



## A STUDY TO IDENTIFY THE RETAIL PENETRATION LEVEL IN TELECOMMUNICATIONS SERVICES (WITH SPECIAL REFERENCE TO AIRTEL PRE-PAID CARDS IN THANJAVUR DISTRICT)

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### **Abstract**

The Indian Telecommunication industry has grown into a billion dollar industry. In this unforgiving highly competitive industry it is not just doing something right that matters but it is also about doing nothing wrong. Making profit does not only mean a large customer base but also, depends on usage level of the services, provided to the customers. The telecom companies come out with many schemes and offers, to attract customers and to make them use the various schemes provided by these companies. The aim of this study would supplement this effort of the company in a small way. Thus through a Study to understand the current penetration level of their product, the organization can motivate the current efforts of their sales force and efforts could be taken to reduce the weakness, complaints, and also could come up with new attractive schemes according to the expectations of the retailers.

**Keywords:** Telecommunication, Services, Penetration, Strategy.

### **1.1 Introduction**

The Indian telecommunications market is under penetrated and hence offers tremendous growth potential. The mobile and fixed line penetration levels in India are lower than those in most developed countries in the world. The following factors are expected to contribute to the growth of the Indian Telecommunications Industry:

- Economic Growth and continued development of the Indian Economy;
- Higher growth rate of service oriented sector, leading to an increased demand for telecommunication services;
- Increased use of Information Technology and Internet, leading to a large demand for data communication services;
- Declining tariffs, reduced equipment cost and reduced handset costs over time.
- Increasing customer choice and demand for value added services; and
- Increasing globalisation of the Indian Business, leading to increase international voice & data traffic.
- Industry analysts expect the telecom services industry in India to grow rapidly.

#### **1.1.1 Regulatory Framework**

The government has liberalized the telecommunication services sector and opened it for private participation. The regulatory establishment for the certain telecommunication services is as follows:

- Mobile services: Four licenses have been awarded in each of the 22-telecom circles. Three licenses have been awarded to private service providers and one to the government operator. The private licenses have been issued based on a bidding process.
- Fixed line Services: There is no restriction on the number of players in the fixed line segment. The licenses have been awarded based on a fixed entry fee, issued on a non-exclusive basis for a period of 10 years, extendable by 10 years at a time.
- National & International Long Distance Services: There is no restriction on the number of players in the long distance markets. Licenses are issued based on an entry fee, on a non-exclusive basis for 10 years, extendable by 10 years at a time.
- Internet Services: there is no restriction on the number of players in the ISP segment.

#### **1.2 Company Profile**

Bharti Enterprises has been at the forefront of technology and has revolutionized telecommunications with its world-class products and services. Established in 1985, Bharti has been a pioneering force in the telecom sector with many firsts and innovations to its credit, ranging from being the first mobile service in Delhi, first private basic telephone service provider in the country, first Indian company to provide comprehensive telecom services outside India in Seychelles and first private sector service provider to launch National Long Distance Services in India. As of April 30, 2004, Bharti had approximately 7.42 million total customers – nearly 6.76 million mobile and 657,000 fixed line customers.



Its services sector businesses include mobile operations in Andhra Pradesh, Chennai, Delhi, Gujarat, Haryana, Himachal Pradesh, Karnataka, Kerala, Kolkata, Madhya Pradesh circle, Maharashtra circle, Mumbai, Punjab, Tamil Nadu and Uttar Pradesh (West) circle. In addition, it also has fixed-line operations in the states of Madhya Pradesh and Chattisgarh, Haryana, Delhi, Karnataka and Tamil Nadu and nationwide broadband and long distance networks. Bharti has recently launched national long distance services by offering data transmission services and voice transmission services for calls originating and terminating on most of India's mobile networks. The Company is also implementing a submarine cable project connecting Chennai-Singapore for providing international bandwidth. Bharti Enterprises also manufactures and exports telephone terminals and cordless phones. Apart from being the largest manufacturer of telephone instruments, it is also the first telecom company to export its products to the USA.

### **1.3 Marketing Strategy Bharti Airtel**

Bharti Tele-Ventures' strategic objective is "to capitalise on the growth opportunities that the Company believes are available in the Indian telecommunications market and consolidate its position to be the leading integrated telecommunications services provider in key markets in India, with a focus on providing mobile services". The Company has developed the following strategies to achieve its strategic objective:

- Focus on maximising revenues and margins;
- Capture maximum telecommunications revenue potential with minimum geographical coverage;
- Offer multiple telecommunications services to provide customers with a "one-stop shop" solution;
- Position itself to tap data transmission opportunities and offer advanced mobile data services;
- Focus on satisfying and retaining customers by ensuring high level of customer satisfaction;
- Leverage strengths of its strategic and financial partners; and
- Emphasise on human resource development to achieve operational efficiencies.

### **1.4 Review of Literature**

The telecommunications industry in Kenya has been undergoing rapid changes. The Communications Authority of Kenya has in the past 15 years licensed four mobile operators (Safaricom, Airtel and Essar (Yu); all of which are global operators) and several internet service providers like Wananchi and Jamii Telkom. Clearly, competition in this sector has greatly intensified in both the voice and data service provision.

Mobile phone penetration rate is a term generally used to describe the number of active mobile phone numbers (usually as a percentage) within a specific population [Pearson press financial times, 2013]. This value can go beyond 100% due the fact that one person can have more than one SIM-card. This can be noted from countries like Qatar which has 170% [Qatar, 2012] and most of Europe with 128% [Online source].

The ability of a mobile phone to connect to a base station depends on the strength of the signal. That may be boosted by higher power transmissions, better antennae and taller antenna masts. Signals will also need to be boosted to pass through buildings, which is a particular problem designing networks for large metropolitan areas with modern skyscrapers. Signals also do not travel deep underground, so specialized transmission solutions are used to deliver mobile phone coverage into areas such as underground parking garages and subway trains. This is the same case with indoor coverage [online source]. This is also an important parameter in showing the number of people who are likely to receive a signal depending on their location. This parameter can go up to a maximum of 100% since it deals with the area occupied by a country.

### **1.5 Objectives of the Study**

1. To find out the current Retail Penetration level of Airtel Prepaid cards in Thanjavur.
2. To identify the factors taken into account by the retailers while they go for Shifting / Non Shifting of Airtel products.
3. To identify the Performance of Airtel Pre Paid card in Thanjavur.

### **1.6 Scope of the Study**

The study undertaken at Bharti Cellular Ltd aims to find out the current level retail penetration of its Airtel Prepaid cards and also to identify the preferences taken into account by the retailers while they go for Shifting /Non shifting of the product. This has been achieved by taking down the respondent's views and responses individually by the researcher, using a questionnaire. The researcher asks the research questions in the questionnaire to the respondent in a face-to-face fashion and records the response, which is then used for the analysis and interpretation part of the study. Once the study is through, the researcher would be in a position to advise the company about its current level of retail penetration in the respective areas where the study has been undertaken. The study would also help the company to find out the general preferences / factors considered by



the retailers while they go for Shifting / Non Shifting. The company could also find out the performance of its Prepaid cards in the existing retail outlets when compared to its competitors, the service provided by its distributors to the retailers, etc. All these would help the company in tapping the business in the new potential areas and also to come up with new attractive offers and schemes that would motivate the retailers to shelf the products and do the business for the company.

### 1.7 Research Design

Research design is the specification of procedures for collecting and analyzing the data necessary to help, identify or react to a problem or opportunity such that the difference between the cost of obtaining various levels of accuracy and the expected value of the information associated with each level of accuracy is maximized. A Performance Monitoring type of research design is applied for the Study on “**A study to identify the retail penetration level in telecommunications services (With special reference to Airtel Pre-paid cards in Thanjavur district)**”.

### 1.8 Sample Design and Size

The population as a whole is considered for the study, as the size of the population is finite in nature. Under the boundary region of Thanjavur district and with respect to the category of outlets mentioned by the company there is a total of 387 retail outlets in Thanjavur District. Thus this 387-retail outlet forms the population size for the study. Since the population as a whole is being considered for the study, the size of the sample pertains to the size of the population i.e. 387 retail outlets. Since the population is clearly defined there is no need for the sampling procedure and sampling techniques. Thus this is not applicable for this type of a study.

### 1.9 Data Collection Procedure

Data collection is the most important aspects in the research process. The data is collected from the respondents using a structured questionnaire. There are two types of data i.e. Primary data and Secondary data.

**Primary Data** - This type of data is collected directly from the respondents by the researcher using the questionnaire as an instrument and personal interview as the communication medium for collecting it. The researcher directly visits at all the five sampling frame and asks the research questions to each respondent and record it for the further analysis and interpretation purpose.

**Secondary Data** – The researcher collects this type of data indirectly, before starting of with his research activities. There are two types of secondary data. They are;

### 1.10 Limitations of the Study

The study – Retail penetration level of Airtel pre paid cards has various limitations. Some of the limitations that would be subjected to the research are given below:

1. The presence of uneducated sales people in the retail outlet, who is merely unaware of the word questionnaire itself, is one of the main limitations to the research.
2. The non-availability of the concerned person in the outlet who could disclose all the information required for the study.
3. During certain time of the day, most of these outlets would be very busy with their business, as they would not encourage all these research activities.
4. To target all retail outlets during this short span of time is considered as another limitation.

### 1.11 Findings

**Major findings of the study on Retail Penetration level of Airtel prepaid cards in Thanjavur District are given below.**

1. Under the sampling frame for the study most of the outlet Category belongs to Mobile Service Centre and Others Category i.e. In Medical college road most of the outlet belong to Others Category with a 32.81 %. In Karanthai, N.K. Road, and Gandhiji Road most of the outlet belong to Pharmacy and Mobile Service Centre Category with a 21.59 %, 23.56 % and 50 % ratio respectively.
2. In Medical College Road area we have a 41.41 % to 58.59 % ratio between Telecom and Non Telecom outlet. A 44.44 % to 55.56 % ratio between Telecom and Non Telecom outlet in N.K. Road Area, A 44.74 % to 55.26 % ratio between Telecom and Non Telecom outlet in Ram Nagar Area, A 52.27 % to 47.73 % ratio between Telecom and Non Telecom outlet in Karanthai Area, and a 100 % Telecom outlet in Gandhiji Road Area.
3. As far as the penetration level is concerned Airtel had the maximum penetration level in all the areas. The margin is not that too big, which has to be the noting point as in future this could be changed. For E.g.) In Medical College Road area Airtel had a penetration level up to 22.62 % where as its nearest competitor Aircel and BSNL had a penetration level up to 21.27 % which is a matter of concern. Similarly in other areas too.
4. When the respondents was asked to rank the various prepaid card service provided by different operators depending on its performance, sales, etc in their outlet, Airtel was “Ranked 1” by most of the retailers in all the 5 areas except



