

CUSTOMER CONSOLIDATION STRATEGY THROUGH RURAL FOCUS TO MITIGATE MARKET STRESS IN TELECOM SECTOR – A CASE STUDY WITH AIRTEL (BHARTI AIRTEL LIMITED)

Dr R Manu, Assistant Professor

Department of Studies (DoS) in Business Administration
PG wing of SBRR Mahajana First Grade College (Autonomous)
Pooja Bhagavat Memorial Mahajana Education Centre.
KRS Road, Metagalli, Mysuru- Karnataka , India 570016.

Dr .Vivek M Balse, Associate Professor

Department of Studies (DoS) in Business Administration
PG wing of SBRR Mahajana First Grade College (Autonomous)
Pooja Bhagavat Memorial Mahajana Education Centre.
KRS Road, Metagalli, Mysuru- Karnataka , India 570016.

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Introduction

The Indian telecom industry is the fastest growing industry with 9-10million monthly subscribers. The Indian telecommunications network with over 375 Million subscribers is the second largest network in the world after China. Major players in this sector are BSNL, Airtel, Vodafone, Idea, etc. Buyer power and threat of rivalry is very high in Indian telecom sector. Both these factors are formidable. (Bhatt, M. 2012). This could be the reason of consolidation in the industry. Companies try to reduce threat of rivalry by merging or buying out rival companies (Saikat Banik 2020). According to the NCAER Rural Infrastructure Report the demand for telecommunication services in the urban area is reaching closer and closer to saturation point and are surging across rural India, as middle class and upper classes are growing in most villages but the tele-density levels are very low 1.67 per 100 residents compared with an average of 8.59 overall and 25.90 in Indian cities.

Indian cellular market

India ranks as the world's second largest market in terms of total internet users. The total number of internet subscribers increased to 757.61 million in January 2021.(Fathima 2013). The total wireless or mobile telephone subscriber base increased to 1,163.41 million in January 2021, from 1,153.77 million in December 2020.India is also the world's second-largest telecommunications market. The total subscriber base in the country stood at 1,183.49 million, as of January 2021.Gross revenue of the telecom sector stood at Rs. 68,228 crore (US\$ 9.35 billion) in the third quarter of FY21.Over the next five years, rise in mobile-phone penetration and decline in data costs will add 500 million new internet users in India, creating opportunities for new businesses. The Bharti Group, which operates in 22 circles, continues to be the country's one of the largest cellular operators, with 355 million subscribers

Objectives of the study

1. To identify Airtel's recent rural marketing strategies
2. To learn the effectiveness of Airtel's rural marketing strategy

Rural Market and its nature

The rural population in India is around 70 per cent. Of the total population, 62 per cent of consumer expenditure in India comes from rural market. The rural market in India is not a separate entity and it is highly influenced by the sociological and behavioral factors operating in the country.

Rural markets are tomorrow's market and marketers should know how to penetrate these markets. Rural markets are the new markets which are opening for various product categories. (Dash 2011) Rural market offers growth opportunities as the urban markets are increasingly becoming competitive and, in many products, even getting saturated. Now income level and standard of living are increasing rapidly in rural areas. The demand of branded products is also increasing. The rural market in India brings bigger revenues in the country, as the rural regions comprise of the maximum consumers in this country. The rural market in Indian economy generates almost more than half of the country's income.

Rural markets in India will ultimately define the core strength of the telecom industry, since the sheer volume of potential connections is immense. Inclusion of rural users in the customer base will strengthen the network and enable it to deliver multiple services in communications in rural areas. Telecom operators looking to tap into India's rural population to achieve their next wave of growth need to better understand their customer to develop successful business models to address this market. Operators need to better understand their customers' needs both in terms of cost of products and services, buyer values of rural customers, as well as the post-sales support expectations that rural customers have in India. In order to address these needs, operators will have to think beyond the typical business models they have come to rely on in the urban marketplace.

