

Bharti airtel ltd: an analysis

[Environment](#), [Air](#)



This assignment has mainly been done to provide a discussion as to the application of Strategic Business Management and planning within current global business environment. For this study I have used a case study on Bharti Airtel Ltd that is an Indian mobile telephone company. Accordingly, this assignment basically covers followings objectives.

Understanding the role of strategic business planning in Bharti Airtel Ltd

Understanding of the strategies Bharti Airtel Ltd use to achieve competitive advantage

Understanding of the impact of internal and external factors on Bharti Airtel Ltd

Understanding of the environmental factors that have an effect on strategic business management and planning

About Bharti Airtel Ltd

Bharti Airtel Ltd is a one of the leading global telecommunication companies that operates in 19 countries across Africa and Asia having 200 million customers. It is a one of the six best performing technology companies in world that has been ranked by business week. Bharti Airtel Ltd mainly offers following services to its customers:

Mobile voice and data services

Fixed telephone line

High speed broadband services

IPTV, DTH

Turnkey telecom solutions for enterprises

National & international long distance services to carriers

(Source: About Bharti Airtel Ltd, available from:

[http://www.airtel.](http://www.airtel.in/wps/wcm/connect/about+bharti+airtel/Bharti+Airtel/About+bharti+airtel/?WCM_Page.ResetAll=TRUE&CACHE=NONE&CONTENTCACHE=NONE&CONNECTORCACHE=NONE&SRV=Page)

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(Accessed on 10th March 2012)

1. 1 Identify and critically evaluate Bharti Airtel's goals, objectives and values

It is said that global business environment is changing structurally and, in all probability (Kourdi 2003). Hence, any type of business organization should have strong, transference goals, objectives and values in order to succeed the business. They enable the managers of the organization to formulate and manage appropriate strategies within the business. Accordingly, in this section I will identify and evaluate goals, objectives and core values of Bharti Airtel Ltd.

Goals and Objectives of Airtel

Undertaking of transformational projects which has a positive impact on the society while contributing to build the nation

Diversification into new businesses in sectors such as financial services, agriculture and retail business with world class partners

To lay the foundation for creating a conglomerate of future

Core Values of Airtel

Being Flexible for the adaptation of the environment changes and evolving customers' needs

Openness and transparency

Give power to People to do their best

Creating Positive Impact on the society by creating a meaningful difference

Making it happen through the innovation of new ideas with entrepreneurial spirit

If we look at the above goals and objectives of Airtel, we can identify that they have been achieving them to a certain extent. If we consider the objective of diversification into new business, Airtel has been accessing to such business sectors. For example, now they have been engaging financial services in India through telephony services. Acquisitions of Airtel throughout the world convince us that Airtel has created a foundation for conglomerate of future. Above mentioned core values of Airtel which are the beliefs of owners have been the keys to its success.

1. 2 Suggest ways in which Bharti Airtel can replicate its success in India in foreign markets

It is a big challenge for any business to have or replicate its success in globe due to higher completion. For this purpose, business organizations must formulate and implement business strategies that suits global market conditions. Bharti Airtel has been succeeding mainly due to its values and management. In this section, I am going to suggest ways to Bharti Airtel that may assist in replicating its success in India and foreign market.

Further acquisitions and mergers with other telephony service companies in India and foreign markets:

Since Airtel has a healthy financial strength, it can focus on the acquisition of telephony service companies such as Reliance Comm. This will increase the customer base of Airtel.

Access and expansion of Airtel's business operations in to other countries such as United Arab Emirates, Kuwait, Saudi Arabia and Qatar

Widening 4G network coverage within the areas in which Airtel operates:

Airtel can widen its 4G network coverage through rural areas in India. Doing they can increase its market while supporting the nation building process in India.

Introducing and promoting new innovative services that match with telephony service industry such new advance technologies such as ATM recharge

Launching low price promotions to attract mass customers as much as possible

Differentiation of the brand through emotional perspectives

1. 3 Using your knowledge of different strategy development models analyse Bharti Airtel's development of its strategy and identify the model(s) applicable to them.

