

Swot analysis of idea cellular essay sample



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Idea cellular, a part of Aditya Birla group, is one of India's leading GSM mobile services operator. This telecom company has licenses to operate in all 22 service areas. Presently it is operating in 13 circles. Idea Cellular value-added services like GPRS, call conference, GSM, GPS and also provides customized solutions according to business specific needs. With a customer base of 98 million as on August 2011, it is among top 25 telecom companies. Through merger and acquisitions, Idea Cellular has received established service areas for mobile operations. In January 2001 it merged with Tata Cellular, which had service area in Andhra Pradesh. In June 2001, through its acquisition of RPG Cellcom, it received Madhya Pradesh service area. In January 2004 it received service areas of Haryana, Uttar Pradesh and Kerala through its acquisition of Escotel Mobile Communication (Escotel). In 2006 it became part of Aditya Birla Group. Idea Cellular has acquired 40.8% stake in Spice Communication.

Idea has a network of over 70,000 cell sites covering the entire length and breadth of the country. Idea has over 3,000 Service Centres servicing Idea subscribers across the country, including 450 special Experience Zones for 3G promotion. Idea's service delivery platform is ISO 9001:2008 certified, making it the only operator in the country to have this standard certification for all 22 service areas and the corporate office. Milestones It received the 'CARE' service in the 'Best Billing or Customer Care Solution' award at the GSM Association Awards in Barcelona, Spain. Idea Cellular won an award for the 'Bill Flash' service at GSM Association Awards in Barcelona, Spain. Recent developments: Idea Cellular has tied up with Taiwan's handset

manufacturer HTC offering two touch phone models targeting the premium segment in India.

The two Taiwan made models called HTC Touch Pro and HTC Touch Viva are based on Windows mobile platform offer elegant touch screen experience. Idea Cellular has launched EDGE enabled USB Data card 'Netsetter' for prepaid and postpaid subscribers in Mumbai. This data card would be priced at Rs. 2, 490. It will provide anywhere-anytime internet access and is only Data Card having compatibility with multiple operating systems such as Windows 2000, XP, Vista, and Mac. Awards * Idea is the winner of 'The Emerging Company of the Year Award' at The Economic Times Corporate Excellence Awards 2009. * IDEA Cellular also received the prestigious Avaya GlobalConnect Award for being the 'Most Customer Responsive Company' in the Telecom sector in the year 2010. * It won the GSM Association Award for 'Best Billing and Customer Care Solution' for 2 consecutive years. It was awarded 'Mobile Operator of the Year Award - India' for 2007 and 2008 at the Annual Asian Mobile News Awards.

Management Details| Chairperson - Kumar Mangalam Birla

MD - Himanshu Kapania

Directors - Ambrish Jain, Arun Thiagarajan, Biswajit A Subramanian, Gian Prakash Gupta, Hans Wijayasuriya, Himanshu Kapania, Juan Villalonga Navarro, Kumar Mangalam Birla, M R Prasanna, Madhabi Puri Buch, Mohan Gyani, P Murari, Pankaj Kapdeo, R C Bhargava, Rajashree Birla, Rakesh Jain, Sanjeev Aga, Shridhir Sariputta Hansa Wijayasuriya, Tarjani Vakil| Business Operation| Telecommunication - Service Provider| Background| Idea cellular, a part of Aditya Birla group, is one of India's leading GSM mobile services

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operator. This telecom company has licenses to operate in all 22 service areas. Presently it is operating in 13 circles. Idea Cellular value-added services like GPRS, call conference, GSM, GPS and also

SWOT ANALYSIS :

SWOT is a handy mnemonic to help corporate planners think about strategy. It stands for Strengths, Weaknesses, Opportunities and Threats. What are an organisation's SWOTs? How can it manage them in a way that will optimise its performance? A second four-letter acronym is sometimes brought into play here: USED. How can the Strengths be Used; the Weaknesses be Stopped, the Opportunities be Exploited; and the Threats be Defended against? The process starts by listing a firm's attributes under the four headings; a particular strength, for example, might be a dedicated workforce or some currently valuable patent. These are then given scores according to what is seen as likely to be the company's business environment over the next few years. If a recession is beginning and employees have to be laid off, a dedicated workforce might be a weakness. If a boom is about to begin, however, it will be a strength. The four features can be divided along two main dimensions:

- Internal/external. The internal features are the company's own strengths and weaknesses. Analysing them is a matter of analysing the state of the company. They are things that already exist. The external features are the organisation's opportunities and the threats to its future performance. These exist only on the horizon, and they are less easy to assess and measure.

They arise from things like changes in technology, demography or government policy. • Positive/negative. The positive things are the strengths

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and opportunities; the negative ones are the threats and weaknesses.

Strength:

1. Brand reputation:

Idea cellular is a part of Aditya Birla Group, a multinational having operations in 25 countries. The reputation of being the first Indian multinational and part of 100fortune companies carries a lot of strength which Idea cellular enjoys being the part of prestigious group.

2. