Indian Rural Telecom Market Opportunities and Challenges

Mrs. Swati Arora Shrivastava,
India

Abstract

Over the past few years Rural India has witnessed an increase in the purchasing power of customers, accompanied by a strong desire to upgrade their standard of living. The PSUs and the MNCs have metamorphosed the marketing landscape in rural India. The focus is on to rural for most of the business firms primarily due to saturation in the urban market. The BOP segment is shrinking from 400mn level.

The Country’s rural consumer market generated $425 bn of revenue in 2011 up from $266 bn in the previous year. According to a survey conducted by A.C. Nielsen Indian rural market is set to grow at least ten fold to $100 trillion in the next 15 years. The Rural Telecommunication Sector is also growing by leaps and bounds.

This paper is an attempt to discuss the profile of the rural Indian customer and analyses the characteristics of the diverse and scattered rural market. Also effort is on highlighting the success of rural telecom sector along with an examination of the challenges, opportunities and marketing strategies of the Telecom players.

Keywords: - Rural Telecom, Tele density, Rural market,

INTRODUCTION

There are differences between an urban and a rural Indian. While their ethos may be the same, their behavior, habits and language may be quite different. According to the studies, it is revealing the fact that the rural market is growing at a faster rate than the urban market. The rural market has a huge population with a great level of disposable income. To encash this, products have to be specifically developed and positioned to meet the needs of rural markets. Sometimes, existing products/ services branding strategies might have to be modified to suit these markets too accordingly.

The rural consumers have become very tech-savvy with the higher penetration of mobile phones, cable TV and IT enabled services. Recognizing the impact of major technological developments in rural India, advertising agencies as well as marketers are now updating their offerings and services. Rural consumers today have access to diverse media with the advent of modern technology. So the focus is on offering diverse communication solutions to in different media to reach out to rural consumers. The organizations are studying consumer behavior to design effective communications so that the maximum market can be covered.

METHODOLOGY

This study is purely based upon the secondary data and findings and has been compiled in a form of a generalized study.

OBJECTIVE

The primary objective is to review latest trend of Indian telecom industry and the secondary objective is to study the opportunity and challenges available for telecom industry in rural India.
AN OVERVIEW

Indian Telecom Industry – An Overview and Latest Trend

The Indian telecommunications industry is abundant with exciting possibilities. The industry is growing at the fastest pace in and this portentous growth of the Indian Telecom sector in the past ten years has opened up numerous opportunities, with only traces of these being felt by rural India. The booming domestic telecom market has been attracting huge amounts of investment, which is likely to accelerate with the entry of new players and launch of new services.

Latest Trend:

1) **Roaming Free:** It is expected that from October 2013, the Indian telecom subscribers may not have to pay roaming charges when they hop between circles. The proposition to abolish roaming charges was a part of National Telecom Policy 2012, which had received a nod from Cabinet in May 2012.

2) **Possible hike in Mobile tariffs:** The mobile tariffs in India are amongst the lowest in the world. Most telecom operators have already shared that they are finding it difficult to sustain operations and even considering increasing the telecom tariff. Even 2012 saw increase in certain tariffs, and 2013 it is expected that there will be a marginal increase in telecom tariff during the course of 2013 as well.

3) **Cheaper 3G:** While the calling tariff may see an upward trend, the cost of using 20g 3G data will likely get cheaper. In a bid to get more users to try the next generation 3G services telecom operators will be looking at offering better cost-effective deal to the masses.

4) **PAN India MNP:** Mobile Number portability is the service that allows customers to switch operators and yet retain their mobile number. However, up till now this service is only available within the same circle.

5) **4G services:** With consumers seeking faster Internet connections, it is expected that telecom operators will be pushing 4G services in India. Airtel is currently offering 4G (LTE) services in Kolkata, Bengaluru and Pune and it is expected that it will be introducing these services to other states as well in 2013.

Indian Rural Market

The major segmentation of mass population is located in rural area. Rural markets are rapidly growing in India but have often been ignored by marketers. Most of them are remote-fully ignorant due to the reason of diversification of products produced thereby slitting into disposable income.

But in the last few years rural India has witnessed an increase in the buying power of consumers, accompanied by their desire to upgrade their standard of living. Both from the government and the private companies have changed the rules of the marketing game in rural India by introducing new projects. The NREGA (National Rural Employment Guarantee) schemes, as well as other rural employment schemes have given the rural population an opportunity to meet their daily needs.

Rural customers have upgraded their lifestyles and as a result are they spent part of their income in purchasing lifestyle products as electronics, cosmetics, branded consumer goods etc. Urbanisation has become more of a life style and it is no longer bound to geographical areas.

Facts and figures for consumers in Rural India:
- 69 percent of India’s population lives in rural area (world bank)
46 percent of soft drinks, 49 percent of motorcycles, 59 percent of cigarettes, 50 percent of 2 million BSNL mobile connections, 53 percent of FMCG products, 59 percent of consumer durables are sold in rural India.

