

## **Chapter 6**

### **Consumer Preferences and Marketing Strategies of Mobile Phone Service Providers**

#### **6.1 Introduction**

The present chapter emphasis on the competition in mobile phone market, emerging as a fast moving consumer service, turned into a marketing arena in India. With the flexible rules and regulations by the authority, mobile phone service providers are operating in the healthy competitive environment. The telecommunication sector in India has reached a stage where the environment for competition and private sector participation has been maximized. The successive story of the major players of the sector and their contribution to market progress and various services offered from time to time are analyzed here.

Besides the exposure to new and innovative strategies by mobile phone service providers, they have to follow the rules and regulations laid by the TRAI. Important rules for tariff offerings by mobile phone service providers are laid down in Telecommunication Tariff Order 1999 (TTO 1999) and the same is amended from time to time. Beside the TTO 1999, standard rules of the behavior of mobile phone service providers are laid by the TRAI. All such regulations are discussed in this chapter.

This chapter is divided into six sections. Section two studies the major mobile phone service providers of Gujarat circle. Comparative market picture of all these service providers is also highlighted here. Section three emphasizes the marketing strategies like pricing, promotional activities, and product segmentation opted by all these mobile phone service providers. Section four studies the rules and regulations laid by the government for the service providers. Section 5 studies the marketing strategy of the mobile phone service providers from the consumers' perspective. Conclusion is followed in section six.

#### **6.2 Mobile Phone Service Providers in Gujarat Circle**

The competitive nature of the Indian telecommunication sector has led mobile phone sector to oligopoly market condition (dominated by few producers and markets are characterized by heavy product differentiation through marketing tactics but price consistency disrupted by keen price competition.).<sup>1</sup> Presently there are three types of mobile phone service providers in the India telecommunication sector:

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<sup>1</sup> Bannock, G., et. al (1998) "Dictionary of Economics", The Economists Books, John Wiley and Sons, Inc., New York.

- State owned companies (BSNL and MTNL)
- Private Indian owned companies (Reliance Infocom and Tata Teleservices)
- Foreign invested companies (Hutchinson Essar, Idea Cellular, Bharti Airtel Limited, Spice Communications, and BPL mobile)

Further on the basis of service technology used by them, mobile phone service providers can be categorized as:

- CDMA technology based service providers (Reliance Infocom, and Tata Teleservices); and
- GSM technology based service providers (BSNL, MTNL, Hutchinson Essar, Idea Cellular, Bharti Airtel Limited, Spice Communications, and BPL mobile)

In this section, an attempt is made to study the mobile phone service providers operating in Gujarat circle. Six major players of Indian mobile phone sector namely-Bharti Airtel Limited, BSNL, Hutch, Idea Cellular Limited, Reliance Infocom, and Tata Indicom are providing services in the state. All these mobile phone service providers are included in the present study. This section analyses their objectives, market share, different services offered by them along with their current financial position. The comparative picture of all these service providers is also highlighted here.

### **6.2.1 Bharti Airtel**

Bharti Airtel (Airtel), a part of Bharti enterprises, is India's leading provider of telecommunication services. It was established as a public limited company on July 7, 1995. The businesses at Airtel have been structured into three individual Strategic Business Units (SBU's): mobile services, broadband and telephone services (B&T), and enterprise services.<sup>2</sup> Mobile phone services of Airtel cover 23 telecommunication circles of the nation, the only mobile phone service provider having all India presence. List of alliance partners of the company includes–Sing Tel, Vodafone, Nokia, and Ericsson. The company has focused towards profitable mergers and acquisitions from time to time. Airtel provides mobile phone services under different brand names such as Airtel, magic, MTV card, Airtel pardes card, super bachat card, friendz card and many more to list. All these cards are bundled with various attractive VAS.

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<sup>2</sup> [www.airtelworld.com](http://www.airtelworld.com), 2006

The objective of the company is to differentiate itself in India's highly competitive communication environment, by ensuring customer service and accomplishing this through a highly cost effective business model. Thus, the company believes in making mobile phone communication a way of life and first choice for the consumers. The strategic objective of the company is, to capitalize on the growth opportunities that the company believes are available in the market and strengthen its position to be the leading integrated telecommunication service provider in key markets in India.

Airtel has the first mover advantage wherever and whenever possible. Airtel stands as an island of excellence in the Indian economy or the other way an island of entrepreneurship and passion. During a decade presence in the market numerous defy like regulatory, market, and financial challenges are faced successfully. Bharti tele-ventures are acknowledged as one of India's finest companies and its flagship brand "AIRTEL" has over 19.58 million consumers across India.

Airtel has 900 exclusive showrooms and 4,00,000 multi-brand retail outlets across 4,000 cities and towns as on March 31, 2006. The company is operational in approximately 72 percent of India's population. Retail and distribution is the most important strategy for growth of the company, generally called as match box project. This means that Airtel services are as easily available as a matchbox. Airtel has launched one lakhs "Easy Music" shop, allowing its consumers to download songs of their choice.<sup>3</sup>

Focused strategy, improved execution, and partnership with global leaders have helped the group to reach its current position. Airtel is the only service provider other than VSNL that had an international submarine cable by the year 2003. By the year 2010 the company has an objective to be:

- Benchmarked by more business.
- Targeted by top talent.
- Loved by more consumers.

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<sup>3</sup> Srinivasan, R. (2005) "The New Indian Industry Structure and Key Players", Mac Millian, New Delhi.

Some of the important achievements of the company are:

- During the quarter financial year 2004 Airtel became the first mobile phone service provider to conduct EDGE trials in India.
- Adjudged as India's "Second Best Employer" by Hewitt Associates in the year 2006.
- Airtel redefined the market affordability by launching easy lifetime pre-paid connection.
- Airtel and Microsoft enter into a strategies partnership to offer software as services for Small and Medium Business (SMB) market in India.
- In 2006, Airtel has been issued license to operate as a fifth mobile phone service provider for 3G services in Sri Lanka.

In terms of revenue, the growth of Bharti tele-ventures has added Rs. 11,663 crore during the financial year 2005-2006, which is 46 percent more than the last financial year 2004-2005 (Rs. 8,003 crore) and 61 percent more than financial year 2003-2004 (Rs. 5,003 crore). During the financial year 2001-2002 and 2002-2003 revenue figure of the company stood at Rs. 1,486 crore and Rs. 3,050 crore respectively. Non-voice revenue of the company was 10.7 percent of the total revenue, while SMS formed 6.8 percent of the financial year 2005-2006 in comparison with only 3.6 percent during the year 2003-2004.<sup>4</sup>

Net profit of the company stood at Rs. 2,258 crore, up 51 percent over financial year 2004-2005. Cash profit of the year was Rs. 4,095 crore, up 46 percent from last year. Cumulative investment of the company as on March 31, 2006 is Rs. 15,923 crore. Company has spent around Rs. 4,159 crore in mobile phone services during 2005-2006.<sup>5</sup> Consumer base of Airtel shows a growth percentage of 78.3 from the year 2004-2005 (10.98 million) to 2005-2006 (19.58 million).<sup>6</sup> Total market share of the company is 21.5 percent as on March 31, 2006.<sup>7</sup>

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<sup>4</sup> Voice & Data (2006) "Top 10 Service Providers", Vol. 13, Issue 1.

<sup>5</sup> Voice & Data (2006) "The Showstopper", Vol. 13, Issue 1.

<sup>6</sup> Ibid

<sup>7</sup> Ibid

### 6.2.2 Bharat Sanchar Nigam Limited

After the announcement of the NTP 1999, entry of third mobile phone service provider was added and this operator was public sector telecommunication service provider i.e. BSNL and MTNL. Before opening of the telecommunication sector for private service providers the only government regulated, DOT was working as BSNL, MTNL, and VSNL. Thus the monopoly position was enjoyed by these public limited companies. BSNL started its mobile phone services in the year 2002-2003. Before this, it was a dominant service provider for fixed landline phones in India. As the existing mobile phone service providers were concentrating on all-India footprints, nation wide entry of BSNL mobile phone services resulted in increase in competition followed with a huge decline in prices of owning and using mobile phone services.

BSNL is set up with a vision to become the largest telecommunication service provider in south-east Asia and to fulfill this vision it has laid its objective to lead telecommunication services providers along with building consumer confidence with quality services. Its mission is to provide world-class state of art telecommunication services on demand at affordable prices so as to develop the infrastructure and particularly country's economy.<sup>8</sup>

Within three months, after the market entry of BSNL, the company served about eight lakhs mobile phone consumers. Despite the fierce price wars, its dominance in remote and rural areas has made it a hard cut throat competitor for private mobile phone service providers. Estimated turnover of BSNL makes the picture clearer. In the year 2005-2006 its revenue was Rs. 39,500 crore which has increased by 9 percent from the year 2004-2005 (Rs. 36,090 crore) and 7 percent from the financial year 2003-2004 (Rs. 33,918). Revenue of BSNL shows a growth of 66.2 percent from the year 2004-2005 (36,090 crore) to 2005-2006 (Rs. 6,574 crore), making a market share of 18.3 percent.<sup>9</sup>

In the coming years, one can easily anticipate a distinct brand image of BSNL, much in tune with its strategy to generate more revenue from VAS such as triple pay and VoD.<sup>10</sup> The state controlled BSNL serves its consumers with both the acceptable technologies of the Indian mobile phone service market environment i.e., GSM and CDMA.

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<sup>8</sup> [www.bsnl.co.in](http://www.bsnl.co.in), 2006

<sup>9</sup> Opcit (2006)

<sup>10</sup> Opcit (2006)

In terms of mobile phone services, BSNL has coverage in 5,000 cities and towns resulting in the second position with consumer base of 18.45 million, after adding 77 lakhs GSM connections in the year 2005-2006 and a total market share of 20.3 percent. From November 2003, the market share of mobile phone service providers is lead by BSNL with 40.3 million consumers, acquiring 58.8 percent of market share.<sup>11</sup>

The ARPU of BSNL for the year 2002-2003 was Rs. 518 and for the year 2003-2004 it was Rs. 500. Success ingredients of BSNL include: low entry barrier, simple tariff plans, lack of hidden costs, ample trust on network design, and coverage. It has its optical fiber cables laid even in the remote areas of the country during the year 2002-2003.

### **6.2.3 Hutchison Essar**

Hutchinson Essar operates under the brand name Hutch. It came into existence through a joint venture with Max India Limited and later merged with Essar Group to form a big mobile phone service provider entity. In 1994, Hutch was the first mobile phone service provider in the city of Mumbai. After that the company has achieved a remarkable stand and a strong consumer base all over the nation. It has its operations in 16 circles only but captures around 70 percent of the India's mobile phone market. Hutch is the country's largest roaming service provider, with many innovative and world-class services. It is a part of the Hong Kong based multinational conglomerate-Hutchinson Whampona, providing 5 core businesses in 42 countries of the world.

The focus of the company is, on being a pure mobile phone service provider. Over the years, it has been named as the most respected Telecom Company, the best mobile phone service in the country, and the most creative and most effective advertiser of the year.<sup>12</sup>

It is the only multinational company who has serious long-term commitment in the Indian GSM market.

Hutch is the fourth largest mobile phone service provider and the third largest in the GSM service area in India. Company's profitability is not surprising, considering that it had realized early on the importance of having high value consumers. As opposed to its competitors, it always had a decidedly post-paid incline in its marketing strategy. It stayed

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<sup>11</sup> Opcit (2006)

<sup>12</sup> [www.hutch.co.in](http://www.hutch.co.in), 2006

with more or less feature driven communication. One of its advertising campaigns of kid dog duo highlights the reliability of its improved network.

Company has revenue growth of Rs. 6,837 crore in the year 2005-2006, which is 57 percent more than the last financial year 2004-2005 (Rs. 4,365 crore). During the year 2002-2003 and 2003-2004 revenue was Rs. 1,735 crore and Rs. 2,701 crore respectively.<sup>13</sup> Currently the company consolidated its operations with the acquisition of BPL Cellular and introduced common branding in all circles. Hutch's ARPU as per the companies result for the year 2004, is Rs. 534 (for post-paid connections Rs. 1,247 and for pre-paid it is Rs. 318), the highest among all the GSM service providers through out the nation.<sup>14</sup>

Hutch provides a wide range of services that one can access right from their mobile phone. From mobile phone banking to flight updates to call management services, one can get all that is required instantly. Voice, data, Internet and value added services are few to name in broad terms. An array of VAS, during 2005-2006 has launched voice portal and data services beside others. My Hutch, a web based self service allows the consumers to manage their accounts wherever they are, popular among its consumers. 199 plan and "Chota recharge" for pre-paid consumers while SMS tune selection beside video tones, multiplayer gaming, and Hutch alerts has resulted in its market expansion.

To check the fraud cases in the mobile phone services, Hutch also deployed the Fraud Management System Ranger from Subex Systems during the year 2002-2003. All segments of consumers are served with a network of superior quality and expanding coverage drive revenue through affordable tariffs which promote usage, deliver superior value through innovative and consumer-friendly value added services.

#### **6.2.4 Reliance Infocom**

First Infocom initiatives launched on December 28, 2002, the 70<sup>th</sup> birth anniversary of Reliance group founder, Late Shri Dhirubhai Ambani. Reliance Infocom was set up with a vision to leverage the strengths in executing complex global-scale projects, to make leading edge information and communication services affordable to all individual consumers and businesses within the nation. Unparalleled value to create customer satisfaction and enhance business productivity is offered. It generates value for capabilities

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<sup>13</sup> OpCit (2006)

<sup>14</sup> [www.infraline.com](http://www.infraline.com), 2007

beyond Indian borders while enabling millions of India's knowledge workers to deliver their services globally.<sup>15</sup>

It aims to achieve the vision by putting the power of information and communication in the hands of the people of the nation at affordable costs. Its policies emphasizes on the objective of availability of telecommunication services to every Indian, at the price of a post card. Thus company is creating a digital revolution for improving quality of life and changing the face of the country.

