

# [Marketing plan for airtel broadband services](https://assignbuster.com/marketing-plan-for-airtel-broadband-services/)

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Bharti Airtel (Airtel) is one of the leading providers of telecommunications services in India. The company offers mobile, wire line, broadband and television services. The telemedia services division which includes services like broadband etc recorded revenues of INR30, 930. 9 million ($674. 9 million) in FY2009, an increase of 13. 7% over 2008.

Bharti Airtel enjoys 13% market share in the broadband market. The total subscribers for the Bharti broadband are 1. 14 million. As per TRAI’s annual report, the number of broadband subscribers is growing at a healthy rate of 44% year-on-year basis. The estimated total broadband subscribers by the end of financial year 2011 are going to be around 12. 3 million. Internet access has become a necessary service. As per Data Monitor, the Indian internet access market grew by 24. 7% in 2009 to reach a value of $2, 979. 3 million. In 2014, the Indian internet access market is forecast to have a value of $6, 152. 7 million, an increase of 106. 5% since 2009. Broadband revolution is upon us, it will be next big thing to Wireless revolution India witnessed in the last decade.

Hence it is imperative for Bharti Airtel to increase its footprint in broadband market. It cannot achieve its objective of being the number one telecom industry in India if it ignores this opportunity.

In this report we will discuss the plan how Airtel should increase its market share. As a part of report, we have done the situational analysis of Airtel the broadband service provider, as well as the broadband market in India. Our objective is to penetrate the current broadband market. We have identified the market segment Airtel needs to target to achieve its objective. We have proposed marketing action programs considering the 4Ps i. e. Product, Price, Place, and Promotion. In the final section we have analysed the possible impact of these strategies on Airtel’s bottom line.

## Bharti Airtel

Bharti Airtel Limited formerly known as Bharti Tele-Ventures LTD (BTVL) is an Indian company offering telecommunication services in 19 countries. It is the largest cellular service provider in India, with more than 140 million subscriptions as of July 2010. It offers fixed line services and broadband services. The company is structured into four strategic business units – Mobile, Telemedia, Enterprise and Digital TV. The mobile business offers services in 18 countries across the Indian Subcontinent and Africa. Telemedia business provides broadband, IPTV and telephone services in 89 Indian cities. Digital TV business provides DTH TV services across India. Enterprise business provides end-to-end telecom solutions to corporate customers and national and international long distance services to telcos. Globally, Bharti Airtel is the 3rd largest in-country mobile operator by subscriber base, behind China Mobile and China Unicom.

## Airtel Broadband Services

Airtel is the largest private operator having presence in the voice, broadband, IPTV and data. Since launch it has focused on SMB segment & Broadband at Homes. It has launched several services the broadband category ranging from DSL with speed 256kbps to 16 mbps. Average Revenue per User ARPU for Quarter ended Jun’10 $ 20. 6 per month. This segment contributes to 7% of overall revenues of the company. The EBIDTA margin for the product is very high. The total subscribers for the Bharti broadband are 1. 14 million. Currently Telemedia services which include broadband services contribute nearly 7% to the company’s total revenue. It has its presence in 95 cities across India. Airtel Revenues: $8, 150. 2 million (FY2009), an increase of 38. 3% over 2008.

## Business divisions

## Contribution

## Revenues – 2009

## Increase over 2008

Mobile services

80. 5%

$5, 998. 7 million

36. 8%

Telemedia services

9. 1%

$674. 9 million

13. 7%

Enterprise services carrier

7. 1%

$527. 7 million

10. 6%

Enterprise services corporate

3. 3%

$243. 4 million

19. 9%

other operations

0. 1%

$7. 9 million

7. 2%

Others

6. 1%

$453. 9 million

29. 6%

## Purpose and Mission

Bharti Airtel recently announced in the Quarterly presentation to the investors there is strategy is “ Dominant Broadband in targeted 95 cities”. With estimated total 12. 3 million broadband subscribers in the financial year 2011, to gain about 17% market share the total number of Airtel subscribers needed to be nearly 2 million.