By and large, Indian market scenario shows that marketers have rarely come out with separate marketing strategy for rural markets; however, marketers did develop separate marketing mix for rural markets covertly. Whenever it is rural marketing for their brands, marketer tended to price their products low, keeping the products quality at an average level, cutting costs on the extra frills added to the product. (Dimpy Sachar 2019)

The key challenges for the provision of telecommunication services in rural areas are driven by both technological and economic considerations. Setting up back haul connectivity remains a high-cost exercise. Erratic power supply or complete lack of energy sources is a major barrier, and photovoltaic power supply is increasingly becoming a viable alternative. The requirement to maintain sufficient backup systems raises operational costs substantially.

Bharti Airtel Limited, also known as Airtel, is an Indian global telecommunications services company based in Delhi, India. It operates in 18 countries across South Asia and Africa, and also in the Channel Islands. Airtel provides GSM, 3G, 4G LTE, 4G+ mobile services, fixed line broadband and voice services depending upon the country of operation. Airtel had also rolled out its VoLTE technology across all Indian telecom circles. It is the third largest mobile network operator in India and the second largest mobile network operator in the world with over 411.42 million subscribers. Airtel was named India's 2nd most valuable brand in the first ever Brandz ranking by Millward Brown and WPP plc. (Ratnesh K 2013).

Exploration of Rural telecom market

Indian telecom company Bharti Airtel has announced a major foray into the rural telecom market with the setting up of 4,000 Airtel Service Centres (ASCs) in the remotest villages of Maharashtra and Goa telecom circles. The strategy includes a combination of distribution and service under I Serve Airtel Service Centre. "ASCs are an important step in Airtel's objective of expanding its rural base across India. Today, over 50% of our business comes from rural areas and going forward, a major percentage of new acquisitions are expected from the rural market," said Manu Talwar, CEO (mobility), Bharti Airtel Ltd's Maharashtra and Goa telecom circles. The first ASC centre was opened at Ausarikurd near Pune has undertaken primarily to address the needs of the largely unorganized rural market, the ASC model includes identification and training of entrepreneurs in villages who run a multi-brand retail outlet in a good location with easy access, preferably located in the main market of a village with a high footfall to facilitate new connection, recharges and accessories. "These centres are empowered to sell and exchange sim cards, activate, reactivate, recharge and provide other suitable value added services," said Talwar. Out of a total presence in 24,000 villages covering over 65% of the population in Maharashtra, 4,000 large villages have been identified for Airtel Service Centres. Initially, Airtel plans to make 1,700 centres operational by March while rest would be active by August 2009. The company plans to penetrate into villages with a population of 3,000 in Maharashtra.

“This unique rural model of distribution and service has evolved out of consumer studies which reflect that not only are these consumers hesitant to speak with machines, but are also not comfortable in talking to call centre agents or sending SMS. Therefore, our agents at the ASCs would help them in solving all their queries and problems related to the cell phone,” said Talwar.

Innovative marketing strategies of Airtel

The product or service is the heart of the marketing mix. The basic product promise by Airtel is mobility. Airtel's main marketing strategy is to be a first mover all the time. It has recognized the significance of making the first move because in the field of Communication & Information Technology changes occur at a tremendous pace.

This joint venture of Airtel company will harness the power of telecom to empower the rural farmer by giving them access of vital market information at his fingertips .Airtel has entered into a strategic tie up with the Indian Farmers Fertilizer Co-operative Limited (IFFCO) and formed a new joint venture company called IFFCO Kisan Sanchar Limited (IKSL).And Airtel say that, "IFFCO is an organization of the farmers and for the farmers and works on the model of cooperatives. Airtel feels there is a great opportunity in telecom sector going to rural India to create new business opportunities for the cooperatives where farmers are the key stakeholders” and it is a good decision by Airtel company to target the formers of rural market.

