months after going public – a significant indicator of the company's success in finding a solution to its financing challenges.