- in Gandhiji Road Area. Gandhiji Road area saw Airtel being “Ranked 1” by 38.46 % of retailers, when compared to Aircel which was “Ranked 1” by 53.85 % of retailers.
5. When retailers was asked to name any one prepaid card, which they felt is performing in their outlet, most of the retailers in all the area opted for Airtel except for two area. I.e. in New bus stand area and Gandhiji Road area where 46.7 % to 50.25 % of retailers opted for Aircel.
  6. The reason stated by the majority of retailers for Airtel’s performance in their outlet was “Choice 6”. Other than this some of the retailers also was harping on “Choice” 4 as the reason for Airtel’s performance in their outlet.
  7. The percentage of Telecom Outlets selling Airtel Prepaid cards is outstanding and is a positive sign on the image of the brand and its performance when compared to its competitor.
  8. In Medical College Road area 30.23 % of retailers said that they are “Very satisfied” with the products performance and 4.65 % of retailers said that they are “Not at all satisfied” with the product
  9. In Medical College Road area 30.23 % of retailers said that they are “Very satisfied” with the products performance and 4.65 % of retailers said that they are “Not at all satisfied” with the product
  10. In N.K. Road area 46.88 % of retailers said that they are “Very satisfied” with the products performance and 12.5 % of retailers said that they are “Not Satisfied” with the product
  11. In New bus stand area 33.33 % of retailers said that they are “Very satisfied” with the products performance and 12.12 % of retailers said that they are “Not at all satisfied” with the product.
  12. In Karanthai area 39.13 % of retailers said that they are “Satisfied” with the products performance and 2.17 % of retailers said that they are “Not at all satisfied” with the product
  13. In Gandhiji Road area 63.64 % of retailers said that they are “Satisfied” with the products performance and 18.18 % of retailers said that they are “Not Satisfied” with the product
  14. When the Non telecom selling Outlet was asked whether they are interested in shifting Airtel products, the response was encouraging as Medical College Road area saw the maximum interest from the non telecom outlets towards shifting of Airtel products with a 54.05 %. Karanthai saw the second best interest towards shifting of Airtel products from the non telecom Outlets with a 41.6 %.
  15. Those non interested non telecom retailers stated various reasons which are given below according to the area.
  16. Medical College Road area saw the retailers stating the reasons as “Choice 1” with a 36.36 %, “Choice 5” with a 33.33 % and “Choice 6” with a 15.15 %.
  17. N.K. Road area saw the retailers stating the reasons as “Choice 5” with a 42.42 %, “Choice 1” with a 21.21 % and “Choice 4” with a 18.18 %.
  18. New Bus stand area saw the retailers stating the reasons as “Choice 1” with a 40%, “Choice 5” with a 33.33 % and “Choice 3” with a 13.33 %.
  19. Karanthai area saw the retailers stating the reasons as “Choice5” with a 33.33 %, “Choice 6”, “Choice 2”, “Choice 1” with a 20.83 % .

### 1.12 Suggestions

*Some of the suggestions that have evolved / recognized by the researcher to the company, during the study are given below.*

- As can be observed from Table 1 the ratio of Non telecom outlet is greater when compared to the telecom outlet except in one area i.e. Ram Nagar. These non telecom outlets thus act as an unexplored area which in turn means potential market for the company. These are those outlets which are either not yet been approached by the competitors or not yet been discovered by them which in turn means first comer advantage. Thus if approached with attractive retail margin package and offers it is possible to convert them to Airtel Outlet and tap the unexplored potential business.
- Other than the company’s marketing and promotional effort, there is something else which could create an impact on the penetration level of the product i.e. Distributor service, as distributor plays the middle man role between the company and the retailer. The retailer after shifting the product expects something called as distributor service, which the distributor sales people have to give and this has to be trained / taught by the company to the distributor sales people, which would reduce the retailer attrition rate, increase the penetration level and would be in a position to satisfy one of the retailer preferences.
- The retailer had to be constantly updated with the new and latest schemes from the company by the distributor sales people as this had to be conveyed to the customer by the retailer.
- Most of the Non Telecom Retail outlet people are asking for credit facility on the initial basis to get started off with their business, so if the company could come up with some schemes, they would be in a position to convert most of the Non Telecom outlet to Airtel outlet.



- The retail margin provided the other service provider is comparatively superior to the one provided by the Airtel. As most of the retailers who said that they are “not satisfied” stated this as one of the major reasons. So if the company could revise somehow their plans on the retail margin, this could also reduce retail attrition rate and also would be in a position to convert some of the non telecom outlets to Airtel outlets.
- The recently included formalities regarding the filling up of the form also disturbs the view of the retailers towards the prepaid business, as they lose their valuable time on maintaining these forms. This is another reason stated by the retailers. If some alternative source could be formed by which the filling up job of the form is taken away from the retailers could also motivate some to go for prepaid card selling business and also could stop retailer attrition rate to some extent.

### **1.13 Conclusion**

The Thanjavur market is a very competitive market. The market share of the leader will not be a constant one and could change at any time. Even though it is clear from the study that Airtel have a maximum penetration level among the Retail Outlet at present when compared to its competitor. But this could change at any time as the retail penetration level margin that Airtel is having is not that too big. Also the study reveals that several factors like Retail Margin, Distributor Service, Tariff Plan, and Schemes Available all are taken into consideration by the retailers before going for Shifting of the product.

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