Currently BSNL is a market leader with above 60% market share. Hence it is imperative for Bharti to increase its footprint in broadband market. It cannot achieve its objective of being the number one telecom industry in India if it ignores this opportunity. In this report we will discuss the plan how Airtel should increase its market share.

The marketing objectives can be summarized as:

Increase total number of subscribers to 2 million by the end of 2011.

Resulting in capturing the market share of around 17% for broadband users.

Increase the contribution of telemedia services which include broadband services to 10%

Maintain EBITDA margin of atleast 44%

## Situational Analysis

## Current Products

Airtel currently offers a number of plans at different prices to suit the requirements of the customers.

A brief summary of the current plans is as follows:

## Plans

## Tariffs

## Features-offers

## Features-speed

## Airtel Surf Broadband plan

Airtel Surf-749 – Rs. 749 per month

· Comes with Rs. 100 free talktime on your Airtel mobile and Free calling value of Rs. 100.

· Speed @ Day 256Kbps

· Free Calling Value Worth Rs. 100

· Speed @ Night 1Mbps

· Free Talktime – Airtel Pre-paid Worth Rs. 100

· Data Transfer Limit 8GB

Airtel Surf-899- Rs. 899 per month

· Comes with Rs. 100 free calling value on your Airtel fixed line.

· Speed @ Day 256Kbps

· Free Calling Value Worth Rs. 100

· Speed @ Night 256Kbps

## Airtel Swift Broadband Plan

Airtel Swift-1099- Rs. 1099 per month

· Free Calling Value Worth Rs. 100

· Browse and download fast at 512kbps.

· Speed @ Day 512Kbps

· Speed @ Night 512Kbps

· Data Transfer Limit Unlimited

## Airtel Turbo Broadband Plan

Airtel Turbo-1299- Rs. 1299 per month

· Comes with free world class games.

· Speed @ Day 512Kbps

· Free Calling Value Worth Rs. 100

· Speed @ Night 1Mbps

· Data Transfer Limit Unlimited

## Airtel Freedom Broadband Plan

Airtel Freedom-1699- Rs. 1699 per month

· Free Calling Value Worth Rs. 100

· Speed 1Mbps

· Free Anti Virus Worth Rs. 100

· Data Transfer Limit Unlimited

· Free Unlimited Gaming Worth Rs. 199

· Download whatever, whenever without worrying about the bill

· Free Speed on Demand Worth Rs. 100

· Free Online Desktop Worth Rs. 99

Airtel Freedom-2999- Rs. 2999 per month

· Free Calling Value Worth Rs. 300

· High speed and unlimited downloads bundled with a host of exciting package.

· Free Anti Virus Worth Rs. 100

· Speed 2Mbps

· Free Unlimited Gaming Worth Rs. 199

· Data Transfer Limit Unlimited

· Free Online Desktop Worth Rs. 99

## Airtel Velocity Broadband Plan

Airtel Velocity-8999- Rs. 8999 per month

· No Free Calling Value

· Speed 50Mbps

· Free Anti Virus Worth Rs. 125

· Data Transfer Limit 200GB

· Free Unlimited Gaming Worth Rs. 199

· Free Online Desktop Worth Rs. 99

Airtel Velocity-7999- Rs. 7999 per month

· No Free Calling Value

· Speed 30Mbps

· Free Anti Virus Worth Rs. 125

· Data Transfer Limit 200GB

· Free Unlimited Gaming Worth Rs. 199

· Free Online Desktop Worth Rs. 99

Airtel Velocity-4999- Rs. 49999 per month

· Free Calling Value Worth Rs. 300

· Browse faster than ever before at 16Mbps.