Reliance India Mobile presented the CDMA 1X—a 3G (third generation) technology with superior voice quality, and high-speed data capabilities. It is the first telecommunication service provider with 60,000 route kilometers of pan fiber optic backbone. The company offers a complete range of telecommunication services covering mobile phone and fixed landline phone including broadband, NLD and ILD data services, broadband wire line, internet services, internet data centers, web world, and a wide range of VAS and applications. After de-merger with new management, the company has got listed on the bourses.<sup>16</sup>

Maximum market was captured by the Reliance Infocom, with a target to retain consumers for long run by its scheme of Rs. 501; here consumer can get a mobile phone connection and a handset for only Rs. 501. Reliance Infocom connection was offered on discounted rates to its shareholders and employees. Further retail outlets in prime commercial and residential areas across the country are some of the important moves to capture the market. Reliance Infocom can be credited for rewriting the rules of the mobility game with its extraordinarily low pricing strategy.

In February 2004, it also started offering pre-paid services. Current advertising caption: "Think big. Think differently" is the corporate philosophy of its founder. Reliance generated revenue growth to the tune of Rs. 11,288 crore, a growth of 110 percent as against Rs. 5,387 crore in the financial year 2004-2005 and further 99 percent increased i.e., from 2,707 in the year 2003-2004. Revenue of the Reliance Infocom for the year

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<sup>15</sup> [www.relianceinfo.com](http://www.relianceinfo.com), 2006

<sup>16</sup> Verghese, S. (2004) "Reliance Infocomm's Strategy and Impact on the Indian Mobile Telecommunication Scenario", Telecom Demand: Measures for Improving Affordability, Media and Communication Department, London School of Economics.



2002-2003 was only Rs. 316 crore. In relation to top mobile phone service providers' revenue, Reliance Infocom stands on third with 18.6 percent of market share, with a growth of 63.2 percent from the year 2004-2005.<sup>17</sup> The company had 17.31 million mobile phone consumers on its network as on March 31, 2006.<sup>18</sup> Out of this, 15.41 million were on the CDMA platform and 1.9 million were on the GSM platform. While in June 2006 GSM consumer base was 2.17 million and a CDMA consumer base was of 20.2 million.

Reliance Infocom had launched seamless inter-standard international roaming service One World, One number on international CDMA and GSM networks. Thus Reliance Infocom consumers can roam even on a GSM network and contribute to increase in ARPU of the company.

With a tremendous growth potential Reliance Infocom has created strong brand equity with CDMA mobile phone services. In GSM, the company has operations in Madhya Pradesh, West Bengal, Himachal Pradesh, Bihar, Orissa, Assam and North East. Reliance Infocom mobile phone services covered 3,824 cities and towns till the year 2005-2006 and 2,55,000+ retail outlets. Reliance Infocom has put in place a high capacity, integrated digital infrastructure, to offer a slide of voice, data, and video services over telecommunication networks. With convergence as the underlying strategy, the group is all poised to play a dominant role on the Indian telecommunication scene in the coming years.<sup>19</sup>

#### **6.2.5 Idea Cellular Limited**

During 1995, Birla AT&T Communication and Tata Cellular started their mobile phone services in Maharashtra, Gujarat, and Andhra Pradesh circles. Both these companies commercially merged and started working in the mobile phone service sector from 2001 onwards with their services and made the financial closure as an example for others in Indian telecommunication sector. In the year 2000 both Tata Cellular and Birla AT&T Communication had a new identity "Idea Cellular Limited". Today one of the India's leading mobile phone service providers, Idea Cellular operates in 11 circles covering approximately 45 percent of India's population. From 2005 onwards, it has been part of

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<sup>17</sup> Opcit (2006)

<sup>18</sup> Voice & Data (2006) "CDMA and GSM, or Only GSM", Vol.13, Issue 2..

<sup>19</sup> Opcit (2006)

Aditya Birla Group, India's multinational corporation- rooted Indian values, with global vision.

The inspirational source and the aim of Idea Cellular Limited is only one-consumer satisfaction. For the loyalty of consumers, they not only anticipate the requirements but provides with the complete solution to shape the strength of future. It has made the largest merger and acquisition deal in Indian market during the year 2004 by its acquisition of Escotel for Rs. 5,000 crore.

Centralized customer care outlet in Mumbai and Pune are the important part of present growth plan. Idea has 1.2 lakhs retailers, 70 company owned showrooms and 500 franchisee showrooms in 1,944 cities and towns of the country showing the service delivery mechanism strategy. Rs. 7,700 crore is the cumulative investment by the company for the year 2006, in its present operating circles. Company does not believe in having brand ambassador, rather they believe in local branding, the reason for Idea being more visible in hoardings and other stuffs.<sup>20</sup> For the first time in the country pre-paid loyalty, pay easy and Idea mail has been launched and applauded by its consumers. VAS offered by the company includes - M-Coupon, voice courier, M-Chat, SMS in nine vernacular languages, etc.

Some of the important achievements of the company include:

- Ideas woman's card is an all new trend setter in the year 2006.
- GSM association award of "Bill Flash" adds feather to its cap.
- It is the only leading private Indian mobile phone service providers website providing details with the mobile phone etiquettes and the history of Indian telecommunication sector.
- Advertising campaign including sumo wrestlers is one of the most popular and the turning point of company's image in consumers' eyes.

The company showed a revenue growth of Rs. 2,966 crore, up 31 percent from the previous year (2004-2005 Rs. 2,262 crore) and 78 percent from the year 2003-2004. The net profit was Rs. 220 crore. Fifth position in the list of top mobile phone service providers in terms of revenue is acquired by Idea, with the market share of 8.3 percent.

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<sup>20</sup> Opcit (2006)

The company's consumer base increased from 5 million in financial year 2004-2005 to 7.4 million in financial year 2005-2006.. Last year APRU of the company was Rs. 400.<sup>21</sup>

#### **6.2.6 Tata Teleservices Limited**

Tata Teleservices Limited offers its telecommunication services under the brand name of Tata Indicom along with VSNL. Tata Teleservices were incorporated in 1996, with the launch of CDMA technology mobile phone services in Andhra Pradesh circle. In December 2002, a major acquisition of Hughes Tele.com (India) Limited was the new starting point of the company.

Today, it operates in 11 circles within the country including the metropolitan cities. It has a partnership with Motorola, Ericsson, Lucent and ECI Telecom for offering advance quality network. The bouquet of telephony services includes mobile phone services, public telephony booth, and fixed landline phone connections.

Its vision is a consumer-focused organization by offering quality, convenience, and accessibility. The company is working to achieve the goal of reliability and economic expansion in terms of capacity and service offerings. Its major objective is to enhance the consumer's relationship with the company.

Basic identified concerns of the company were - late entry in the telecom foray, no pre-paid offerings, and lack of focused marketing strategy.<sup>22</sup> As a result recently company has launched pre-paid Fixed Wireless Phone (FWP) and public booths with a range of new handsets with its already existing pre-paid mobile, post-paid mobile and post-paid FWP connection.

Its novel two years free incoming scheme for pre-paid mobile phone consumers in the beginning of 2005 had worked well, forcing other mobile phone service providers to make similar offerings. As a result within few months market was blurring with free incoming schemes for different long-term time periods.

During the year 2003-2004 Tata was the first telecommunication service provider to target corporate consumers with an integrated marketing strategy under Tata Indicom Enterprise Business Unit (TIEBU). The company is making substantial investments to enhance

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<sup>21</sup> Opcit (2006)

<sup>22</sup> Opcit (2005)

network capacity as well as build a national footprint. All these plans are an indication that Tata Indicom is steadily transforming into a leaner and meaner entity, to take on the competition.

Cumulative investment of the company as on March 2006 stands as Rs. 10,000+ crore. The company generated revenue growth of Rs. 2,575 crore this year, as against Rs. 1,347 crore in last financial years 2004-2005, an increase of 91 percent. TTSL has its presence in 2,500 towns and cities of the country with 3.5 million fixed wire line and fixed wireless phone consumers, while mobile phone consumers stand at 4.05 million.<sup>23</sup> Company has invested Rs. 15,000 crore in various telecommunication initiatives and would invest around Rs. 4,000 crore in the financial year 2006-2007. Presently company has 2,700 exclusive true value outlets and several retail selling points, having largest retail network in India.<sup>24</sup>

#### **6.2.7 Comparative Market Picture**

Telecommunication sector is becoming more and more competitive and the service providers are competing with each other to capture the largest market share. Comparative market share of major mobile phone service providers makes the picture clearer. Table 6.1 shows the reach of mobile phone service providers in terms of number of operating circles, technology base, number of retailers and the number of cities/towns covered by each mobile phone service provider.

Idea Cellular is the mobile phone service provider with minimum number of operating circle i.e. 11 whereas Airtel operates in all 23 circles in the nation. Maximum numbers of retailers (2,55,000+) are with Reliance Infocom. Three out of six mobile phone service providers are serving with both GSM and CDMA technology whereas the other three are serving with only GSM technology. Hutch is the only mobile phone service provider whose coverage in terms of number of cities/towns is not available.

Number of cities and towns covered by the service providers will increase with the time span. As forecast by the telecommunication industry experts, 7,000 cities/towns will be

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<sup>23</sup> Opcit (2006)

<sup>24</sup> Opcit (2006)

covered by BSNL by the year March 2007 whereas; Airtel will have its coverage in 5,200 cities and towns.<sup>25</sup>

**Table 6.1**  
**Reach of Mobile Phone Service Providers**

Service Provider	No of Circles	No of Retailers	No of cities/ towns	Technology	Areas of Operation
Bharti Airtel	23	4,00,000	4,000	GSM	Mobile phone and Fixed landline phone, Broadband and Internet services, ILD and NLD
BSNL	21	NA	5,000	GSM, CDMA	Fixed landline phone, Mobile phone services, Internet and Broadband services
Hutch	16	NA	NA	GSM	Mobile phone services
Idea	11	1,25,000	1,944	GSM	Mobile phone services
Reliance Infocom	23	2,55,000+	3,824	GSM, CDMA	ILD/NLD Bandwidth services, Enterprise data access services, Wireless and wire line broadband
Tata Teleservices	20	NA	2,500	GSM, CDMA	Fixed landline phone, Mobile phone services, Data services

Source: V&D, Vol 13, Issue 1, 2006

The number of consumers and the revenue share of the mobile phone service providers, in terms of market share are shown in Table 6.2. The numbers of consumers of all the service providers on national level along with the percentage growth in last one year are highlighted here. Revenue generated by them and the growth rate of the same is also presented.

<sup>25</sup> Opcit (2006)

Besides these mobile phone service providers Aircel, MTNL, Spice, BPL mobile, HFCL Infotel, and Shyam Telelink are the major market players sharing 8.8 percent of the market share in terms of consumers in the year 2005-2006. While 8.5 percent of the total mobile phone service market, these service providers capture share in terms of revenue. In terms of the number of mobile phone consumers, the country has joined the 100 million mobile club. It ranks fifth and is placed after China, U.S., Japan, and Russia.<sup>26</sup>

**Table 6.2**  
**Top Mobile Phone Service Providers**

Service Provider	No of Consumers (Million)		Growth (%)	Market Share	Revenue		Growth (%)	Market Share
	2004-2005	2005-2006			2004-2005	2005-2006		
Bharti Airtel	10.98	19.58	78.3	21.5	5,436	7,928	45.8	22.1
BSNL	10.16	18.45	81.6	20.3	3,956	6,574	66.2	18.3
Hutch	9.14	15.36	68.1	16.9	4,365	6,837	56.6	19.1
Idea Cellular	5.07	7.37	45.4	8.1	2,262	2,966	31.1	8.3
Reliance Infocom	10.45	17.31	65.6	19.0	4,089	6,673	63.2	18.6
Tata Indicom	1.09	4.85	345.0	5.3	523	1,878	259.1	5.2

Source: V&D, Vol 13, Issue 1, 2006

Top six mobile phone service providers in the country are operating in the Gujarat circle and are also included in the present study. Table 6.3 shows the numbers of mobile phone consumers of all mobile phone service providers in Gujarat state of circle A. Mobile phone services were made available in Gujarat circle from 1997 onwards. Only GSM technology based service providers were operating their services till 2002. Today both the technology base service providers are competing with each other and the consumer base of all these service providers

<sup>26</sup> Voice & Data (2006) "India in the 100mn Club", Vol.13, Issue 2.

shows their present position in the state. Hutch has the maximum number of consumers followed by Idea Cellular and Bharti Airtel, in relation with the GSM technology base services. Numbers of consumers of CDMA technology base mobile phone service providers are not available. Thus, only the GSM base consumer figures are studied here.

**Table 6.3**  
**Numbers of Mobile Phone Consumers in Gujarat State**

Year	GSM Technology Base			
	Hutch (Fascell)	Idea Cellular (Birla AT&T)	Bharti Airtel	BSNL
1997	2,000	2,100	-	-
1998	18,168	21,432	-	-
1999	48,879	32,620	-	-
2000	1,09,487	36,688	-	-
2001	1,67,997	80,779	-	-
2002	2,99,443	1,68,005	-	-
2003	4,57,196	2,40,029	72,310	2,75,691
2004	9,46,010	4,21,778	2,23,134	4,82,113
2005	2,56,915	6,58,110	5,06,671	6,66,949
2006	22,57,450	10,25,265	8,59,423	8,99,205

Source: Cellular Operators Association of India, 2006

The Indian mobile phone service sector is growing in full swing, be it investment, number of consumers, technology, or VAS. All six mobile phone service providers in Gujarat circle and in Vadodara district have an important market share in the country. As a result of the competitive nature, number of mobile phone consumers in Gujarat has crossed the 5 million mark. High demand of better mobile phone services is a continuous process in the success path and expected to be followed by all the service providers.