Bharati Airtel Ltd has been market leader in India since its business models and strategies attracted many industry experts' admiration. So they have been innovative in formulating and implementing business strategies through strategy development models. Now let us analyse development of strategy in Bharti Airtel by using strategy development models applicable to them.

1. 3. 1 Porter's Five Forces Model

Threat of New Entrants

Due to increase demand for telephony services in worldwide, there are possibilities for new investors to start their business in this field. Accordingly, Bharti Airtel may encounter threats from entrants in to its market in India, Bangladesh, Sri Lanka and Africa. The number of players in telecommunication industry in India has increased and it has caused Bharti Airtel to change its strategic approaches that they followed. Furthermore the inclusion of technologies such as 3G has into the industry has brought many entries in to the telecommunication industry. Hence, we can see an increasing threat from the new entrance into the telecommunication market.

Bargaining Power of Suppliers

We can see uniqueness in telecommunication equipment suppliers in the global market. There is not a perfect market for telecom related equipments and materials such as fibre optic cables, broadband switching equipment and software etc in the globe. Thus it can be seen that there is a bargaining power over Bharti Airtel. Whereas we can see an increasing trend towards the arrival suppliers in relations to the telecommunication related equipment. This have reduced Bargaining Power of Suppliers that may be encountered Bharti Airtel.

Bargaining Power of Buyers

In the telecom industry, the biggest is held by the customers. If customers are not satisfied, they may shift to other telephony service companies. Customers can be retained if quality services are provided for affordable prices. Accordingly, Bharti Airtel has been following cost leadership strategy to cope up Bargaining Power of its customers.

Availability of Substitutes

Presently, internet services have been the domain of mobile services. Hence internet sector and telephone services have come under one sector. With the arrival of broadband, WiFi internet services and new technological mobile devices, people have been able to have the role of telephone such as phone calls and SMS done through internet calls and chat services such as SKYPE, Yahoo messenger. These threats from such substitute products have becoming a significant issue for Bharti Airtel. Nevertheless Bharti Airtel has been developing and implementing many strategies to cope up such threats

by expanding its internet services and introducing new products like IPTV, DTH services for its sustainable growth.

Competitive Rivalry

In Asia and Africa there is a high competition among telephony service providers. For examples, in India Bharti Airtel's main competitors are Vodafone Essar and Reliance Comm. In the same manner it has many competitors in Sri Lanka such as Etisalat, Dialog, Mobitel and Hutch. Therefore we can see that there is a huge competition in the telephony services industry in Asia and Africa. So Bharti Airtel is implementing strategies such as cost leadership, differentiation in order to get competitive advantages.

2. 1 Analyse the acquisition of Zain Africa by Bharti Airtel. If you were their consultant, would you have advised them to go ahead with the deal?

In this chapter, I am going to analyse the acquisition of Zain Africa made by Bharti Airtel through the PESTEL and SWOT analysis. Afterwards I will evaluate the benefits that Bharti Airtel can have from the acquisition and potential problems that Bharti Airtel may have on its operation.

2. 1. 1 SWOT Analysis

The SWOT analysis is a useful tool for decision making process and understanding all kind of situation which can arise in a business organization (Pearce, Robinson & Mital, 2008). Accordingly, the word “ SWOT” stands for Strengths, Weaknesses, Opportunities, and Threats of an organization.

Now let us analyse Bharti Airtel acquisition of Zain Africa by using SWOT analysis. Table 1 provides the SWOT analysis as to the acquisition of Zain Africa.