· Free Anti Virus Worth Rs. 100

· Speed 16Mbps

· Free Unlimited Gaming Worth Rs. 199

· Data Transfer Limit 100GB

· Free Online Desktop Worth Rs. 99

Airtel Broadband Value Combo 749 Plan

· Monthly Commitment Rs. 749

· Broadband Data Transfer Limit : Unlimited

· Free Call Value Rs. 150

· Download Speed 256 Kbps

## Current distribution network

In this segment, we try to analyze the distribution strategies of Airtel for its Broadband services, and try to compare and contrast them with the strategies employed by its main competitor in terms of market share, BSNL broadband.

From the time of its launch, Airtel tried to position itself as a niche product, charging higher prices for similar products, and expecting the price differential to be covered by the value received by the end user in terms of after – sales service, other Value Added Services, Customer Relationship Management etc. While this strategy helped it to gain a sizeable number of loyal customers, with very high preference for the brand Airtel, in absolute terms of market share, it was limited to around 8% of the total broadband market in India, compared to the over 50 % of share commanded by BSNL Broadband.

Airtel focused on attracting customer attention and eventual conversion into customers, by the use of celebrities in advertisements, and trying to communicate its significant value proposition to target customers through these advertisements. The actual operational task of converting the interested segment into customers was left to a service agent, who conducted all transactions such as filling up of forms, payment of fees and delivery of modems and other paraphernalia at the place of choice of the customer, most often the place of installation, such as the residence or workplace. While this strategy ensured that the customer did not have to leave the comfort of his own environs for subscribing to an Airtel Broadband connection, it also meant that the visibility of Airtel in comparison to its significant competitors was always less. These factors together could be attributed a major portion of the blame for the comparatively low market share of Airtel.

Performance: Airtel has performed at least as better, or in some cases, to a much higher standard, with comparison to its competitors, with respect to its backward chain. Airtel sources its modems from Beetel for its Indian and other South Asian markets, which are supplied to its distributors at the state and regional levels, through a dedicated chain of suppliers. Airtel has internally estimated the efficiency of its backward chain to be 99. 9963 %( Source: Company Data), which shows its high dedication and expertise in this area. The distribution to customers is primarily, as mentioned above, through sales representatives, who directly visit the place of installation, and form, to a very high extent, the public image of the company and its products and services, for the general consuming population.

BSNL/MTNL: While Airtel competes with many other service providers for the same market segment, BSNL as the major player and the one with the highest market share (on the basis of actual number of subscriber, BSNL has over 53% of the market share: 2009), deserves a special analysis, with focus on its distribution strategies. In the broadband market, BSNL entered with a significant advantage over its competitors. Till the past decade, BSNL was the only provider of fixed line telephones (MTNL for Mumbai and Delhi), and hence could provide the broadband services as a product bundle to its existing and new customers. This made attracting existing customers from BSNL, a major issue for new entrants into the market, as consumers were unlikely to switch from phone numbers and connections, which they had held, in most cases for over a period of 5 -10 years. BSNL focused on distribution of its broadband services through existing telephone exchanges, and its existing network of ‘ linemen’ who were already well known in their neighborhoods. This strategy, while playing on the familiar cues for the customers and increasing customer perceptions of trust, also reduced distribution costs for BSNL and led to lower per consumer cost as compared to other consumers. Its modems were sourced from Huawei, a Chinese firm, which again reduced capital costs. However, this had a significant downside in terms of quality of service, with complaints being lodged against disruptions in broadband services at an average estimated rate of 6. 3 per day per 1000 consumers within 6 months of launch of the service ( Source : TRAI reports)

Airtel realized that the existing strong BSNL telephony network, covering around 93 % of the urban fixed population, in 2000, was a major hindrance in its own growth, within one month of launch of its services, and tried to shift its marketing strategy accordingly, something which has been covered in detail in our analysis of Airtel marketing strategies. To give an overview, it has been established that Airtel launched a new bouquet of plans, immediately after launch, to attract the consumer surplus, by targeting the early adopters and pioneers, by providing services at differential prices, something that was not covered by BSNL. The most famous of these plans, is the Unlimited Plan which provided 256 kbps of speed at Rs. 599 per month, along with unlimited surfing and downloading. This product went on to revolutionize the market, with copycat products being launched by almost all competitors.

