



Strategic Marketing in Global Perspective: Opportunities and Limitation of Indian Telecommunication Industry

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ABSTRACT

India is world's fastest growing industry in world in terms of number of wireless connections after China, with 811.59 million mobile phone subscribers. According to world telecommunications industry, India will have 1.200 billion mobile subscribers by 2013. Opportunities • An expanding Indian economy with increased focus on service sector. • Population mix moving favorably towards a younger age profile • Urbanization with increasing incomes • Inflow of FDI into India's telecom sector during April 2000 to Feb. 2010 was about Rs 405,460 million. Limitations • India is 1/3 size of USA, but has about 340 million more people living within its borders. • There are approximately 230 people for every square kilometre and the population is increasing at about 2.3% per year. • Low Teledensity rate of the Rural areas than Urban areas.

Keywords: Opportunities, Limitations, Indian Telecommunications Industry

Introduction

The Indian telecommunications industry is one of the fastest growing in the world. According to the Telecom Regulatory Authority of India (TRAI), the number of telephone subscriber base in the country reached 653.92 million as on May 31, 2010, an increase of 2.49 per cent from 638.05 million in April 2010. With this the overall tele-density (telephones per 100 people) has touched 55.38. The wireless subscriber base has increased to 617.53 million at the end of May 2010 from 601.22 million in April 2010, registering a growth of 2.71 per cent.

Value-Added Services (VAS) Market

Mobile value added services (VAS) include text or SMS, menu-based services, downloading of music or ring tones, mobile TV, videos and sophisticated m-commerce applications. As per an industry report, VAS that accounts for 10-12 per cent of the telecom operator's revenue is expected to reach 20 per cent growth by 2013.

Going Global

In March 2010, Bharti Airtel bought the African operations of Kuwait-based Zain Telecom for US\$ 10.7 billion, driving the Indian player into the league of top ten telecom players globally.

Tele-medicine

With increase in cellphone users to around 600 million and introduction of 3G services soon in the country, remote treatment and diagnosis of patients through mobile phones would become a reality in the near future.

3G Services

The Department of Telecom has taken the pioneering decision of launching of 3G services by BSNL and MTNL and initiation of process for auction of spectrum for 3G services to private operators. Allocation of spectrum for third-generation (3G) and broadband wireless access (BWA) services was done through a controlled simultaneous, ascending e-auction process.

Manufacturing

The Indian telecom industry manufactures a vast range of telecom equipment using state-of-the-art technology.

According to the Economic Survey 2009-10, the production of telecom equipment in value terms has increased from US\$

9 billion in 2007-08 to US\$ 10.53 billion in 2008-09 and is expected to be US\$ 12.4 billion in 2009-10.

Exports have increased from US\$ 86.74 million in 2002-03 to US\$ 23.7 billion in 2008-09, accounting for 21 per cent of the equipment produced in the country.

Indian Telecommunication Industry Size, Structure And Profitability

Indian telecom industry is growing at a great pace & India is expected to become a manufacturing hub for telecom equipment. Indian telecom equipment manufacturing sector is set to become one of the largest sectors globally by 2010. Due to rising demand for a wide range of telecom equipment, particularly in the area of mobile telecommunications, has provided excellent opportunities to domestic and foreign investors in the manufacturing sector.

The Indian telecom market is expected to grow three fold by 2012 & market size over US \$ 8 billion.

Key Players in Indian Communication Industry

With the coming in of several new players the level of competition has increased, tremendously in the telecom industry in India.

Currently the industry is witnessing as many as 15 players. According to the latest data by Telecom Regulatory Authority of India of September 30, 2010, it is Bharti Airtel that is leading the communication sector in India with 20.8 per cent market share, followed by Reliance Communication which holds 17.1 per cent market share, Vodafone with 16.8 per cent market share, BSNL with 11.4 per cent market share, Tata with 11.5 per cent, Idea with 10.8 per cent and Aircel holding 6.8 per cent. The remaining market share is held by the other small players that are relatively new in the industry.

Revenue and Profit of Top Company for year 2010

Company	Revenue	Profit
Bharti Airtel	\$9.290 billion	\$2.079 billion
Reliance	\$ 45.25 billion	\$ 99 million
BSNL	32,045 crore	78.06 crores
Tata Communications	11,025.56 crore	538.80 crore

Research Methodology:**Objective of the Research:**

The objective of this research was to examine the importance of Indian Telecommunication Industry. The research examined the contribution of the various players of the Industry including Private companies, Government Company, the role of Government in formulating the Foreign Direct Investment Policy to boost privatization in India and further scope for future. The specific objectives of the study were as under:

- To analyze the Indian Telecommunication Industry.
- To evaluate the Government Policy to open the doors for Foreign companies to invest in Indian Telecommunication Industry.
- To study the Size, Structure and Profitability of the Industry.
- To study Opportunities of Indian Telecommunication Industry.
- Specific problem of the Industry.
- To study Limitations of Indian Telecommunication Industry.