Strengths

New market power over 17 African countries and 5 middle east countries

Addition of 42 million subscribers to Airtel's subscriber base

Acquisition of more skilled employees

Increase reputation of Bharti Airtel brand

Entrance in to the league of world's top five mobile network operators

Weaknesses

Financial difficulties may arise because money amounting to \$7. 87 Billion have been invested on the acquisition

Amount spent on the acquisition seems to be expensive

Most of the African countries like Uganda, Ghana and Madagascar have a very lower ARPU compared to others African countries

Morale and commitment of existing employees may reduce due to new employees

Difficulties may arise when Bharti Airtel coping up with organizational cultural changes in Africa

Opportunities

Bharti Airtel can dominate many telephony service market with its economies of scale

Opportunity to build new kind of telephone services over subscribers in Africa.

Opportunity for expanding of Airtel's telecommunications operations further Africa

the opportunity for restructuring of Bharti Airtel's business operations

Threats

Falling of Airtel's stock price by 9. 22% during announcement of the acquisition

Possible counter attack from other telephony services companies in Africa

Management of Bharti Airtel may be excessively focused on the acquisition rather than focuses on the operations

Table 1: SWOT Analysis for Bharti Airtel acquisition of Zain Africa

2. 1. 2 Benefits of the acquisition of Zain Africa

With the the acquisition of Zain Africa, Bharti Airtel have been able to enter top five mobile network operators in the world.

Bharti Airtel and Zain Africa fit well together because both companies have valuable skills and experience to deliver quality telephony services to the

customers. As a result, there is an opportunity for Bharti Airtel to be the market leader in Africa.

Global reputation of Bharti Airtel increases due to this acquisition.

Increase in global customers of Bharti Airtel by an amount of 42 million

This acquisition has led Bharti Airtel to boost its achievements in telecommunication sector in world wide.

Finally this acquisition of Zain Africa as a growth strategy enables Bharti Airtel to expand its business operations to a greater extent.

2. 1. 3 Potential problems of the acquisition of Zain Africa

Amount spent on Bharti Airtel's acquisition of Zain Africa seems to be little bit expensive

There may be complexities when such expanded business operations are going to be managed by Bharti Airtel

Bharti Airtel may encounter some financial problems when a significant investment is again required to operate the business.

Existing employees' moral may decrease with new acquisition of Zain Africa's employees.

There may be some complexities when cultural changes which occur as result of this acquisition are going to be managed.

According to the above evaluation of Bharti Airtel's acquisition of Zain Africa, we can recommend this deal since it brings many advantages to Bharti Airtel Ltd for the current period as well as future periods.

2. 2 Analysis of Bharti Airtel's strategy for remaining competitive and increasing market share and subscriber base

Due to the higher population in India, presently there is an emerging of more competitors such as local competitors as well as international competitors such as Vodafone and DoCoMo into Indian telephony service market. This has been a min threat for Bharti Airtel to cope up. Accordingly, Bharti Airtel should formulate and manage strategies so as to have competitive advantages over it competitors while increasing its market share. In this section, I will analyse strategy that Bharti Airtel is following to have competitive advantages.

According to the case study Bharti Airtel Ltd, we can notice that they are following cost leadership strategy as its competitive strategy to remain competitive in the market. Due to the competition in telecommunication industry in India, Average Revenue per User (ARPU) in India which is one of lower ARPU in the world was declined. Bharti Airtel has Rs. 438 ARPU in 2005 and that was declined to around Rs 350 in middle of 2008. Part of this reduction can be attributed to low price life time recharge promotion scheme that Bharti Airtel introduced in 2007. Finally ARPU of Bharti Airtel has declined to Rs 230 by the end of 2009.

Figure 1: Average Revenue per User (ARPU) of Bharti Airtel in its Indian Market

According to the above figure 1, we can see that ARPU of Bharti Airtel is gradually decreasing due to its main cost leadership strategy. Although its ARPU is decreasing, Bharti Airtel has been able to remain competitive in the business because its application of cost leadership strategy has been increasing its market share as well subscriber base.

2. 3 Critically assess the risks faced by Bharti Airtel in Africa and how they can overcome the risks

There is probability to have a lower ARPU from African customers since Zain's ARPU is less than 1\$ and lower revenue in 2009 compared to 2008. This is mainly due to the fact that many African countries' consumers have very little purchasing power. Thus, Bharati Airtel should decrease its prices and increase number of subscribers in African countries as to its sustainability growth.