## Current Competitors

The TRAI report FY 2010 related to broadband services describes the following subscriber base statistics for the major players in the sector. The total size of the subscriber base for broadband in this time period stood at 8773096.

These figures can be further translated into a percentage wise holding which gives a clearer split of the market in terms of Airtel and it’s broadband competitors.

## Locations/Coverage:

Except for MTNL which operates only in Mumbai and Delhi (and hence falls under category B), the others have a pan-India presence and fall under category A. BSNL of course, is present everywhere except for Mumbai and Delhi.

An interesting case in is that of Hathway which offers broadband services only in Mumbai, New Delhi, Bangalore, Chennai, Hyderabad, Pune, Nashik, Ludhiana, Jalandhar, Mysore and Baroda but accounts for 3. 5% of the subscriber base. In stark contrast is the Chennai based ISP Sify, which provides broadband in almost 86 cities across all states except for Himachal Pradesh and the northeastern states barring Assam, but still accounts for only 2. 24% of the total subscriber base.

## Products/Packages:

Most competitors offer packages in both prepaid and postpaid plans. Reliance and TATA offer wired as well as wireless connections, both are offered in prepaid and postpaid plans. A restriction could be placed on the amount of data downloaded in a plan or on the number of hours it could be used in a month, thereby making it a ‘ Limited’ plan. The opposite of this is the ‘ Unlimited’ plan.

MTNL: MTNL’s package is called the MTNL Triband. It offers unlimited plans in speeds ranging from a minimum of 320 KBps costing Rs. 395 per month all the way up to a maximum of 4 MBps costing Rs. 9999 per month.

In the limited plans category, MTNL offers a basic plan for Rs. 49 per month for a variable speed from 256 KBps – 2 MBps restricted by a limit of 200 MB per month. Anything beyond 200 MB will be charged at Re. 1. 00 per MB. There is a variety of these plans which range up to Rs. 1499 per month for variable speeds from 256 KBps-4 MBps restricted by an 8 GB per month download limit and an additional charge at the rate of Re. 0. 70 per MB

BSNL: BSNL offers plans to the home user ranging from variable speeds of 256 KBp-2 MBps at a minimum monthly charge of Rs 125 restricted to 150 MB data download per month up to 2 MBps for minimum charge of Rs. 3300 per month.

## Marketing Strategy

## Segmentation & Targeting

The household penetration and number of Internet users in India saw growth of 2, 243% from 2000-2007, whereas PC penetration increased by 267%. According to the statistics of the Internet and Mobile Association of India (IAMAI), in 2007 33% of active Internet users in India are working men and 11% are working women. College students account for 21% and schoolchildren make up 14% of active Internet users. Older men and non-working women account for the remaining 21%. According to the association, 16. 8 million active Internet users in 30 cities access the Internet from cybercafés. However, the share of cybercafé as main access point is falling as more people have the ability to access the Internet from their offices. This could be due to an increase in the number of people working in the IT/ITES sector. Usage of the Internet in schools and colleges increased due to the introduction of computers and the Internet in the educational system.

Favourable broadband policy and other initiatives by the IT and Telecom Ministry have encouraged Internet use by the masses. Internet usage is mainly prevalent in urban areas since, as most of the content on the Internet is in English, its usage is restricted to the population familiar with English. Another barrier to increased Internet penetration is the exposure to using a PC. In the future, increased Internet penetration would depend on increased literacy, PC education and vernacular content on the Internet.

Source: IAMAI

Hence we can conclude that majority of the users of internet are College going students (21%) and working men (33%) and most of the users are English Speaking based out of cities.