Sales & distribution strategies

Airtel is one of the market leaders in Indian telecom market with a market share of all India mobile subscribers at 27.58 percent .It is India's largest integrated and the first private telecom services provider with a footprint in all the 22 telecom circles. It has wide spread simple and effective channel structure. Company uses 2-Tier & 3-tier distribution network system. Under 2-tier distribution network, company appoints UD (urban distributors) & RS(Rural Suppliers). UD distribute the items to retailers according to the demand & transfer easy balance to retailer through FOS (Field officer Sales) SIM who work under UD's.Under 3-tier distribution RS (rural supers) distributes the items to RD (Rural Distributors) & transfer easy balance into RD's SIM, who then distribute it to retailers.

Rural marketing strategy

Despite rural and emerging markets constituting to over 50% of airtel's customer base, the coverage gaps remain specifically in areas of difficult terrains due to unfavorable cost-benefit equation: the high fixed costs of laying network infrastructure, difficulty in maintaining it due to absence of road or electricity grid access and thinly distributed populations with low purchasing power. Despite these challenges Airtel is continuously strive to go an extra mile by ensuring no one is left out of the socio economic benefits. Over the last few years Airtel extended their network in adverse landscapes and inaccessible topographies like the hilly terrains of North Eastern states in India with extreme weather conditions, difficult to-reach pilgrimage sites like Kailash Mansarovar Lake and tough terrains of Ladakh region amidst temperature ranging from -30 to -50 degree Celsius.

- Inclusive Approach
- Rural Call Centre
- Timely Advisory for Farming Communities
- Green SIM card (initiative of the IFFCO Kisan Sanchar Ltd (IKSL).)
- Samadhan – An initiative by HCL Foundation and IKSL
- Insurance for rural retailers

Challenge/opportunity

Bharti Airtel was faced with the challenge of profitably serving the rural areas of India. It is an extremely daunting task due to a variety of factors: rural users' low incomes, a widely dispersed population, and a less than ideal public infrastructure (i.e., roads, electricity, etc.). (Vishal Mahajan 2017)

Bharti Airtel had to address the following conditions:

- The incomes of Indian rural residents are significantly lower than urban residents. The average revenue per user (ARPU) for rural residents was typically less than US\$2 per month.

- The future growth of the Indian mobile market is expected to be driven by rural customers, which account for about 70 percent of the country's total population (1.1 billion people)

Factors that galvanized success

To extend its reach in India's rural markets, Bharti Airtel is focusing on innovative initiatives, including efficient infrastructure deployments, expanding its distribution network via partnerships, and customized content and tariffs. (Sukant 2021).

- Micro financing agreements in collaboration with Nokia and SKS Micro-finance.
- Sharing passive infrastructure services with Vodafone (42 percent ownership) and Idea (16 percent ownership) through its joint venture
 - joint venture with the Indian Farmers Fertilizer Cooperative Limited (IFFCO).
 - IFFCO Kisan Sanchar provides subsidized handsets and connections at competitive rates
 - Offers tailored services including voice-based updates on crop prices, farming techniques, rural health initiatives, and "help line" services.
 - Bharti Airtel tracks the revenue generated per base station (instead of ARPU).
 - Bharti Airtel's network covered over 440,000 villages in India, • Despite Bharti

Summary and Conclusion

Airtel has a good customer base in rural areas as well. Most of them were found using Airtel services for a period of one to two years.

A major portion of mobile users belonging to the age group of 20-30 users. Most of the respondents are satisfied with the network coverage. Most of the users feel that the network coverage should be further improved in rural areas. Same time, assistance in regional language has made an impact on rural customers.

There is also a handicap that majority of them are not aware of Airtel's different rural strategies such as IFFCO KISSAN sanchar limited, initiative for helping farmers, Airtel's green sim card.

Rural road show and new advertisements are making influence among rural people in taking Airtel connections, and these strategies have already created new customers. Airtel has a firm commitment to growth and aims to differentiate itself in India's highly competitive communications environment by ensuring customer delight through personalized customer service, excellent network and other benefits. Airtel has a impressive reputation in India, exemplified by a multitude of awards such as: 'Best Governed Company Award' at the 4th Asia Business Responsibility Summit, 'Best Messaging Solution Award' at the second annual 'Carriers World Awards', Bharti Airtel secured the second position in Interbrand's 'Best Indian Brands Report

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