Since Zain's African market had been struggling, there is a possibility not to deliver values to its shareholders. Zain was market leader only in ten of the fifteen African countries it may difficult for Airtel to dominate such markets. Thus, it has to adopt cost leadership and focus strategies for the growth of the business by which core values can be created.

Bharati Airtel's debt to equity ratio may increase to 1: 1 due to long term borrowings from banks. This will lead solvency problems in future. Thus, it should try to raise fund through retained earnings, ordinary shares while making net profits in future.

Cost of base stations in Africa is high since its cost is 3 times compared with Europe. This indicates that Bharati Airtel have to incur relatively high capital expenditure. With a higher capital investment and lower ARPU, it may generate lower Return on Investment for Bharati Airtel Ltd.

Cultural, language and regulatory differences in the 15 African countries is a big challenge for Bharati Airtel. If they do not adopt such differences quickly, it may lead to an interruption for its operations in African market. Accordingly, Bharati Airtel should be dealing with 15 countries, 15 governments and 15 regulatory regimes effectively and efficiently to overcome possible operational interruptions.

There are high fluctuations in local currencies of African countries. This may bring foreign currency risk for Bharati Airtel. Thus, Bharati Airtel should arrange hedging contracts with parties so as to reduce such risks.

3. 1 Critically analyse Bharti Airtel's, mission, vision and Strategic intent

Before Strategic intent of Bharti Airtel is analysed, I will analyse vision and mission of Bharti Airtel because vision and mission of Bharti Airtel express its Strategic intent in broad terms and in specific terms.

Vision Statement of Bharti Airtel Ltd

“ To be globally admired for telecom services that delight customers”

Accordingly we can see that Bharti Airtel's vision reflect what it does and the future status of the organization that it expect to be. This presents the detailed picture of Bharti Airtel while providing the major reason to do its

business. This provides the company to go head successfully as it provides long term direction to employees.

Mission Statement of Bharti Airtel Ltd

“ We will meet global standards for telecom services that delight customers through customer service focus, empowered employees, innovative services and cost efficiency”

Accordingly we can see that mission statement of Bharti Airtel consists of following 3 essential components:

Key market : Global telecom market

Contribution: Telecom services

Distinction : customer service focus, innovative services and cost efficiency

Strategic intent of Bharti Airtel

Bharti Airtel's strategic intent express that it tries to give a telecom service that admired globally to its customer in a manner that they will be delightful. This indicates Bharti Airtel is prepared flexibility when several situations occur in global business environment. Accordingly this provides a direction, discovery and destiny for Bharti Airtel's operations.

3. 2 In the process of developing their strategy, do you think that Bharti Airtel used incremental change or transformational change? Analyse your answers

There should be a transformational change in the internal environment of Bharati Airtel when they develop strategies. That is organization structure

and culture of Bharti Airtel may have to be changed due to its new strategies being developed. Strategies are mainly prepared to cope up both internal and external environmental changes. Thus, when strategies are developed, they have to be developed and implemented so as to adopt for such changes. As a result, Bharti Airtel should use transformational changes within its business operations.

For example, acquisition strategy of Bharti Airtel led them to change its organizational structure and culture as they expanded its operation into Africa. Hence, they cannot do its operations in Africa with its previous organizational structures and cultures when they do business in Africa. Accordingly Bharti Airtel must adopt and use transformational changes such as adoption to African culture and regulations etc so as to develop and implement strategies in order to achieve a sustainable growth.

Analyse the potential impact of global issues in telecommunication industry and its effect of Bharti Airtel

Political Unsuitability in countries

Many of African countries have unstable government which directly affects the operations of Airtel in African countries. When government changes policies, laws and regulations of such countries may be changed. Hence, it may affect the smooth operation of Bharti Airtel. So they have to change its strategies so as to adopt such governmental changes.