Leading mobile phone service providers in Indian telecommunication sector are working hard for network expansion, consolidation, and attractive tariff offerings. Their continuous efforts had lead to an excellent growth individually and for the sector collectively.

### 6.3 Marketing Strategies of Mobile Phone Service Providers-A perspective

The present section deals with the marketing strategies of mobile phone service providers in Gujarat state. In this section, an attempt is made to analyze the marketing strategies adopted by mobile phone service providers in the Vadodara district. Marketing is a competitive strategic activity where the application of strategic concepts and approaches is basic to its management.<sup>27</sup> It simply means that a company should understand the needs and wants of people and should satisfy them whereas, strategy is a plan, designed to achieve a particular long-term aim.<sup>28</sup> By combining the above two concepts, marketing strategy is formed by the organization, to achieve its long-term targets. Marketing strategy aims at developing programs, which enable the concerned product to reach its right consumers. It is a competition oriented strategy with a basic function to ensure a stable market share, building a strong product image, increase revenues from sales, and inhibit present or potential competition from gaining ground.

There are two ways to maximize profitability in a competitive market place. The first is the familiar concept of increasing market share, developing economies of scale, and competing on price. The second approach is, identifying a target market, providing high level of services that meet that target market's needs, and commanding a premium price. For mobile phone service providers, the service - based strategy is the key to success. With flexible rules and regulations of the authority, mobile phone service providers can generate new opportunities to increase profitability, reduce exposure to price based competition, and increase consumer loyalty.

Present tariff offerings of all the mobile phone service providers are analyzed along with the promotional efforts to maximize the market share by satisfying the consumers' needs and wants. Promotional strategies are studied on all India bases while product segmentation is taken into account for state level. All six mobile phone service providers are available in Vadodara district and no firm data in relation to district is available and therefore state level service offerings of mobile phone service providers has to be measured.

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<sup>27</sup> Deshpande, R. M. (1989) "Marketing Strategy: Its Formulation and Implication for Consumer and Industrial Durables", A Thesis for PhD in Commerce, M. L. Dahanukar Collage of Commerce, University of Mumbai, Mumbai.

<sup>28</sup> Opcit (2006)



### 6.3.1 Price-Tariff Offerings

An important tool to study marketing strategies of any product and services is price. The significance of price is evident from the fact that price can develop or hamper a marketing strategy. Price has different meaning to different people such as cost to manufacturers, valuation to competitors, and toll to government and so on. Pricing has several meaning to consumers-cost, quality, product image, value, status, brand image, company image, and so on. For producer, price is the only element that generates revenue the other produces costs. Price is the amount of money consumer need to buy an object whereas; market price is what people are willing to pay for a particular goods or services at a particular time. Pricing is a major competitive tool and with the acceptance of contentious role for each other, mobile phone service providers are reducing their pricing structure, day-by-day.

Indian mobile phone tariffs are lowest in the world after the acceptance of revenue sharing scheme in August 1999 by the GOI. It was believed that price is decided by market and only cost can be controlled. Thus, lowest cost producer is allowed to have competitive advantage. Together with the decline in the cost of network and the scenario that allows for additional mobile phone service providers, the market for mobile phone services is at a point where consumers have infinite options for both - service quality and prices.

The pricing strategy of the mobile phone service providers with the tariff offerings for both the services, pre-paid and post-paid can be studied separately. Post-paid plans (highest and the lowest rentals) of all the service providers of Gujarat circle with the interval of six months period from July 2005 to December 2006 are studied separately. Table 6.4 shows the highest and the lowest rentals of all the mobile phone service providers for the month of July 2005, followed by the tariff plans in the month of December 2005, in Table 6.5. Table 6.6 and 6.7 highlight the highest and the lowest tariff plans for the month of July 2006 and December 2006. As CPP regime is applicable, charges for outgoing calls (national and international), rental amount, along with the activation charges of the plan are discussed here.

Beside the above mentioned calling rates, all the consumers irrespective of the service provider are getting some other benefits. Consumer opted for Bharti Airtel highest tariff plan gets free calls for 600 minutes along with the 200 minutes of calls to any Bharti Airtel number only for Rs. 0.30 (Table 6.4). A consumer with lowest tariff plans (of Bharti Airtel) gets national roaming at Rs. 49, beside the free calls of worth Rs. 50 for the period

of first 12 months. Consumers of Hutch mobile phone services, irrespective of the plan enrolled with had to pay Rs. 500 as a security deposit. They further avail the benefit of STD calls at Rs. 2.25 per minute. Similarly, a consumer enrolled with BSNL mobile phone services had to pay Rs. 3,000 as a security deposit. Tata Indicom consumer can have the benefits of add-on packs.

In Table 6.5, tariffs for highest rental plans had suddenly increased and all the service providers followed the trend. Among the highest tariff plans, lowest calling charges was of Reliance Infocom and the lowest rental is with Bharti Airtel and Hutch i.e. Rs. 1,699. Consumers with Tata Indicom need not to pay any monthly rentals.

Tata Indicom and BSNL came with the new tariff plans whereas; all the other mobile phone service providers followed the same trend (in relation with the highest tariff plans), as in December 2005 (Table 6.6). Within the lowest tariff plans also Tata Indicom is the only service providers, which came with different, plan, when compared with the last six month plan (December 2005).

Table 6.7 highlights that the mobile phone service providers started different tariff plans in order to attract the consumers. Consumers with Reliance Infocom have to pay the least charges, when opted for the highest tariff plan. Highest tariff plan charges, as specified here for the Idea Cellular are for 30 second pulse. Consumers with BSNL and Tata Indicom had to pay the security deposit irrespective of the highest or lowest tariff plan. It is very difficult to make the figures comparable hear as all the service providers are adding one or the other plus benefits and thus making the expenditure one and the same.

The most upcoming and accepted tariff plan for the pre-paid consumers is lifetime validity scheme. Tata Indicom was the first mobile phone service provider who opted for the non-stop mobile (lifetime validity scheme) on October 14, 2005. The advantage of the lifetime validity scheme is that, a consumer can continue to receive incoming calls for life long, as against the other schemes of restricted validity of varying periods. When the consumer enrolls into the lifetime pre-paid scheme, they have to recharge with easy recharge coupons with zero days' validity. Such coupons are easily available in the market, in various denominations. Here the easy recharge coupon of value up to Rs. 500 by all the mobile phone service providers, along with the processing fees of the service is shown in Table 6.8. This information is for the month of December 2006. As the service tax is fixed

by the government (12.5 percent), all the mobile phone service providers are charging the same, on the Maximum Retail Price (MRP), of the recharge coupon value. Some of the mentioned easy recharge coupons also provide with the facility of validity period.

Both the CDMA technology based mobile phone service providers; Reliance Infocom and Tata Indicom do not charge any processing fees to its consumers (Table 6.8). BSNL also follows the same trend. On recharge of Rs. 201 and higher denomination, Reliance Infocom consumers' get the full calling value whereas; Tata Indicom consumers have to pay the processing fees. Though both the operators are using similar technology. Bharti Airtel, Idea Cellular, and Hutch charges minimum amount of the processing fees, when the MRP of the recharge coupon is more than Rs. 199. An important point to be considered is, as the MRP of recharge coupon increases the processing fees goes on declining. This trend is applicable to all three GSM technology base mobile phone service provider. On recharge coupon of Rs. 550, Bharti Airtel consumers need not to pay the processing fees but at the same time, Idea Cellular consumers have to pay Rs. 15.04 as processing fees. Thus, all the mobile phone service providers are charging processing fees on different bases. But the overall talk amount is somewhat similar by the entire service provider.

**Table 6.4**  
**Post-paid plans in Air (July 2005)**

Particulars		Highest Tariff Plan					Lowest Tariff Plan					
	Bharti Airtel	BSNL	Hutch	Reliance Infocom	Idea Cellular	Tata Infocom	Bharti Airtel	BSNL	Hutch	Reliance Infocom	Idea Cellular	Tata Infocom
Name	Total Freedom 599	Plan 525	0 Rental plan 899	N Joy 499	Buzz 499	Single Rate Plan	Airtel 150	Plan 225	Talk 175	N Joy 99	Buzz Free	Talk 149
Activation Charges	0.00	200.00	100.00		600.00		510.00	200.00	100.00		300.00	
Rental	599.00	225.00		499.00	499.00	199.00	150.00	225.00	175.00	99.00	175.00	149.00
Local Calls												
Same Network	0.50	0.40	0.40	0.40	1.29	1.25	1.00	0.90	0.59	1.50	1.75	1.69
GSM/CDMA	0.50	0.40	0.40	1.00	0.99	1.25	2.00	0.90	1.69	2.20	1.75/0.99	1.69
Fixed Landline	1.50	1.20	1.10	1.00	1.29	1.25	2.00	1.20	1.69	2.20	1.75	1.69
STD (M to M)												
Same Network	2.00	1.80	2.64	1.00	2.65	1.25	2.00	2.00	2.64	2.20	2.65	1.69
Upto 200Kms	2.65	1.80	2.64	1.00	2.65	2.65	2.65	2.00	2.64	3.00	2.65	2.65
Above 200Kms	2.65	1.80	2.64	1.00	2.65	2.65	2.65	2.00	2.64	3.00	2.65	2.65
STD (M to F)												
50-200Kms	2.65	1.80	2.64	1.00	2.65	2.65	2.65	2.40	2.64	3.49	2.65	2.65
200-500Kms	2.65	1.80	2.64	1.00	2.65	2.65	2.65	2.40	2.64	3.49	2.65	2.65
Above 500Kms	2.65	1.80	2.64	1.00	2.65	2.65	2.65	2.40	2.64	3.49	2.65	2.65
ISD												
AEAO SC	14.24	7.20	14.42	12.99	14.25	14.25	14.25	7.20	14.42	14.25	14.25	14.25
GCA	17.24	9.60	17.24	14.25	17.25	17.24	17.24	9.60	17.24	14.25	17.25	17.24
RC	40.00	12.00	14.24	17.25	14.25	14.24	40.00	12.00	14.24	17.25	14.25	14.24
SMS												
Local	1.00	0.40	1.00	0.50	1.00	1.00	1.00	0.40	1.00	1.00	1.00	1.00
STD	2.00	0.80	2.00	0.50	2.00	1.00	2.00	0.80	2.00	1.00	2.00	1.00
ISD	5.00	5.00	5.00	3.00	5.00	5.00	5.00	5.00	5.00	3.00	5.00	5.00

Source: My Mobile, Vol. 1, Issue V, June 15-July 15, 2005.

**Table 6.5**  
**Post-paid Plans in Air (December 2005)**

Particulars	Highest Tariff Plan						Lowest Tariff Plan					
	Bharti Airtel	BSNL	Hutch	Reliance Infocom	Idea Cellular	Tata Infocom	Bharti Airtel	BSNL	Hutch	Reliance Infocom	Idea Cellular	Tata Infocom
Name	Total Freedom 1699	Plan 525	Talk 1,699	N Joy 499	Buzz 1,699	Do More 999	Airtel 150	Plan 225	Talk 175	N Joy 99	Buzz 175	Do More 99
Activation Charges	0.00	200.00	100.00		300.00	99.00	510.00	200.00	100.00		300.00	
Rental	1,699.00	225.00	1,699.00	499.00	1,699.00		150.00	225.00	175.00	99.00	175.00	99.00
Local Calls												
Same Network	0.40	0.40	0.40	0.40	0.40	1.00	1.00	0.90	0.99	1.50	1.75	1.50
GSM/CDMA	0.40	0.40/1.20	0.40	1.00	0.40/1.10	1.00	2.00	0.90	1.99	2.20	1.75	2.00
Fixed Landline	1.10	1.20	1.10	1.00	1.10	2.00	2.00	1.20	1.99	2.20	1.75	2.40
STD (M to M)												
Same Network	2.00	1.80	2.64	1.00	2.65	2.00	2.00	2.00	2.64	2.20	2.65	2.20
Upto 200Kms	2.65	1.80	2.64	1.00	2.65	2.65	2.65	2.00	2.64	3.00	2.65	3.00
Above 200Kms	2.65	1.80	2.64	1.00	2.65	2.65	2.65	2.00	2.64	3.00	2.65	3.00
STD (M to F)												
50-200Kms	2.65	1.80	2.64	1.00	2.65	2.65	2.65	2.40	2.64	3.49	2.65	3.49
200-500Kms	2.65	1.80	2.64	1.00	2.65	2.65	2.65	2.40	2.64	3.49	2.65	3.49
Above 500Kms	2.65	1.80	2.64	1.00	2.65	2.65	2.65	2.40	2.64	3.49	2.65	3.49
ISD												
AEAOSC	14.24	7.20	14.42	12.99	14.25	12.00	14.24	7.20	14.24	14.25	14.25	12.00
GCA	17.24	9.60	17.24	17.25	17.25	12.00	17.24	9.60	17.24	17.25	17.25	12.00
RC	40.00	12.00	14.24	14.25	17.25	14.24	40.00	12.00	14.24	14.25	17.25	14.24
SMS												
Local	1.00	0.40	.50/1.00	0.50	1.00	1.00	1.00	0.40	1.00	1.00	1.00	1.00
STD	2.00	0.80	2.00	0.50	2.00	2.00	2.00	0.80	2.00	1.00	2.00	2.00
ISD	5.00	5.00	5.00	3.00	5.00	5.00	5.00		5.00	3.00	5.00	5.00

Source: My Mobile, Vol. 1, Issue V, December 15- January 15, 2005.

**Table 6.6**  
**Post-paid Plans in Air (July 2006)**

Particulars	Highest Tariff Plan						Lowest Tariff Plan					
	Bharti Airtel	BSNL	Hutch	Reliance Infocom	Idea Cellular	Tata Infocom	Bharti Airtel	BSNL	Hutch	Reliance Infocom	Idea Cellular	Tata Infocom
Name	Total Freedom Platinum	One India Plan	Talk 1,699	Joy 499	Buzz 1,699	Do More 1,599	Life Value Plan	Call One Plan 225	Talk 175	India One 299	Buzz 175	Do More 0123
Activation Charges	0.00	200.00			300.00	99.00	510.00	200.00			300.00	99.00
Rental	1,699.00	229.00	1,699.00	499.00	1,699.00		199.00	225.00	175.00	299.00	175.00	123.00
Local Calls												
Same Network	0.40	0.40	0.40	0.40	0.40	1.00	1.20	0.90	0.99	0.40	1.75	
GSM/CDMA	0.40/1.10	1.00	0.40	0.75	1.10	1.00	1.20	0.90	1.99	1.00	1.75	1.00
Fixed Landline	1.10	1.00	1.10	0.75	1.10	2.00	1.20	1.20	1.99	1.00	1.75	2.00
STD (M to M)												
Same Network	2.00	1.00	1.00	0.40	2.65	2.00	2.40	2.00	2.40/1.00	1.00	2.65	3.00
Upto 200Kms	2.40	1.00	1.00	0.75	2.65	2.65	2.40	2.00	2.40/1.00	1.00	2.65	3.00
Above 200Kms	2.40	1.00	1.00	0.75	2.65	2.65	2.40	2.00	2.40/1.00	1.00	2.65	3.00
STD (M to F)												
50-200Kms	2.40	1.00	1.00	0.75	2.65	2.65	2.40	2.40	2.40/1.00	1.00	2.65	3.00
200-500Kms	2.40	1.00	1.00	0.75	2.65	2.65	2.40	2.40	2.40/1.00	1.00	2.65	3.00
Above 500Kms	2.40	1.00	1.00	0.75	2.65	2.65	2.40	2.40	2.40/1.00	1.00	2.65	3.00
ISD												
AEAO SC	7.20	7.20/9.60	7.20	6.00	7.20	12.00	7.20	7.20	7.20	6.00	7.20	14.24
GCA	9.99	12.00	9.99	8.00	9.99	12.00	9.99	9.60	9.99	8.00	9.99	12.00
RC	40.00	12.00	40.00	40.00	50.00	14.24	40.00	12.00	40.00	40.00	50.00	14.24
SMS												
Local	1.00	0.40	50/1.00	0.50	1.00	1.00	1.00	0.40	50/1.00	1.00	1.00	1.00
STD	2.00	0.80	2.00	2.00	2.00	2.00	2.00	0.80	2.00	2.00	2.00	1.00
ISD	5.00		5.00	5.00	5.00	5.00	5.00		5.00	5.00	5.00	5.00

Source: My Mobile, Vol. 1, Issue V, June 15-July 15, 2006.

**Table 6.7**  
**Post-paid Plans in Air (December 2006)**

Particulars	Highest Tariff Plan					Lowest Tariff Plan						
	Bharti Airtel	BSNL	Hutch	Reliance Infocom	Idea Cellular	Tata Infocom	Bharti Airtel	BSNL	Hutch	Reliance Infocom	Idea Cellular	Tata Infocom
Name		One India Plan	Talk 1,699	Joy 499	Lifelong 997	Do More 1,599	Lifetime Value Plan	Call One Plan 225	Talk 175	India One 299	Buzz 250	Do More 0123
Activation Charges	599.00	200.00				99.00		200.00			267.00	99.00
Rental		229.00	1,699.00	499.00	997.00		249.00	225.00	175.00	299.00	250.00	123.00
Local Calls												
Same Network	0.50	0.40	0.40	0.40	0.99	1.00	1.20	0.90	0.99	0.40	1.00	-
GSM/CDMA	0.50/1.50	1.00	0.40	0.75	0.99	1.00	1.20	0.90	1.99	1.00	1.00/1.50	1.00
Fixed Landline	1.50	1.00	1.10	0.75	0.99	2.00	1.20	1.20	1.99	1.00	1.50	2.00
STD (M to M)												
Same Network	2.00	1.00	1.00	0.40	0.99	2.00	2.00	2.00	2.40/1.00	1.00	2.65	3.00
Upto 200Kms	2.40	1.00	1.00	0.75	0.99	2.65	2.40	2.40	2.40/1.00	1.00	2.65	3.00
Above 200Kms	2.40	1.00	1.00	0.75	0.99	2.65	2.40	2.40	2.40/1.00	1.00	2.65	3.00
STD (M to F)												
50-200Kms	2.40	1.00	1.00	0.75	2.65	2.65	2.40	2.40	2.40/1.00	1.00	2.65	3.00
200-500Kms	2.40	1.00	1.00	0.75	2.65	2.65	2.40	2.40	2.40/1.00	1.00	2.65	3.00
Above 500Kms	2.40	1.00	1.00	0.75	2.65	2.65	2.40	2.40	2.40/1.00	1.00	2.65	3.00
ISD												
AEAO SC	7.20	7.20	7.20	6.00	7.20	7.20	7.20	7.20	7.20	6.00	7.20	7.20
GCA	9.99	12.00	9.99	8.00	9.99	9.99	9.99	9.60	9.99	8.00	9.99	9.99
RC	40.00	12.00	40.00	40.00	50.00	9.99	40.00	12.00	40.00	40.00	50.00	9.99
SMS												
Local	1.50	0.40	50/1.00	0.50	0.99	1.00	1.00	0.40	1.00	1.00	1.00	1.00
STD	2.00	0.80	2.00	2.00	1.99	2.00	2.00	0.80	2.00	2.00	2.00	1.00
ISD	5.00	5.00	5.00	5.00	4.99	5.00	5.00	5.00	5.00	5.00	5.00	5.00

Source: My Mobile, Vol. 1, Issue V, December 15- January 15, 2007.

**Table 6.8**  
**Lifetime Validity Plan**

<b>MRP (Rs)</b>	<b>Calling Value (Rs)</b>	<b>Processing Fee (Rs)</b>
<b>Bharti Airtel</b>		
10-199	8.01-176.4	0.9-0.9
200	46.7	131.49
220	96.01	100
330	144.01	150
350	161.83	150
440	399.27	30
550	490.02	0
<b>BSNL</b>		
56	50	0
112	100	0
224	200	0
561	500	0
<b>Hutch</b>		
10-29	1	
30-32	3	
33-33	29.4	
34-58	3	
59-59	52.57	
60-98	3	
99-99	88.2	
100-198	7	
199-249	132.3	
250-250	122.74	
251-349	132.3	
350-448	125.83	
449-449	149.04	
450-499	125.83	
500-518	110.02	
<b>Idea</b>		
55	49	0
110	98	0
199	50	127.30
220	86	110.01
350	187	124.83
550	365	125.04
<b>Reliance</b>		
10-38	8.91-33.86	0
40-74	32.64-65.93	0
76-78	67.71-69.49	0
80-89	71.28-79.29	0
91-148	81.08-131.86	0
150-150	133.64-133.64	0
152-184	135.42-163.93	0
186-189	165.72-168.39	0
201-201	201.00-201.00	0
501-501	501.00-501.00	0
<b>Tata</b>		
50	44.50	0
100	89.10	0

Source: [www.airtelworld.com](http://www.airtelworld.com); [www.bsnl.co.in](http://www.bsnl.co.in); [www.hutch.co.in](http://www.hutch.co.in); [www.ideacellular.com](http://www.ideacellular.com);

[www.relianceinfocom.com](http://www.relianceinfocom.com); [www.tataindicom.com](http://www.tataindicom.com), 2006



### 6.3.2 Promotional Activities

In this section an attempt is made to highlight the promotional tools, used by the service providers, to make an everlasting impact on the consumers. Promotional activities always influence the consumers buying behavior. As all the consumers are different, mobile phone service providers are opting for new and integrated promotional strategies to reach out to their consumers.

Promotional strategies includes advertising, sales promotion, publicity, personal relations, and public relations. To capture the large market share, all the mobile phone service providers are using one or the other promotional tools. One of the important means of promoting the services, opted by mobile phone service providers is sales promotion. Seven different sales promotional techniques most popularly accepted and adopted by all the producers and service providers in Indian market are shown in Table 6.9. Mobile phone service providers had opted for all these sales promotional strategies. Expenditure on sales promotion by various marketing companies in India is estimated to be Rs. 5,000 and is growing at a healthy pace every year.

There has been very few discussion in sales promotion literature about how different types of promotions may be classified. One dimension, which has been suggested to classify different promotions, is the price versus non-price nature of the promotion. Price promotions are defined as, promotions through coupons and rebates; they temporarily reduce the cost of the goods and services. These promotions focuses on the reduced economic outlay required obtaining a good or service. Non-price promotions are defined as giveaways or contests, in which value is temporarily added to the product at full price. Number of studies, which have compared consumer response to different promotions, had followed price and non-price classification in differentiating the types of promotional schemes.

In Indian advertising arena, mobile phone service providers are on the sixth position in using promotional strategy during first half of the year 2006, with 4 percent of market share.<sup>29</sup> Only four advertisers in Indian market have used all sales promotional techniques

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<sup>29</sup> [www.adexindia.com](http://www.adexindia.com), 2006

in the specified period, three of the advertisers are the mobile phone service providers namely Reliance Infocom, BSNL, and Tata Teleservices.<sup>30</sup>

**Table 6.9**  
**Sales Promotion Techniques and Mobile Phone Service Providers**

<b>Sales Promotion</b>	<b>Description</b>
Price Promotion	Offers price reduction on the product.
Contest Promotion	Purchase of the product is necessary for taking part in contest that offers prizes.
Multiple Promotion	Promotions, which include more than one of the four types of promotional offers.
Add-on Promotion	Promotion offers a free or an-add on product (same or different) on the purchase.
Exchange Promotion	Price of the product is reduced in exchange of an old product.
Combination Promotion	Two or more products are offered together at a discounted price or some incentive is offered on a combination pack.
Volume Promotion	Allows additional quantity of the same product free on its purchase.

Source: [www.exchange4media.com](http://www.exchange4media.com), 2006

An important promotional strategy adopted by all the mobile phone service providers is advertising. It is a means to weigh the decision making of the consumers, by influencing their wants, needs, and demand. It is a paid form of non-personal communication of ideas, products, and services by an identified sponsor.<sup>31</sup> Advertising works by changing consumers' awareness about products and services. Awareness of product precedes interest, which in turn heads desire and action.

Trends in advertisements are important indicators of the sales and marketing aspirations of a company, but it is the trends in advertisements content that reveal the real marketing strategy. It reflects, to a great extent, the trend in the industry itself. As brands become more familiar, companies start to emphasize particular characteristic of their networks

<sup>30</sup> ibid

<sup>31</sup> Opcit (2005)

that set them apart. After the first stage of brand awareness, mobile phone service providers are now trying to differentiate their networks. The focus is shifting from brand awareness to brand positioning, from creation to growth.

Most common way of advertising opted by the mobile phone service providers is the use of theme, memorable slogan. Such attractive and influencing theme by the mobile phone service providers helps the consumers to memorize the service provider at the time of buying. Slogans supports companies' current image by generating awareness, the most successfully communicated messages had a greater propensity to be unique. Saying the same thing as everyone else in an effective manner is an advertising. Table 6.10 shows the slogans used by the mobile phone service providers. These slogans can be seen on hoardings, banners, magazines, newspapers, and on television set, irrespective of the rural or urban region. Themes of the advertising affect the likings for the same. Brand ambassadors add value to the advertising cry of the service providers. Brand representatives of mobile phone service providers are also listed in Table 6.10.

**Table 6.10**  
**Mobile Phone Service Providers Slogan and Brand Ambassadors**

<b>Service Provider</b>	<b>Slogan</b>	<b>Brand Ambassador</b>
Airtel	Express yourself	Sharukh Khan, Sachin Tendulkar
BSNL	Connecting India	Preti Zinta
Hutch	You and I	Irfan Khan
Idea	An idea can change your life	-
Reliance Infocom	Think big. Think differently	Saurav Gangaully
Tata Indicom	Do More Live More	Kajol and Ajay Devgan

Source: [www.adexindia.com](http://www.adexindia.com), 2006

For the first time, Airtel used Bollywood film stars, to promote telecommunication products, with the aim to break into the mass market and to double the existing base. The response of the advertisement was overwhelming, just as it was intended. Idea Cellular is the only mobile phone service provider not considering having a brand ambassador, they

believe in local branding.<sup>32</sup> Hutch believes in the more established connection between what consumers see and what they experience and get gives more chances that the advertising campaign would be successful.<sup>33</sup> Reliance explored the new and unconventional channels for advertising. The Reliance name embossed on every handset gave it a sole prestige, while the costs of many of the advertisements were discounted since they were also borne by the handset makers.<sup>34</sup> A study conducted by AdEx India (2006)<sup>35</sup> showed that the mobile phone service providers dominated the list of the top ten advertisers for the year 2003. Reliance Infocom stood on top of the list, followed by Nokia Corporation, Hutchison Essar Limited, BSNL, L.G. Electronics India Limited, Samsung India Electronics Limited, Bharti Airtel, Idea cellular Limited, Tata Teleservices Limited, and Motorola.<sup>36</sup>

Mobile phone service providers are trying to use every media vehicle and channel effectively. The advertising campaigns had an emotional arena, assistance on cricket and bollywood thus, effectively connecting with every Indian. Advertising has become an effective way of educating masses and evoking passions. The fast growth of consumer base of mobile phone services reflects the impact of a powerful promotional strategy.