So we can deduct that the segmentation variables in our case would be

Age

Occupation

Location

As Airtel broadband has its presence in 95 cities hence the location part of the segment is already in place. Let’s analyze the various segments:

## College Going Student:

Heavy users of internet,

Demand High speed network

## Working Professional:

Largest in terms of market size

Heavy users

Demand for high speed network

## Non-working women

Casual users, time spend on internet is much less than time spend by college going student and working professional

Indifferent to network speed

Price Sensitive

## Older Men

Indifferent to network speed

Price Sensitive

## School Children

Limited purchasing power, generally provided by parents

Airtel wants to increase its market share hence criteria for evaluation before targeting the market segment should be in line with marketing objectives. Hence to increase market penetration it can look at each segment based on;

Market Size

Extent of Usage

Purchasing Power

As market size is evident from the internet usage data provided by the IAMAI we can say Working professionals and college going student forms the majority of market share.

For purchasing power we need to look at the average disposable income and monthly expenditure of the segments.

Expenditure by Type of Household: 2009

Source: Euromonitor International

Key: A. Food and non-alcoholic beverages B. Alcoholic beverages and tobacco C. Clothing and footwear D. Housing E. Household goods and services F. Health goods and medical services G. Transport H. Communications I. Leisure and recreation J. Education K. Hotels and catering L. Miscellaneous goods and services

Non working woman, School going children, college going student have limited incomes however working professional can satisfy this criteria. As stated by above graph and average household spends about 8-15% of their income on communications. However, given the couple with children also spends nearly same amount of money on communications school going children can be indirectly targeted by targeting working professional

Let’s evaluate each market segment on these criteria by plotting a matrix and assigning grade points to each segment. (1 being lowest and 5 being highest)

## Evaluation Criteria

## Market Size

## Extent of Usage

## Purchasing power

## Total

## College Student

4

4

2

## 10

## Working Professional

5

5

5

## 15

## Non-working women

4

2

2

## 8

## School Children

2

3

1

## 6

## Older men

2

2

2

## 6

Hence we can say to meet our objectives we can target Working Professional and College going student.

## Sales objectives

Let us analyze these two segments on the basis of meeting our sales objectives.

Objective: Total Subscribers by 2011 = 2 million

Current Subscribers = 1. 14 million

Additional Subscribers to be added for the next year = 0. 86 million

Expected Market size

Segment

2010

2011

Net Increase

College

1. 8417

2. 596797

0. 755097

Working Professional

2. 8941

4. 080681

1. 186581

Hence out of new added 1. 94 million subscribers we need to target nearly 0. 8 million subscribers to Airtel broadband. This assumption is totally based on new addition. Switchers can make the total subscribers to go beyond the stated objectives.

So Target Segments for the AirTel Broad Band are College Going students and Working Professionals.

## Connections forecast:

## Subscriber’s

## Base (in millions)

## QE Mar

## 2009

## QE Mar

## 2010

## QE Jun 2010

## Y-on-Y

## Growth

## QE Jun 2011

## Broadband

## Connections

## (>= 256 Kbps

## download speed)

6. 22

8. 77

8. 960

41%

14. 24(assuming 60% growth)

## Airtel Connections

0. 87

1. 1401

1. 1648(13% of market share)

84%

2. 4208(17% of market share)

## Revenue forecast:

## (in mn)

## Jun-09

## Jun10

## Y-on-Y

## Growth

## Jun 11

## Total Revenue

8, 551

8, 960

5%

9408

## EBITDA

3, 466

3, 938

14%

4489

## EBIT

1, 797

1, 910

6%

2025

## EBITDA / Total revenues

40. 5%

44. 0%

## Positioning

Since college students and working professionals are the target segment for Airtel broadband, the following points can be defined:

## Point-of-Difference:

Airtel should aim at being differentiated from its competitors on the following attributes:

High Performance: Airtel should create a strong association between its offerings and high performance at the product/service level primarily by concentrating on

providing extremely fast speeds

consistent connection speeds across times and distance

Reliability: Airtel broadband should concentrate on being characterized by

high up times

low failure rates and connection drops

24/7 customer assistance and support and

reduction in service level agreement metrics like turnaround times and problem resolution times

Affordability: Airtel sells its product offerings at a higher price compared to its competitors. This will work for professionals who are well settled and have a steady source of income, but not for college students and price sensitive young professionals who are just a few years into their careers.