Issues in global economic conditions

Global financial crisis, brewing for a while, demonstrate its effects in 2007 and 2008. As a result, stock market s around the world fell down and large financial institutions collapsed.

Source: Global Financial Crisis-Global Issues, Available from:

<http://www.globalissues.org/article/768/global-financial-crisis>

(Accessed on 10th March 2012)

Accordingly, there is possibility of global economy to unstable. If such thing happend, it would have seriously affect the operations of Airtel.

There was high rate of corruption in African countries

With the high rate of corruptions of people in Africa, Bharti Airtel will have an issue with regard to recovery of post paid bills from such people.

Issues in bringing technologies to African countries

The cost for establishment of base station in some African countries is 3 times compared with Europe. The cost of a base station in African countries is about \$180, 000 to \$200, 000. In Europe country the base station would cost about \$50, 000 to \$60, 000. Therefore, Airtel will have to invest more money on base stations.

Threat of Internet for traditional role of telephone services such as phone calls and SMS

In the world today, we can see that the internet has become the future of connectivity. With the arrival of free services such as Skype, Yahoo

Messenger etc, there is a threat for telephony service companies. There is trend that people are becoming used to such free services. Accordingly demand for phone call services and Short Message Services in Airtel may decrease.

Identify and critically analyse the impact of different stakeholders in Bharti Airtel

Stakeholders are the outside entities and people that have an interest in an business organization (Verzuh 2003). Stakeholders of Bharti Airtel can be identified as follows.

Customers

Business and Individual customers like to experience the quality and prices of services provided by Bharti Airtel. If quality of its service is low, customers may shift to other service providers.

Competitors

Competitors such as Vodafone Essar, Reliance Comm, MTN and Vodacom are interested to know strategies of Airtel so as to give a counter attack toward airtel.

Share holders of Bharti Airtel

Shareholders of Bharti Airtel interested in the financial performance of the company. If the company is not performing well, shareholder may change the director board or dispose their shares.

Government bodies

Government bodies in each geographical area such as India, Sri Lanka and African countries have major impact on Bharti Airtel since they may change laws and regulations regarding telecommunication industry.

Suppliers

Suppliers of telecommunication related equipments and Material know the financial positions and operations of Airtel so as to convince that they can continue the relation with Bharti Airtel.

Employees of Bharti Airtel

Employees are interested to their job safety and rewards. Employees may resign from the company if they were not treated well.

Propose and argue ways in which Bharti Airtel can respond to the environmental factors affecting its Africa operations

Political environment

Many of African countries have unstability in their political positions. Airtel can cope up with these governmental changes by developing strategies that suits with such changes and keeping connections with such governments.

Poor economic conditions in African countries

Bharti Airtel can do its operations in African countries with such economic conditions by introducing low price scheme and increasing subscriber base. This will allow the company to give a higher competition towards other telephony service providers.

Higher currency fluctuations in many African countries

I suggest Airtel to have hedging contracts with banks so as to reduce such foreign currency risks. But this may take away the opportunities of having foreign currency gains.

Low level of urbanization in African countries' populations

To cope up this environmental factor, Bharti Airtel should install additional towers and radios in such areas. This require substantial amount of capital to be invested.

Conclusion

The acquisition of Zain Africa has led Bharti Airtel Ltd to expand its operations globally and it can be considered as a prominent growth strategy of Airtel. Objectives of Airtel such as undertaking transformational projects and diversification into new businesses such as financial services have been achieved to some extent. Development of strategies of Airtel have enabled them to achive such objectives while having core values such as quick adaptation for the environment changes and customers' needs, openness and transparency etc. The main competitive strategy that Bharti Airtel uses is low cost leadership. The acquisition of Zain Africa have brought benifits to Airtel such as New market power over 17 African countries while having 42 million subscribers to its subscriber base. But operations in such countries has been challenge for Airtel due to political instability, poor economic conditions and higher cost on base station. Therefore, Bharti Airtel must develop and apply appropriate strategies in African countries in order to have sustainability growth.