### **6.3.3 Product Segmentation**

Segmentation is the act of dividing the heterogeneous market into smaller homogeneous units, where the smaller set of units would have the same group of demands, motivations, and other characteristics.<sup>37</sup> Different consumers have different needs and therefore the most prevalent means adopted by service providers is segmentation. Product segmentation gives a direction to focus and to reach the target markets, through differentiated strategies. It is employed to divide the market into distinct consumer group with different needs and priorities, with acquiring different solutions.

Product segmentation strategy started with the consent of TRAI in 1999, by allowing the mobile phone service providers to use any digital divide technology, including CDMA. Till this point, all mobile phone service providers have to use GSM 900 MHz, band based

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<sup>32</sup> OpCit (2006)

<sup>33</sup> [www.exchange4media.com](http://www.exchange4media.com), 2006

<sup>34</sup> OpCit (2005)

<sup>35</sup> [www.adexindia.com](http://www.adexindia.com), 2006

<sup>36</sup> Idid (2006)

<sup>37</sup> OpCit (2005)

on TDMA. Thus now a days, Indian mobile phone service providers have an option to serve the consumers either with GSM or CDMA technology.

CDMA is the digital multiple access technology specified as the IS-95 standard by Telecommunication Industry Association (TIA) of USA. It uses spread spectrum technique, where every channel uses the full available spectrum. GSM is the European digital standard, created in 1982 and is the most successful digital mobile phone standard, accepted worldwide.

During the year 2004-2005, GSM technology service providers captured 78 percent of the total base of 52.37 million consumers, whereas the CDMA service providers occupied only 22 percent of the market share. Technology-wise consumer break-up of the market for the year 2005-2006 shows GSM contribution of 76 percent whereas CDMA contributes 24 percent. During March 2005, total number of CDMA mobile phone consumers was 11.31 million while in March 2006 the figure was 21.69 million. Whereas the GSM mobile phone consumers were 41.04 million in March 2005 and reached to 69.19 million in March 2006.<sup>38</sup> In the financial year 2005-2006 total consumer base of mobile phone services was 90.88 million and 24 percent of this was captured by CDMA technology based service providers and the remaining by GSM service providers.

In order to meet the needs of the micro segments within the mass market, mobile phone service providers opted for two different services at a time, pre-paid and post-paid service options. Telecom Italia Mobile (TIM), Europe's largest telecommunication service provider was the first mobile phone service provider to successfully use pre-paid mobile phone services.<sup>39</sup> Launch of pre-paid service helped the service providers to access the large market segment. In India too, this product segmentation is accepted whole-heartedly from the very beginning. During September 1996, first mobile phone service provider opted for pre-paid services and later by March 1997 almost all the mobile phone service providers had accepted this service.

Pre-paid mobile phone services are accepted very fast in India due to its benefits: total cost control, no rentals, no deposits, no contract-no bill, no credit check, off-the-shelf purchase. Besides these benefits, currently pre-paid mobile phone consumers can recharge

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<sup>38</sup> Opcit (2006)

<sup>39</sup> Opcit (2000)

their account with any denomination anywhere and anytime, STD/ISD facility and instant balance inquiry adds plus value to the services. Post-paid services are the monthly billing service to the consumers. Currently different payment choices are available to the consumers. Post-paid consumers add to the company's loyalty.

In the present study, out of total 1,250 respondents, only 252 respondents are using post-paid services. Number of pre-paid consumers for rural talukas is 347 respondents and for urban taluka are 651 respondents. Thus, the popularity and acceptance of pre-paid services in Vadodara district is more in comparison to that of post-paid services.

In relation to the pricing structure of pre-paid and post-paid services in Vadodara district, out of total 1,250 respondents, 254 respondents considers both the services at similar price level. 692 respondents consider pricing of pre-paid services high in relation to post-paid services while 313 respondents reported vice versa.

Mobile phone service providers in Gujarat are using the sales promotion techniques by making their services available to consumers through different offers in air. Table 6.11 and Table 6.12 show the post-paid offers in air for the month of December 2006 and March 2007 respectively, by all six mobile phone service providers. Whereas, Table 6.13 and Table 6.14 represents the pre-paid offers available to consumers under different plan names for the period of December 2006 and March 2007.

For the month of December 2006, Bharti Airtel and Hutch followed by Reliance Infocom and Tata Indicom, offered maximum number of plans. Idea Cellular provides the minimum number of plans to post-paid consumers. Bharti Airtel, Hutch, Idea Cellular, and Reliance Infocom follow the same trend of offering maximum number of plans in the same order as that of December 2006, for the month of March 2007 also. All these offers in air have one or the other important feature, which helps consumers to reduce their monthly bills upto maximum possible extent. But for the same, consumers should be able to estimate their usage pattern in a proper manner.

The highest number of plans for the pre-paid mobile phone consumers for the month of December 2006 was offered by Hutch (17 plans), followed by Bharti Airtel (7 plans). Reliance Infocom and Tata Indicom had four plans to offer to the consumers followed by BSNL with three plans. Idea Cellular had made the pre-paid services available under one

name i.e. Chit Chat Card. During March 2007, Hutch and Bharti Airtel had 16 plans each to offer to its pre-paid consumers, whereas the remaining four mobile phone service providers followed the same trend as in December 2006.

Until now, the high cost, poor connectivity and complexity of traditional regimes by authority kept mobile phone service providers far from capturing the revenue opportunities of managed security services. But with the acceptance of competition in the telecommunication sector, the authority removed all the hurdles in the growth path of the service providers. To grow in today's competitive marketing environment, mobile phone service providers must develop new business strategies that will enable them to claim a profitable share of the market. These strategies are not based on competitive pricing, but instead are focused on increasing and retaining a loyal consumer base, by delivering managed security services. Thus, new modern marketing concept applicable to the present scenario is not only to be developed but should also be followed by the telecommunication service providers.

Table 6.11

Post-paid offers in air (December 2006)

Bharti Airtel	BSNL	Hutch	Idea	Reliance Infocom	Tata Indicom
<ul style="list-style-type: none"> <li>• Total Freedom 599</li> <li>• Airtel One2Three Plan</li> <li>• Lifetime Full Value Plan</li> <li>• Airtel Gold</li> <li>• India Home 299 Plan</li> <li>• New India Roam 399 Plan</li> <li>• TF 9999</li> <li>• Group save 249</li> <li>• InnoWEST Plan 300</li> <li>• Home 149</li> <li>• Retail CUG 250</li> <li>• FWP Economy Plan</li> <li>• FWP 500 Plan</li> <li>• FWP 1000 Plan</li> <li>• FWP Plan One India</li> </ul>	<ul style="list-style-type: none"> <li>• Plan99-Student Power</li> <li>• Plan 100</li> <li>• Plan 140</li> <li>• Plan 225</li> <li>• Plan299 One India</li> <li>• Plan 325</li> <li>• Plan 525</li> <li>• Plan 725</li> <li>• Plan SMS Power</li> </ul>	<ul style="list-style-type: none"> <li>• Talk 175</li> <li>• Full Value Plans-</li> <li>• FV 199</li> <li>• FV 399</li> <li>• FV 699</li> <li>• FV 899</li> <li>• Talk 1 Year-799</li> <li>• Talk 2 Year-1099</li> <li>• Talk Home-299</li> <li>• Talk-399</li> <li>• Make Your Own Group Plans-</li> <li>• My Group of 2</li> <li>• My Group of 3</li> <li>• My Group of 4</li> <li>• My Group of 4 Plus</li> </ul>	<ul style="list-style-type: none"> <li>• Easy 249</li> <li>• Easy 299</li> <li>• Lifelong</li> <li>• Idea</li> <li>• Buzz 250</li> <li>• Easy 599</li> </ul>	<ul style="list-style-type: none"> <li>• Joy 124</li> <li>• Joy 149</li> <li>• Joy 299</li> <li>• Joy 299</li> <li>• Joy 399</li> <li>• Joy 499</li> <li>• Joy 299</li> <li>• Joy 395</li> <li>• Joy 649</li> <li>• Power 149</li> <li>• Life 900</li> </ul>	<ul style="list-style-type: none"> <li>• Get More 124</li> <li>• Do More 0123</li> <li>• Do More 199</li> <li>• Talk India 299</li> <li>• Do More 399</li> <li>• Do More 499</li> <li>• Get More 199</li> <li>• Get More 399</li> <li>• Big Silver</li> <li>• Do More 999</li> <li>• Do More 1599</li> </ul>

Source: [www.airtelworld.com](http://www.airtelworld.com); [www.bsnl.co.in](http://www.bsnl.co.in); [www.hutch.co.in](http://www.hutch.co.in); [www.ideacellular.com](http://www.ideacellular.com); [www.relianceinfocom.com](http://www.relianceinfocom.com);  
[www.tataindicom.com](http://www.tataindicom.com), 2006



Table 6.12

Post-paid offers in air (March 2007)

Bharti Airtel	BSNL	Hutch	Idea	Reliance Infocom	Tata Indicom
<ul style="list-style-type: none"> <li>Total Freedom 599</li> <li>Airtel One2Three Plan</li> <li>Lifetime Full Value Plan</li> <li>Airtel Gold</li> <li>India Home 299 Plan</li> <li>New India Roam 399 Plan</li> <li>TF 9999</li> <li>Group save 249</li> <li>Inno WEST Plan 300</li> <li>Home 149</li> <li>Retail CUG 250</li> <li>FWP Economy Plan</li> <li>FWP 500 Plan</li> <li>FWP 1000 Plan</li> <li>FWP Plan One India</li> </ul>	<ul style="list-style-type: none"> <li>Plan 99-Student Power</li> <li>Plan 100</li> <li>Plan 140</li> <li>Plan 225</li> <li>Plan 299-299-India</li> <li>Plan 325</li> <li>Plan 525</li> <li>Plan 725</li> <li>Plan SMS Power</li> </ul>	<ul style="list-style-type: none"> <li>Talk 175</li> <li>Full Value Plans- <ul style="list-style-type: none"> <li>FV 199</li> <li>FV 399</li> <li>FV 699</li> <li>FV 899</li> </ul> </li> <li>Talk 1 Year-799</li> <li>Talk 2 Year-1099</li> <li>Talk Home-299</li> <li>Talk-399</li> <li>Make Your Own Group Plans- <ul style="list-style-type: none"> <li>My Group of 2</li> <li>My Group of 3</li> <li>My Group of 4</li> <li>My Group of 4 Plus</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Easy 249</li> <li>Easy 299</li> <li>Lifelong</li> <li>Idea</li> <li>Buzz 250</li> <li>Easy 599</li> </ul>	<ul style="list-style-type: none"> <li>Joy 124</li> <li>Joy 149</li> <li>Joy 299 SS</li> <li>Joy 299 M</li> <li>Joy 399</li> <li>Joy 499</li> <li>Joy 299</li> <li>Joy 395</li> <li>Joy 649</li> <li>Power 149</li> <li>Life 900</li> </ul>	<ul style="list-style-type: none"> <li>Get More 124</li> <li>Do More 0123</li> <li>Do More 199</li> <li>Talk India 299</li> <li>Do More 399</li> <li>Do More 499</li> <li>Get More 199</li> <li>Get More 399</li> <li>Big Silver</li> <li>Do More 999</li> <li>Do More 1599</li> </ul>

Source: [www.airtelworld.com](http://www.airtelworld.com); [www.bsnl.co.in](http://www.bsnl.co.in); [www.hutch.co.in](http://www.hutch.co.in); [www.ideacellular.com](http://www.ideacellular.com); [www.relianceinfocom.com](http://www.relianceinfocom.com);  
[www.tataindicom.com](http://www.tataindicom.com), 2006

Table 6.13

## Pre-paid offers in air (December 2006)

Bharti Airtel	BSNL	Hutch	Idea Cellular	Reliance Infocom	Tata Indicom
<ul style="list-style-type: none"> <li>• Airtel Pardes Card</li> <li>• Super Bachat Pack</li> <li>• Airtel Friendz Pack</li> <li>• Airtel + Nokia Talk A Long Offer</li> <li>• Easy Lifetime Prepaid</li> <li>• RC 550 - Double Full Talktime</li> <li>• Airtel 399</li> </ul>	<ul style="list-style-type: none"> <li>• Excel Power</li> <li>• Excel Anant (Lifetime prepaid)</li> <li>• Own Your Vanity Prepaid worth Rs. 3000/-</li> </ul>	<ul style="list-style-type: none"> <li>• Sagem Offer</li> <li>• Talk Late</li> <li>• Easy Chota Recharge Prepaid</li> <li>• Validity Recharge Offer</li> <li>• Full top up Offers</li> <li>• <a href="http://hutch.in/prepaid/offers_guj.asp#1">http://hutch.in/prepaid/offers_guj.asp#1</a></li> <li>• Hutch moto</li> <li>• Hutch Chalta rahe</li> <li>• <a href="http://hutch.in/prepaid/offers_guj.asp#std1">http://hutch.in/prepaid/offers_guj.asp#std1</a></li> <li>• <a href="http://hutch.in/prepaid/offers_guj.asp#std2">http://hutch.in/prepaid/offers_guj.asp#std2</a></li> <li>• 250 local sms free</li> <li>• 2000 local sms free</li> <li>• <a href="http://hutch.in/prepaid/offers_guj.asp#nationalsms">http://hutch.in/prepaid/offers_guj.asp#nationalsms</a></li> <li>• <a href="http://hutch.in/prepaid/offers_guj.asp#h2h50">http://hutch.in/prepaid/offers_guj.asp#h2h50</a></li> <li>• <a href="http://hutch.in/prepaid/offers_guj.asp#hutch50">http://hutch.in/prepaid/offers_guj.asp#hutch50</a></li> <li>• <a href="http://hutch.in/prepaid/offers_guj.asp#guj1">http://hutch.in/prepaid/offers_guj.asp#guj1</a></li> <li>• <a href="http://hutch.in/prepaid/offers_guj.asp#m2m9">http://hutch.in/prepaid/offers_guj.asp#m2m9</a></li> </ul>	<ul style="list-style-type: none"> <li>• Chit chat card</li> </ul>	<ul style="list-style-type: none"> <li>• India</li> <li>• Jeevan Bhar Ka Saath</li> <li>• Free main Thre</li> <li>• Ab Har Koi Mobile</li> </ul>	<ul style="list-style-type: none"> <li>• Go Easy</li> <li>• Go</li> <li>• Active</li> <li>• Go Life</li> <li>• Go Max</li> </ul>