Customization: Airtel can do well to offer different propositions to different target segments based on an understanding of different needs that college students have from working professionals. This could translate into a better product-pricing offering that takes into account the Internet needs of the targeted users instead of just basing the proposition on speeds, time limits and prices.

## Points-of-Parity:

High speed: Most consumers do tend to associate the word broadband with always-on Internet connections that offer perceptibly higher speeds than narrow band or dial-up connections.

Based on these points and the target segment, we can arrive at a positioning strategy that is built around its product-pricing mix as follows:

To

College students and young working professionals

Airtel Broadband offers

the best broadband experience for every user

Among

all broadband providers

Because

it offers extremely high performance backed by reliability and affordability

## Pricing

## Comparison of Airtel Top 5 Selling Plans with Competition (BSNL)

## Provider

## Plan

## Cost

## GB Limit

## Download Speed

## Additional Download Rs/MB

## Others

Airtel

Impatience 799

799

5

2

0. 2

BSNL

BBG

700

4

<2

Airtel

Impatience 899

899

6

4

0. 1

BSNL

BB Home Combo ULF 900

900

UL

4 (<8GB)

256 (> 8GB)

NA

Airtel

Surf 599

599

3

0. 5

0. 2

BSNL

BBG FN 500

500

2. 5

<2

0. 6

Night UL

Airtel

Surf 699

699

4

1

0. 2

BSNL

BBG 700

700

4

<2

0. 5

Airtel

Browser 899 Unlimited

899

UL

512 (<8GB)

256 (> 8GB)

NA

BSNL

BB Home Combo ULF 900

900

UL

4 (<8GB)

256 (> 8GB)

NA

BSNL

BB Home Combo UL 750

750

UL

512

NA

A comparison of Airtel’s top selling plans with that of the competition shows clearly that the competition is available at a cheaper rate, on almost all the plans. However the difference is not much. Recommendation: Airtel should go in for a competition pricing strategy.

## Other Avenues

BSNL Broadband also has the prepaid option. Just like a mobile phone, one can either buy a value card that will extend the download limit or a validity card that will extend the validity. It is easily possible for Airtel to match BSNL pricing in this regard. It would also benefit a number of sporadic and variable users of the Internet.

## Recommendations for Distribution Strategy:

Based on this analysis, we wish to recommend certain changes in the distribution strategy for Airtel broadband services. The backward chain is operating at optimum, or better than optimum levels, and requires, at this time, no modifications. The forward chain, may however, be slightly modified to help us achieve our marketing objectives better. Some of these are listed below, and detailed financial analysis, may be done, based on data annexed to this report:

Open new CSC centers: Existing Customer Service Centres are calculated to be at a density of 1 per 9. 63 sq. km of urban area, whereas for the same regions, BSNL has telephone exchanges, which provide a large boutique of services at 1per 4. 81 sq. km.

Diversify scope of CSC centers: Current CSC centers have been reduced to bill collection and primary consumer redressal agencies, which does not provide significant per acreage returns. Other competitors of Airtel, especially in the GSM arena, such as Vodafone ( Vodafone Stores) and Reliance ( Reliance World), provide a wide variety of services and products at the same location. Airtel, due to its late adoption of this strategy, will have to primarily follow the trends set by the earlier entrants and try to consolidate its own position. This strategy has significant benefits, not only for broadband plans, but also for the entire range of products.

## Promotion Strategies:

Airtel Broadband has a mix of current promotion strategies that pan across online paid ads, websites, tie-ups with major names in personal computer vendors, TV ads, print ads, cold calls. Some of them are cited below:

## Advertisements on Google and Facebook:

One of the promotion strategies used by Airtel is use of ads on Google and Facebook. One such advertisement is show below:

The advantage of such advertisements is that they reach out specifical