TELECOM IN RURAL INDIA

Though Indian telecommunications sector is the third largest in the world and the second largest among the emerging economies of Asia, when it comes to rural tele-density, it is still low. The government proposed to achieve rural tele-density of 25 per cent by means of 200 million rural connections by the end of the 11th Plan. So far, around 88 million phones have been provided in the rural areas with a tele-density of around 11 per cent. The government envisages providing 600 million connections by the end of 2012. This would necessitate an estimated requirement for equipment worth US$ 73 billion during the next five years and majority of it is expected to be realized through FDI, particularly in the area of mobile communication.

OPPORTUNITIES AND CHALLENGES FOR RURAL TELECOM

OPPORTUNITIES

The developed mobile markets all over the world approach saturation, the industry has begun to consider ‘the next billion’ users. These are the rural populations living beyond the reach of traditional communications networks of any kind.

The mobile phone population in India is growing by eight million phones per month. But rural tele-density has yet to break the 5% barrier (despite television penetration levels of 26% and growing). A huge population – 720 million people in 630,000 villages across 3.2 million square miles. There are almost same numbers of middle to high income households in rural areas (21.16 mn) as urban India (23.22 mn).

Telecom would be a critical enabler in driving basic amenities to the rural population of the country such as:

Education: With the median age of 25.1 years and over 40% of population below 19 years of age, India’s population is young. There arises the need to drive education to every nook and corner of the country and wireless connectivity could be the answer to that.

Banking: 65 percent of Indian population is still unbanked. Rural India has 3 million active no-frills bank accounts as opposed to 140 million wireless connections. This clearly highlights a strong case for branchless banking through mobile to make basic credit facilities available.

High disposable income in rural areas: Rural India contributes almost 45 percent to India’s GDP. Hence, if appropriate telecom services are offered at the prevailing prices, rural India can very well afford them.

Data Usage and MoU from rural India: For Leading Telco’s, UP is the highest contributor to VAS revenues across circles and Bihar is highest contributor in terms of pre-paid recharges asserting the strong case of high MoU (Minutes of Usage) and data usage from rural India. Moreover, rural India has a PC (Personal Computer) to Mobile ratio of 3:26, which means that broadband might be accessible to rural India on the mobile before a PC.

Government and regulatory initiatives: The investment of over INR 75,000 crore required to drive inclusive growth across 70 percent of the country’s population calls for a major involvement from the
Indian government, similar to the initiatives taken by countries such as China, US & Australia. Government has INR 18,000 crore of funds at its disposal for enhancement of broadband penetration and rural telephony which can be utilized to setup DG supply infrastructure, run pilot projects for renewable energy sites and provide subsidies.

**CHALLENGES**

**Energy and infrastructure woes:** Availability of DG (Direct Grid) power, required for running the telecom towers, is the biggest challenge for rural areas.

**Big setup cost and low ARPU (Average Revenue Per User):** The cost of setting up a tower is around INR 30 – 35 lakhs. Apart from this, setting up the infrastructure for roads, power, tower site and others would require a huge amount of capital expenditure from the Telecom service providers and from the government as well. Additionally, it is estimated that ARPU from rural consumer will be very low, almost 3 times lower compared to urban ARPU. That makes it a risky investment for telecom service providers.

**Spectrum Crunch:** India has the second largest number of subscribers globally but one of the lowest spectrum allocation. An Indian TSP has 7-8 MHz of spectrum on an average against an international average of 17.5 MHz per TSP.

**CONCLUSION**

The paper was inspired by the fact that the market attractiveness of rural markets has been accepted by the major players of the telecom industry. Thus for success in rural telecom have to be innovative in both product which they offer and the ways in which they tackle the challenges posed by rural markets. The telecom sector in India has registered remarkable growth during last few years propelled largely by the unprecedented growth of the mobile telephony and various IT enabled services. As we all know the growth in infrastructure sector like telecom is not just the growth of a sector but it has multiplier effect on the entire economy.

The key to the growth of telecom in India has been liberalization, reforms and competition. The positive regulatory framework has played a major role. Three years back, a target of 250 million telephone subscribers by 2007 was considered too ambitious. The overall tele-density of the country is already over 26 percent now. Today we have over 300 million telephone subscribers of which around 40 million are wire-line subscribers. The developments in telecom sector have resulted in massive investments and explosion in supply, which are signs of a vigorous, competitive and fast-growing sector.

While the tele-density in the urban areas is over 50 percent, in rural areas it is around eight percent only. Clearly, the future lies in the rural areas. Telecommunication access to rural India is going to be the most important development since the Green Revolution.

Moreover rural telecom in India having lots of opportunities to perform and grow and with the entrance of new market players and technological advancement of telecom industry it is not far to overcome the exiting challenges.

**REFERENCES**

http://www.pwc.in/assets/pdfs/telecom/building_rural_telecom_one_rupee_at_a_time.pdf
http://www.imaginmor.com/telecom-india
http://archive.ciol.com/News/News-Reports/Raja-calls-for-push-to-rural-telepenetration/24908110806/0/
http://indiafacts.in/india-census-2011/urban-rural-population-o-india/
http://data.worldbank.org/indicator/SP.RUR.TOTL.ZS

Rural Marketing In India, G. Srinivas Rao, Anmol Publisher, 2002