Source: [www.airtelworld.com](http://www.airtelworld.com); [www.bsnl.co.in](http://www.bsnl.co.in); [www.hutch.co.in](http://www.hutch.co.in); [www.ideacellular.com](http://www.ideacellular.com); [www.relianceinfocom.com](http://www.relianceinfocom.com);  
[www.tataindicom.com](http://www.tataindicom.com), 2006

Table 6.14

Pre-paid offers in air (March 2007)

Bharti Airtel	BSNL	Hutch	Idea Cellular	Reliance Infocom	Tata Indicom
<ul style="list-style-type: none"> <li>• Apna Desh</li> <li>• Rs. 99 SUK</li> <li>• SuperBachat Pack</li> <li>• Rs. 999 – Lifetime prepaid</li> <li>• Easy Lifetime Prepaid</li> <li>• LG KG 110</li> <li>• Airtel Mega Prepaid</li> <li>• Rs. 495 Prepaid Easy Charge</li> <li>• RC 552</li> <li>• Motorola C118 Bundle Offer</li> <li>• Motorola C 139 Bundle Offer</li> <li>• Vyapar Card</li> <li>• Airtel Wonder IVV 151</li> <li>• Rang Barse - RC 995</li> </ul>	<ul style="list-style-type: none"> <li>• Excel Power</li> <li>• Excel Anant (Lifetime prepaid)</li> <li>• Own Your Vanity Prepaid worth Rs. 3000/-</li> </ul>	<ul style="list-style-type: none"> <li>• STD @ Rs 1.25 to 8 states</li> <li>• Validity Recharge offers</li> <li>• H2H@30p</li> <li>• Hutch Chalta Rahe</li> <li>• Easy Chalta Rahe Prepaid</li> <li>• Full Top-Up offer</li> <li>• Start Talking</li> <li>• Sagem offer</li> <li>• HutchMoto</li> <li>• M2M @ 99p</li> <li>• H2H @ 50p</li> <li>• Talk Late</li> <li>• India@Rel</li> <li>• H2H STD@Rel</li> <li>• 250 Local SMS free</li> <li>• 1000 Local SMS free</li> </ul>	<ul style="list-style-type: none"> <li>• Chit chat card</li> </ul>	<ul style="list-style-type: none"> <li>• I India</li> <li>• Chat and Play</li> <li>• Free main</li> <li>• Three</li> <li>• Ab Har Koi Mobile</li> </ul>	<ul style="list-style-type: none"> <li>• Go Easy</li> <li>• Go</li> <li>• Active</li> <li>• Go Life</li> <li>• Go Max</li> </ul>

Source: [www.airtelworld.com](http://www.airtelworld.com); [www.bsnl.co.in](http://www.bsnl.co.in); [www.hutch.co.in](http://www.hutch.co.in); [www.ideacellular.com](http://www.ideacellular.com); [www.relianceinfocom.com](http://www.relianceinfocom.com);  
[www.tataindicom.com](http://www.tataindicom.com), 2006

#### 6.4 Mobile Phone Service Providers Marketing Strategy-Consumers Perspective

In order to capture the maximum market share, mobile phone service providers are using one or the other marketing tactics. In Gujarat state, all mobile phone service providers are using almost the same means and plans to attract the consumers. Consumers' behavior towards the service providers marketing strategy can better be judged by the acceptance of the services. In the present study, all the consumers reported which service provider they are using. This is shown in table 6.15, on the basis of urban and rural consumers.

Out of total, 30.08 percent of the respondents have opted for Hutch mobile phone services followed by BSNL with 37.52 percent of respondents'. Only 0.56 percent of the respondents have opted for Tata Indicom services and the main reason for such a low percentage of adoption is the non-availability of the services in rural areas at the time of survey. In comparison to all the rural areas Padra has maximum number of Reliance Infocom consumers (2.56 percent). In Vadodara taluka, 8.16 percent of the respondents have opted for Idea Cellular mobile phone services whereas in rural talukas the percentage is highest in Savali taluka (1.28 percent). In Vaghodia taluka only 0.08 percent of the respondents have opted for Bharti Airtel while 16.40 percent of the respondents in Vadodara taluka have opted for Bharti Airtel.

**Table 6.15**  
**Mobile Phone Service Provider in Use in Vadodara District**

Service Provider	Rural				Urban	Total
	Dabohi	Padra	Savali	Vaghodia	Vadodara	
Bharti Airtel	22 (1.76)	22 (1.76)	30 (2.40)	10 (0.80)	205 (16.40)	289 (23.12)
BSNL	23 (1.84)	51 (4.08)	27 (2.16)	15 (1.20)	229 (18.32)	344 (27.52)
Hutch	38 (3.04)	10 (0.80)	40 (3.20)	36 (2.88)	251 (20.08)	376 (30.08)
Idea Cellular	08 (0.64)	04 (0.32)	16 (1.28)	04 (0.32)	102 (8.16)	134 (10.72)
Reliance	01 (0.08)	32 (2.56)	05 (0.40)	02 (0.16)	60 (4.80)	100

Infocom						(8.00)
Tata Indicom	-	01 (0.08)	01 (0.08)	-	05 (0.40)	07 (0.56)
<b>Total</b>	<b>92 (7.36)</b>	<b>120 (9.60)</b>	<b>119 (9.52)</b>	<b>67 (5.36)</b>	<b>852 (68.16)</b>	<b>1250 (100)</b>

Source: Field Survey 2005

Besides the mobile phone service provider in use, respondents were asked to mention the preferred mobile phone service providers. Table 6.16 shows the preferred mobile phone service providers in Vadodara district. 36.08 percent of the respondents preferred Bharti Airtel as mobile phone service provider followed by Hutch, 35.92 percent. Only 9.36 percent of the respondents preferred BSNL services and out of which 5.76 are from Vadodara taluka. In Dabohi, Savali, Vaghodia, and Vadodara taluka, Hutch is the most preferred mobile phone service provider whereas in Padra taluka, mostly Bharti Airtel is preferred. 5.76 percent of the respondents preferred Reliance Infocom and only 0.96 percent preferred Tata Indicom. The main reason for less preference of Tata Indicom is the non-availability of the service provider. And in the areas where Tata Indicom is available, consumers are unaware of its performance, as it is a newly started service provider.

**Table 6.16**  
**Preferred Mobile Phone Service Provider**

Service Provider	Rural				Urban	Total
	Dabohi	Padra	Savali	Vaghodia	Vadodara	
Bharti Airtel	30 (2.40)	54 (4.32)	42 (3.36)	23 (1.84)	302 (24.16)	451 (36.08)
BSNL	09 (0.72)	22 (1.76)	11 (0.88)	03 (0.24)	72 (5.76)	117 (9.36)
Hutch	42 (3.36)	17 (1.36)	44 (3.52)	29 (2.32)	317 (25.36)	449 (35.92)
Idea Cellular	10 (0.80)	04 (0.32)	16 (1.28)	11 (0.88)	108 (8.64)	149 (11.92)
Reliance Infocom	01 (0.08)	22 (1.76)	05 (0.40)	01 (0.08)	43 (3.44)	72 (5.76)

Tata	-	01 (0.08)	01 (0.08)	-	10 (0.80)	12 (0.96)
Indicom						
<b>Total</b>	<b>92 (7.36)</b>	<b>120 (9.60)</b>	<b>119 (9.52)</b>	<b>67 (5.36)</b>	<b>852 (68.16)</b>	<b>1250 (100)</b>

Source: Field Survey 2005

Preference towards mobile phone service provider and the service provider in use emphasizes the loyalty towards the service providers. 376 respondents are using mobile phone services of Hutch while, 449 respondents preferred its services. Similarly 289 respondents are using services of Bharti Airtel while 451 respondents preferred its services. 134 respondents are using Idea Cellular mobile phone services whereas 149 respondents prefer to use the same. Number of satisfied consumers increases the company's image and thus it is the case with Bharti Airtel, Idea Cellular, and Hutch, in Vadodara district. 117 respondents prefer BSNL whereas 344 respondents are using the same. Thus, out of total number of consumers opted for BSNL services, 34 percent are non-satisfied consumers, showing less trustworthy consumers for BSNL mobile phone services. Similar case as that of BSNL mobile phone services can be seen with CDMA mobile phone service providers. Total 107 respondents are using Reliance Infocom and Tata Indicom services but only 84 respondents have a liking for these services. Numbers of consumers using the services are non-satisfied and thus, they do not prefer the same.

As studied by Miller, S. and Berry, L. (1998) the key difference between highly recalled messages and less highly recalled ones is that highly recalled messages are much more likely to be supported by well funded, long standing advertising campaigns.

Advertising related measures are directly affecting the consumers' preferences towards the advertisement. Some of the most common features of the advertisement are: brand statement, presentation, music, and celebrity. Respondents were asked their preference for mobile phone service providers' advertisements, on the basis of these features. Results of the same are shown in Table 6.17.

Maximum numbers of respondents, irrespective of the region, are influenced by the overall presentation made by the mobile phone service providers. Out of total 1,250 respondents, 496 respondents (39.68 percent) are attracted by the presentation. Presentation refers to the action or way of presenting the facts. Another important feature

that attracts the consumers is the music. 248 respondents (19.84 percent) get fascinated with the art of combining vocal and instrumental sound. 194 respondents and 172 respondents easily get attracted towards the brand statement and celebrity shown in the advertisement respectively. Only 142 respondents are not attracted towards any of the above mentioned features in the advertisement of the mobile phone service providers.

**Table 6.17**  
**Advertisement of the Mobile Phone Service Provider**

<b>Factors</b>	<b>Rural</b>				<b>Urban</b>	<b>Total</b>
	<b>Dabohi</b>	<b>Padra</b>	<b>Savali</b>	<b>Vaghodia</b>	<b>Vadodara</b>	
Brand Statement	06 (0.48)	13 (1.04)	15 (1.20)	4 (0.32)	156 (12.48)	194 (15.52)
Presentation	62 (4.96)	41 (3.28)	51 (4.08)	40 (3.20)	302 (24.16)	496 (39.68)
Music	13 (1.04)	35 (2.80)	21 (1.68)	7 (0.56)	172 (13.76)	248 (19.84)
Celebrity	10 (0.80)	31 (2.48)	22 (1.76)	9 (0.72)	98 (7.84)	170 (13.60)
Others	1 (0.08)	-	10 (0.80)	7 (0.56)	124 (9.92)	142 (11.36)
<b>Total</b>	<b>92 (7.36)</b>	<b>120 (9.60)</b>	<b>119 (9.52)</b>	<b>67 (5.36)</b>	<b>852 (68.16)</b>	<b>1250 (100)</b>

Source: Field Survey 2005

All the mobile phone service providers are emphasizing on the consumer satisfaction. One of the most common measure is the customer care facility. Consumers can dial to customer care number from their mobile phone, as it is a toll free number. All the mobile phone service providers are having this facility. Respondents were asked to rank some of the important services of customer care and the results are shown in Table 6.18. Communication by the mobile phone service provider in terms of phone calls or messages can either be considered as disturbing or encouraging variable. Time spent waiting for services, after call connects to customer care was ranked as satisfied, unsatisfied, etc. Knowledge level of the executives in customer care is also taken into consideration along with the number of services offered with one number dial facility.

Table 6.18 highlights the number of consumers in four different categories i.e. dissatisfied, less satisfied, satisfied, and highly satisfied group. Further they are bifurcated on the basis of the region. Out of total 1,250 respondents, 905 respondents agree that their mobile phone service provider communicates with them, though the communication means is SMS or a phone call. Out of these 905 respondents, 568 respondents are from Vadodara taluka only. Remaining 337 respondents are from the rural areas. All 10 respondents of Padra taluka, who owns Hutch mobile phone services, agree that the mobile phone service provider communicates with them. Whereas in Savali taluka, none of the respondent possessing Reliance Infocom (05 respondents) or Tata Indicom (01 respondents), agrees that the mobile phone service provider ever communicated with them. In relation to the time spent waiting for services, none of the respondent of Savali taluka are either dissatisfied or highly satisfied. All the consumers possessing Tata Indicom, irrespective of the region, are satisfied. For the knowledge level of the executives, total 135 respondents are less satisfied. out of these 5 respondents are from Dabohi taluka, 17 respondents are from Padra taluka, 105 respondents are from Vadodara taluka, and 4 respondents are from Savali taluka and Vaghodia taluka respectively. Number of services offered by the mobile phone service providers in just one dial i.e. customer care number, maximum respondents are satisfied (872 respondents) followed by less satisfied respondents (172 respondents) and highly satisfied consumers (103 respondents).