Research Hypothesis:

Telecommunications is one of the few sectors in India, which has witnessed the most fundamental structural and institutional reforms since 1991. Considering the great potential for the growth of telephone demand with the accelerated growth of economic activities, the Government of India announced the National Telecom Policy in 1994 and the New Telecom Policy in 1999. The National Telecom Policy provides for private sector participation to supplement the efforts of DOT in basic telephone services. The opening up of the basic services provided a big opportunity for private & foreign investors.

More policy initiatives included Addendum to NTP -1999, Broadband Policy 2004, and Amendment to Broadband Policy 2004 etc.

The Indian telecommunications industry is one of the fastest growing in the world. The number of telephone subscribers in India increased from 562.16 million at the end of Dec-09 to 826.93 million at the end of Mar-11, registering the growth of 10.5%. The overall Teledensity in India has reached to 67.67% as on 31st July 2011 and that is better than the China.

So there is a need to carry out the scientific and reliable research of the industry. For that I have chosen the Strategic Marketing in Global perspective: opportunities and limitations of the Indian Telecommunication Industry.

The Research report will mainly focus on the key parameters and growth trends for the Telecom services in India as well as performance indicators at a glance, growth pattern in terms of subscriber base and teledensity.

Last but not least the main focus of the Research report would be the Opportunities and Limitations of the industry.

Research Design:

In order to carry out the research of the Telecommunication industry the following points should be taken into consideration:

1. The survey of the concerning literature. It happens to be the most simple and fruitful method of formulating precisely the research problem. Besides this the trends in the wireless and wireline services, teledensity comparison of urban and rural, the comparison of the subscriber base of the different companies, service area wise access to the subscribers, growth of the subscribers as well as the major constraints faced by the industry will be studied with respect to analyse the possibility to improve.
2. Analysis of 'insight-stimulating' is also helpful in taking the research further. For this the available books, articles, journals are to be examined and interpreted in order to derive the meaningful and reliable research from this.

3. The in depth analysis of the Indian Telecommunication Industry while analysing the factors like Teledensity of India, market share of rural and urban Teledensity, growth in subscribers, market share of major service providers, comparison of CDMA and GSM consumers, total number of PCO in the country and its growth over the period of time, trend in Internet and Broadband users, revenue and usage analysis etc.

Opportunities of Indian Telecommunications Industry:

- Indian Telecom market is one of the fastest growing markets in the world.
- With its 787.29 million Telephone connection as on 31st December 2010, it is the second largest network in the world after China.
- It is second largest wireless network in the world.
- Over 18 million connections are being added every month.
- The target of 600 million telephones by the end of 11th five year plan has been achieved in February'10 itself.
- Wireless telephones are increasing at faster rate. The share of wireless telephones as on 31st December 2010 is 95.54% of the total phones.
- The share of private sector in total telephone is 84.60%.
- Overall tele-density has reached 67.67%. Urban tele-density is about 148%, whereas rural Teledensity is at 31.22% which is also steadily increasing.
- Broadband connections increased to 10.74 million by November, 2010.

Potential for or Further Growth

Indian telecom market has still a huge untapped potential to grow further. With a large population yet to have access to telecommunication and teledensity still being 66.17% and rural tele-density at 31.22%, there is significant growth opportunity for the sector, especially in rural areas and 3G and BWA yet to make significant inroads. The rural market is expected to drive the next round of growth for the voice based services while data services will create the much needed churn with in maturing urban markets.

Limitations of Indian Telecommunication Industry:

- Problem of limited spectrum availability and the issue of interconnection charges between the private and state operators.
- Falling Average Revenue Per User.
- Availability of New connection at almost free of cost.
- Constantly widening gap between Rural (that is low) and Urban Teledensity.

Limited Applicability of Findings of the Study:

This study aims at providing the descriptive framework of the Strategic Marketing in Global Perspective: Opportunities and Limitation of Indian Telecommunication Industry. Hence, Strategic Marketing Plan to succeed in Indian Market can not be validated or discussed.

Conclusion:

The telecommunications sector and adjacent business opportunities such as digital devices and services for enterprises will represent a \$100 billion market by 2015, according to management consultancy firm Boston Consulting Group (BCG).

The traditional telecom market is currently worth about \$32 billion according to BCG. But in its latest report, the consultancy takes a much broader view of market opportunity to include laptops, personal computers, software and applications, television sets, digital advertisements, as well as managed network and connectivity services offered to large enterprises or government.

So after considering all these aspects, it becomes clear that Indian Telecom Industry has not only emerged as the 2nd largest Telecommunication industry of the world but has great potential in the coming future for tremendous growth.

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