Table 6.18

## Customer Care Facility and Consumers

Particulars	Communication By Service Provider		Time Spent Waiting for Services				Knowledge Level of the Executives				Number of Services Offered				Total
	Yes	No	A	B	C	D	A	B	C	D	A	B	C	D	
Dabohi															
Bharti Airtel	14	08	03	03	15	01	-	01	18	03	-	01	18	03	22
BSNL	19	04	02	07	12	02	01	01	20	01	-	07	16	-	23
Hutch	31	07	06	03	28	01	-	03	31	04	-	05	32	01	38
Idea Cellular	06	02	01	03	04	-	01	-	07	01	-	02	06	-	08
Reliance Infocom	01	-	-	-	01	-	-	-	01	-	-	-	01	-	01
Padra															
Bharti Airtel	15	07	-	01	21	-	-	-	22	-	-	03	19	-	22
BSNL	49	02	-	08	43	-	-	04	47	-	-	06	45	-	51
Hutch	10	-	-	-	10	-	-	01	09	1	-	01	09	-	10
Idea Cellular	03	01	-	-	04	-	-	06	25	-	-	01	03	-	04
Reliance Infocom	32	-	-	02	30	-	-	06	26	-	-	09	23	-	32
Tata Indicom	01	-	-	-	01	-	-	-	01	-	-	-	01	-	01
Savali															
Bharti Airtel	24	06	02	05	21	02	-	01	17	12	-	-	26	04	30
BSNL	25	02	02	06	19	-	01	03	23	-	01	04	22	-	27
Hutch	36	04	01	03	34	02	-	-	33	07	-	03	34	03	40
Idea Cellular	14	02	-	-	15	01	-	-	08	08	-	-	12	04	16



## **6.5 Government Regulation for Mobile Phone Service Providers**

With ever increasing globalization and expanding business activity, the highest authority of any country has to regulate the marketing activities of all the services and products. Growing rate of acceptance of mobile phone services and the emerging technologies also demands from the government mandatory norms, in order to protect the interest of the consumers as well as the service providers. Thus, TRAI deals with the important matters of the telecommunication services in India.

Government is regulating the marketing activities of mobile phone service providers in terms of keeping an eye on the tariff offerings to the consumers and the promotional strategies of the same. The present section emphasizes on the important rules laid down by TRAI in relation with the marketing strategies of the mobile phone services. The subsequent sub section deals with the tariff offerings, playing a pivotal role. All the mobile phone service providers irrespective of the region have to follow these norms.

### **6.5.1 Tariff Structure**

Due to rapid development in technology, pricing plays an important role in developing the healthy competitive environment for mobile phone service providers as well as consumers. Soon after the formation of TRAI, Pricing for telecommunication services was governed by it. The TRAI initiated the first consultation paper in November 1997, for fixing the telecommunication tariffs and after that important rules were laid down from time to time. Tariff rebalancing process can be studied in two phases. Phase one show the pricing strategies of the government, before the commencement of the mobile phone services in the country, whereas second phase emphasizes the important rules laid down in relation with the mobile phone services.

#### **6.5.1.1 First Phase**

As the telecommunication sector was a state monopoly until mid 1990s, the existing tariff structure was fixed by the DOT, to earn reasonable rate of return. It has to charge first best optimal price equal to marginal cost of the services. Resulting in higher incremental cost of access and so the optimal prices are likely to be higher in areas with low population density such as rural areas. But as prevalent in many countries having monopolistic telecommunication market structure, the tariffs were not cost based. Consumers pay higher call charges on a slab basis, as the number of call increases. Rental and call charges for rural consumers are lower then those for the urban consumers, even though cost of

coverage is significantly higher. As a result, second best optimal pricing is charged, where excess of price over incremental cost must create the minimum possible distortion. As a result, telecommunication service providers were able to earn reasonable rate of return beside subsidized services. Tariff rates had been set by the DOT with periodic revisions. Since 1982, tariffs have been growing at a Compound Annual Growth Rate of approximately 8 percent, almost at par with the long run inflation rate as tariffs were characterized by cross subsidies.<sup>40</sup>

#### **6.5.1.2 Second Phase**

TRAI in its second consultation paper of September 1998 emphasized that cross subsidies were sustainable in a competitive environment. But many economists argued that the case for extensive cross subsidization is weak on several grounds. Therefore, tariff rebalancing is required with fair move, closer towards costs. Main motive for the government to intervene for the tariff plans by telecommunications service providers is to provide consumer friendly tariff charges to promote the basic two objectives of the telecommunication services in the country. First, is to encourage competitive activities and provide the operators with necessary flexibility to react to the market situation besides saving the consumers interest and second, to increase the tele-density in the country.<sup>41</sup> TRAI allocated the prices to various basic services by allocating capital and operating costs across four categories: rental, local calls, long distance calls, and international calls.

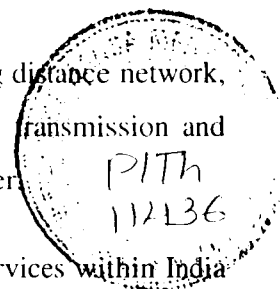
- Rental - Based on actual current rentals, adjusted for inflation and increase in real GDP per capita. The rentals were revised in 1993 only. Thus proposed rents are not directly related to the estimated costs. This was motivated largely out of a concern that low end user consumers would drop out of the network at cost based rentals.
- Local calls - Based on the operational costs of the local network allocated to local calls. Billing cycle for rural consumers is less than the lowest estimated cost based charge without any margin.
- Long distance calls - Based on the allocated costs of the local and long distance network as well as the cost of rentals, which is not covered through rental charges.

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<sup>40</sup> Sinha, S. (2001) "Regulation of Tariffs and Interconnection: Case Studies", India Oxford Report-Issues in Regulation and Market Structure", Oxford, New Delhi.

<sup>41</sup> Opcit (2001)

- International calls - Based on allocated cost of the local and long distance network, the excess of cost of rental charges, the cost of international transmission and switching, and the “settlement rate” payment to the foreign carrier.



Further, TRAI TTO 1999 with which tariffs for telecommunication services within India and outside India shall be provided.

#### **6.5.1.2.1 The Telecommunication Tariff Order 1999**

TTO 1999 monitors the tariff plans for basic and mobile telecommunication service-other than ISDN, RPS, leased circuits, ISDN services, internet, VAS, telex and telegraph services, and GMPCS.

Proper gists of special services i.e. standard and alternative tariff packages, along with the supplementary services were laid down. Rules for publication of tariffs by service providers, terms and conditions of services, roaming, pre-paid mobile phone cards and VAS, tariffs for different category of calls, rental and airtime charges, pulse rate for calls, standard hours and concession hours, differential tariff regimes, CPP regime issue, deposits and installation charges were specified. All the service providers were supposed to operate on these guidelines only.

TTO 1999 includes: rates and related terms at which telecommunication services within and outside India may be provided, including rates and related clause at which messages shall be transmitted to any country outside India. Deposits, installation fees, rentals, free calls, usage charges and other related fees or service charges are also specified.

To protect the interest of both the telecommunication service providers and the consumers, till date 43 amendments have been made from time to time in TTO 1999. Important amendments in relation to mobile phone services are shown in appendix 1.

Beside the TTO 1999 orders, authority has issued consultation papers specifying the tariff plans and also the other rules and regulations to be followed by the telecommunication service providers. Appendix 2 highlights the important consultation papers, issued exclusively for the mobile phone service providers.

TRAI has followed transparency in the tariff orders and in disclosure to consumers. Several measures in the past, not only to protect the interest of consumers in relation to tariffs but also for VAS, advertisements by service providers, credit limit for post-paid consumers, refund of security deposits, provision of detailed bill for STD/ISD charges, roaming, consumer complaints, and many more have been considered. While TRAI began tariff-rebalancing exercise with the objective of completing the same within three years, the target was ambiguous to begin with. Subsequently, it was not able to maintain the pace. But the growing size of mobile phone market would ensure that falling tariffs, increase in the number of firms and technologies and a large consumer base which is still growing at a significant rate, will make healthy economic growth.

### **6.5.2 Standard Rules of Behavior**

A flexible tariff regime is been provided by the service providers but to protect the interest of the consumers' transparency is the major concern to be taken care off. The quality of mobile phone services provided to consumer did not address the quality of service. TRAI had issued consultation papers, proposing certain benchmarks on consumer facility, technical parameters, quality of connection, and grades of services. It suggested the assessment of the quality of various services, penalties, and rebates in the consumer rentals for non-performance, an elaborate feedback mechanism for monitoring, and a mechanism for redressing the consumers' complaints. These were, however, diluted when TRAI in July 2000 issued a regulation on Quality of Service (QoS) of fixed landline phone connection and mobile phone services, with fewer parameters than originally suggested. The regulation now seeks to create conditions for consumer satisfaction by making known the QOS, which the service providers have to provide, and the measure of performance against standards. Some of the important disclosures to the consumers', mandatory for the service providers are as follows:

- Advertising of tariffs, irrespective of the channel should be in a specified format, providing essential information.
- Advertising, irrespective of the channel should include the pulse rate/tariff for the premium rate services, e.g. ring tones, quiz, wallpaper etc.
- Comparison of different tariff plans should be emphasized in relation to monthly bill along with the presumptions with the complete details should be present on the website of all the telecommunication service providers.

- Chargeable VAS should be provided to the consumer only after the proper consent.
- Misleading and confusing tariff plans should not be made in air.
- Printed material in English and vernacular language should be made available to the consumer before subscribing for any services, which should have details of tariff information; services to be offered, both at the premium rates and optional ones; common charter of services agreed by the service provider to the authority; and rights of the consumers in case of non-satisfaction of the services.
- Appropriate title should be allotted to the tariff plan scheme.
- Post-paid consumers should be intimated for their credit limit, well in advance; whenever they reach 80 percent of the credit limit. Services of these consumers should not be discontinued as long as the due amount is less than either their credit limit or security deposited.
- Final tariff plans with detail should be informed to the consumers within a week of activation of the same.

Besides the above mentioned rights, consumers can approach Consumer Redressal Forum for redressal of their grievances or to TDSAT for adjudication of any dispute with the service provider. They can also approach to nodal officers appointed by the service provider in different service areas. Unfortunately, however, it does not provide for any penalties for default or compensation, or even for a quick grievance redressal mechanism.

The above rules are to be followed by the mobile phone service providers while making a disclosure to the consumers. Some of the basic guidelines have to be followed by the service providers laid by the government and such rules are considered as common charter of telecommunication services, some of the important guidelines included in this article are:

- Right of citizen, to have a free choice in selecting the service provider should be promoted in best of spirit.
- Consumers' right of education, choice, representation and redressal should be promoted.
- Consumers are free to interact, either personally or through their authorized representative and the same should have to be entertained.

- All service providers have to repair the faults within 24 hours of the time period of the registered complains. At the reverse of each bill, resolution of disputes along with the proper redressal and grievance forum details should be published.
- Service providers should render all their services to every citizen defined as, an individual above the age of 18 years or an institution, organization, or NGO, business/service organization engaged in any activity which is permissible under the laws of the nation.
- Toll free numbers, complaint book, and the information on the directory services have to be maintained by all the service providers separately.
- Calls to an emergency service numbers like police, fire, and ambulance should be allowed even after 15 days of the suspension of outgoing services, duration in which incoming are permitted and if possible even after the suspension of the services.
- QoS should not only be maintained but also improvement upon the standards of services at different point of time should be considered.

The above rules of the common charter are to be maintained by all the service providers irrespective of the type of the telecommunication services and the operating region or the duration of their existence in the competitive market.

The role of government in regulating the marketing activities of the mobile phone service providers in India plays an important role, but the awareness of the consumers is to be taken care off. The important directions issued by the TRAI have to be known by the consumers and initiatives for the same are to be taken by the consumers only.

## **6.6 Conclusion**

Time has come when the Indian mobile phone sector is ready to leap forward and realize its enormous growth potential. Only GSM technology based service providers were operating their services till 2002. All major mobile phone service providers of Gujarat circle are available in Vadodara district and no firm data in relation to district is available and therefore state level service offerings of mobile phone service providers has to be measured. Here all the mobile phone service providers are discussed in brief.



Various marketing strategies adapted by the mobile phone service providers are taken into consideration. The study found that mobile phone service providers are adapting various marketing strategies to attract consumers. Impacts of these strategies on consumers, in relation to use of the services are scrutinized. To analyze the marketing strategy important variables such as price, product segmentation and market segmentation are used.

The finding of the chapter is that the mobile phone service providers use various strategies for marketing their products such as advertisement, sales promotion and other means, are not affecting the choice of consumers to a great extent. The price strategy of the service provider is the basic variable, which determines the subscribers in the market. Various tariff plans available in market during last one year are studied. All six mobile phone service providers are available in Vadodara district and no firm data in relation to district is available and therefore state level service offerings of mobile phone service providers has to be measured.

The pricing strategy of the mobile phone service providers with the tariff offerings for both the services, pre-paid and post-paid can be studied separately. As it is very difficult to make the figures comparable, the information is not analyzed by any model. The most upcoming and accepted tariff plan for the pre-paid consumers is lifetime validity scheme is studied here. Tata Indicom was the first mobile phone service provider who opted for the non-stop mobile (lifetime validity scheme) on October 14, 2005. The easy recharge coupon of value up to Rs. 500 by all the mobile phone service providers, along with the processing fees of the service is studied.

In relation with the promotional strategies opted by the mobile phone service providers, In Indian advertising arena, mobile phone service providers are on the sixth position in using promotional strategy during first half of the year 2006, with 4 percent of market share. Only four advertisers in Indian market have used all sales promotional techniques in the specified period, three of the advertisers are the mobile phone service providers namely Reliance Infocom, BSNL, and Tata Teleservices.

An important promotional strategy adopted by all the mobile phone service providers is advertising. Most common way of advertising opted by the mobile phone service providers is the use of theme, memorable slogan. Such attractive and influencing theme by the mobile phone service providers helps the consumers to memorize the service provider

at the time of buying. Slogans supports companies' current image by generating awareness, the most successfully communicated messages had a greater propensity to be unique.

For the first time, Airtel used Bollywood film stars, to promote telecommunication products, with the aim to break into the mass market and to double the existing base. The response of the advertisement was overwhelming, just as it was intended. Idea Cellular is the only mobile phone service provider not considering having a brand ambassador, they believe in local branding. Hutch believes in the more established connection between what consumers sees and what they experience and get gives more chances that the advertising campaign would be successful. Reliance explored the new and unconventional channels for advertising. The Reliance name embossed on every handset gave it a sole prestige, while the costs of many of the advertisements were discounted since they were also borne by the handset makers.

Mobile phone service providers are trying to use every media vehicle and channel effectively. The advertising campaigns had an emotional arena, assistance on cricket and Bollywood thus, effectively connecting with every Indian. Advertising has become an effective way of educating masses and evoking passions. The fast growth of consumer base of mobile phone services reflects the impact of a powerful promotional strategy.

Product segmentation strategy started with the consent of TRAI in 1999, by allowing the mobile phone service providers to use any digital divide technology, including CDMA. Till this point, all mobile phone service providers have to use GSM 900 MHz, band based on TDMA. Thus now a days, Indian mobile phone service providers have an option to serve the consumers either with GSM or CDMA technology.

To capture the market share, all the mobile phone service providers have to workout the proper and effective strategies. For mobile phone service providers, the service-based strategy is the key to success. Major marketing strategies are pricing, promotion, and product segmentation is discussed, from the service providers' as well as consumers point of view. All the mobile phone service providers are emphasizing on the consumer satisfaction. Mobile phone service providers in Gujarat are using the sales promotion techniques by making their services available to consumers through different offers in air. Mobile phone service providers are trying to use every media vehicle and channel

effectively. Important promotional strategies adopted by all the mobile phone service providers are sales promotion and advertising. Preference towards mobile phone service provider and the service provider in use emphasizes the loyalty towards the service providers.

Besides the consumers own preferences and opinions for the service providers marketing strategies, in relation to service providers marketing strategy are also discussed. Government rules and regulations also play an important and effective means in today's competitive market environment. All the mobile phone service providers irrespective of the region have to follow these norms. Important rules as per the authority are also highlighted here.

**Appendix 6.1**  
**Amendments in TTO 1999**

Particulars	Changes
3 <sup>rd</sup> Amendment	<ul style="list-style-type: none"> <li>Alternative tariff packages can be offered by the mobile phone service providers besides the standard tariff packages but fixed expenses i.e. security deposits (other than for STD/ISD) and installation charges for all the packages will be same.</li> </ul> <p>[The idea is to avoid duplication of charges to the consumers].</p> <ul style="list-style-type: none"> <li>In relation to refund of deposits to the consumers at the time of disconnection, the final transaction should be adjusted toward the outstanding bill and the remaining balance should be refunded in full.</li> </ul>
4 <sup>th</sup> Amendment	<ul style="list-style-type: none"> <li>Alternative tariff packages and free call promotion can be other than standard tariff package but the maximum limit for security deposits (including STD/ISD) is Rs. 3000.</li> <li>Consumers can migrate from one tariff plan to another without bearing additional one-time expenses (installation charges). And the mobile phone service provider should inform the conditions applicable for the process well in advance.</li> </ul>
5 <sup>th</sup> Amendment	<ul style="list-style-type: none"> <li>Standard rental charges of Rs. 475 for metro service areas and Rs. 500 for all circle service are specified.</li> <li>Airtime charges during standard hours are fixed as Rs. 4 for first minute and thereafter Rs. 2 respectively.</li> <li>Tariffs for outgoing calls from mobile phone to PSTN, mobile phone to mobile phone within metro licensee service area and the other calls from mobile phone is specified.</li> </ul> <p>[All the above tariffs are applicable with the CPP rule]</p>
13 <sup>th</sup> Amendment	<ul style="list-style-type: none"> <li>Guidelines for the pre-paid card services are specified:</li> </ul> <ol style="list-style-type: none"> <li>At least one pre-paid card of value Rs. 300 or less should be of validity of one month available always on air.</li> <li>Charges for replacement of lost/damaged SIM cards should be fairly marked-up.</li> <li>Unused balance at the end of the validity period should be carried</li> </ol>

	<p>forward, if the card is activated within the extent of valid period.</p> <p>4. Talk time value should be clearly specified along with MRP for all the coupons.</p>
17 <sup>th</sup> Amendment	<ul style="list-style-type: none"> <li>• Service providers have to report mandatory at least five working days before implementing any new plan for the approval of the authority.</li> <li>• No new tariff plan or alterations in the present plan without the prior approval of the authority.</li> </ul>
18 <sup>th</sup> Amendment	<ul style="list-style-type: none"> <li>• Substitution for the existing clause of roaming services has been made with the following changes: <ol style="list-style-type: none"> <li>1. Ceiling charges finalize by the authority as monthly access charge and airtime charges (per minute) are Rs. 100 and Rs. 3 respectively.</li> <li>2. International roaming, refundable security deposit, and other matters related to roaming are to be fixed as per the service providers reported details.</li> <li>3. Surcharge at 15 percent as ceiling on airtime unit is applicable.</li> <li>4. One-time entry fee charges are no more to be considered.</li> </ol> <p>[Applicable for both regional and national roaming for pre-paid and post-paid cards. These charges are not applicable for international roaming]</p> </li> </ul>
19 <sup>th</sup> Amendment	<ul style="list-style-type: none"> <li>• Surcharge for roaming services are to be applicable as 8 percent (ceiling rate) on airtime and PSTN charges up to January 1, 2003. And thereafter at 15 percent (ceiling rate) on airtime unit only.</li> </ul> <p>[Applicable for both regional and national roaming for pre-paid and post-paid cards. These charges are not applicable for international roaming]</p>
21 <sup>st</sup> Amendment	<ul style="list-style-type: none"> <li>• Maximum 25 tariff plans for all kind of services (pre-paid and post-paid) can be on air at a time.</li> <li>• 30 days of notice to the consumers and the authority need to be issued before discontinuation any tariff plan.</li> <li>• After implementing any tariff plan, within 7 days its details are to be reported to the authority and the minimum time frame of all the plans is 6 months.</li> <li>• Fresh approval required if plans are not put into practice within 6 months of its approval.</li> </ul>

23 <sup>rd</sup> Amendment	<ul style="list-style-type: none"> <li>• Pulse duration of 30 seconds for all monthly rentals and airtime charges per minute are to be implemented as reference tariff package of the service provider.</li> <li>• All mobile phone service providers offering any other facility based services (basic service, NLD, ILD) in the same service area can introduce new tariff plan or alteration in the existing tariff plan after reporting to the authority at least five working days in advance.</li> </ul> <p>["Reference Tariff Package of the service provider" is defined here as, "a package of tariffs as determined by each mobile phone service provider which shall specify the monthly rental and airtime charge per minute in the same format as provided earlier in the standard tariff specified under the TTO."]</p>
24 <sup>th</sup> Amendment	<ul style="list-style-type: none"> <li>• NLD and ILD tariff plans were subject to a ceiling of Rs. 8.40.</li> <li>• RPP regime is no longer applicable for incoming call on mobile phones but CPP regime is to be considered.</li> <li>• Reference tariff package to be widely publicized and should be always on air, beside other tariff plans.</li> </ul>
27 <sup>th</sup> Amendment	<ul style="list-style-type: none"> <li>• Provision for reporting for tariff plans as per TTO 99 (17<sup>th</sup> amendment) dated January 22, 2002 was made as a requisite.</li> </ul>
28 <sup>th</sup> Amendment	<ul style="list-style-type: none"> <li>• Flexible reporting regime for the service providers with which they can implement any tariff plans after a self check and compliance with regulatory principles: <ul style="list-style-type: none"> <li>➤ Non-discrimination</li> <li>➤ IUC compliance</li> <li>➤ Non predation</li> </ul> </li> </ul>
30 <sup>th</sup> Amendment	<ul style="list-style-type: none"> <li>• No prior approval of tariff plans may be required as competition takes over the regulation.</li> </ul> <p>[Reducing undue pressure on regulatory resources]</p> <ul style="list-style-type: none"> <li>• Tariff plans on air should be as per broad framework of the authority.</li> <li>• All pre-paid services will not be affected by talk time value, should be availed for entire validity period even if the talk value is exhausted.</li> </ul>

31 <sup>st</sup> Amendment	<ul style="list-style-type: none"> <li>• Transparent and friendly migration of consumers from one tariff plan to another, which can be before six months also.</li> <li>• Service providers are free to reduce tariffs of any plan before six months but cannot increase the tariff rates during this period.</li> </ul>
32 <sup>nd</sup> Amendment	<ul style="list-style-type: none"> <li>• All billing details should be itemized (especially for long distance calls) and a copy of the same to be provided (on request) free of cost to the consumers.</li> </ul>
43 <sup>rd</sup> Amendment	<p>[Guidelines for tariff schemes with lifetime validity launched in the month of December 2004/January 2005 has been issued here]</p> <ul style="list-style-type: none"> <li>• Term lifetime validity to be specified and the date, month, and year of expiry of such tariff scheme should be clearly emphasized in the promotional schemes/packages.</li> <li>• Increase in tariff plans after six months or shift from one plan to another by consumer is permissible (31<sup>st</sup> amendment), but to protect the interest of the consumer in case of high subscription charges, which stands as forfeit if any of the above action taken. Appropriate exit options to be considered.</li> </ul>

Note: Authority refers to the TRAI.

## Appendix 6.2

### Consultation Papers

- **Consultation Paper No. 2002/2, “Tariffs for CMTS”**

Estimate of the range for revised monthly rentals and airtime charges for mobile phone services are discussed here. Average approximation of monthly rental is Rs. 200 per month and Rs. 2 for airtime charges are concluded on the bases of cost for the year 2001-02.

Important tariff rates estimated and mentioned in the paper for circle ‘A’, are summarized as in table below. As Gujarat state is included in circle ‘A’ therefore only rules applicable to the present study area are defined here along with the all India applicable charges.

Variables	Circle ‘A’	All India
Present level of average tariff (March 2002) (Rs.)	253.00	202.00
Charge Per Minute (Rs.)	1.43	1.89
Present level of median tariff (March 2002) (Rs.)	226.00	195.00
Charge Per Minute (Rs.)	2.00	2.03
Average monthly rental estimated for the cost as reported (Rs.)	381.00	335.00
Charge Per Minute (Rs.)	2.96	3.12
Median monthly rental estimated for the cost as reported (Rs.)	393.00	292.00
Charge Per Minute (Rs.)	2.42	2.91
Average monthly rental estimated with the lowest costs per consumer as reported (Rs.)	223.00	218.00
Charge Per Minute (Rs.)	2.46	2.40
Average minutes of usage per subscriber per month, March 2002		
Post-paid consumers	457	394
Pre-paid consumers	97	93
Total	282	220

Average tariff levels have been derived on the basis of rental revenues and call charge revenues, which in turn have been divided by consumer base and total MOU for both (Pre-paid and Post-paid) the consumers. Methodology used for calculation and derivation of



cost based tariffs, range of estimates on the basis of the data on costs and prevailing tariffs in the market are the inputs of this paper.

The objective of this paper is to make a flat rate of tariffs with the changes in cost so as to increase the consumer base and the usage of service. With this idea, increase in the tele-density is the primary motive of the authority at this point of time.

- **Consultation Paper No. 5/2004, “Limiting the number of tariff plans offered by the Access Providers”**

In all 3,925 tariff plans were reported to the authority in 2003 and to the surprise the number of tariff plans on offer (as on September 30, 2003) were 1412. In Gujarat state 43 mobile phone tariff plans, 15 WLL (M) plans and 22 wireless and W (F), making the total of 80 tariff plans were on air. On an average the number of plans in the country on offer in fixed landline phone is 18 and for mobile phone services are 42 per circle.

Conclusion of the study by J. P. Morgan as highlighted here, emphasizes that tariffs have become a very confusing subject in relation to the telecommunication services. There are too many tariff plans in air and many more are awaited for the authority’s permission to be put into practice. Following implementation of IUC, TRAI received close to 3,000 tariff plans from various telecommunication service providers in over two weeks. In fact, one company filed 170 tariff plans in a day, according to the regulator. Telecommunication service providers are also creating a significant amount of confusion while advertising their tariff plans. There are too many plans to allow the consumers to make an informed judgment on the right choice.

Several loop holes considered by the authority, in relation to the number of tariff plans by service providers, as per the paper includes the following:

1. Maximum permitted number of plans.
2. Minimum validity period be specified for tariff plans on air.
3. As a separate segment business/corporate plans are introduced.
4. Value Added Services toppings to be treated.

This paper suggests that no promotional tariff plans should be offered and basic structure of plans to be considered while standard discount rates on occasion that suit both to the service providers and consumers should be kept on air.

- **Consultation Paper No. 04/2006 “Tariff plans with lifetime validity”**

With an increasing urge to capture the large market share in the month of December 2004 many service providers introduced the tariff plan with lifetime validity, consumer have to make a straight lump sum payment of about Rs. 1,000 and will avail the benefit of to be in contact i.e. can receive incoming calls for lifetime. Also the talk time of Rs. 25 to Rs. 100 is offered. Beside this, other important offer in this tariff plan to be considered includes:

- Full talk time in all subsequent recharges for consumers.
- Call charges in general, for local and STD calls charged at Rs. 1.99 and Rs. 2.99 per minute respectively.
- One outgoing or incoming call or a recharge to be effected in a period of six months as precondition for continued connectivity. Whereas some mandate a recharge for the said period for connectivity.
- Post-paid consumers need not have to pay obligatory fixed charges like monthly rental.

Long-term validity and the precaution to protect the interest of the consumers is an important issue of this paper. Sustainability in the long term, consumer lock-in, exit option, asymmetric regulation, protection against hike in tariffs, changes in tariff patterns are highlighted here.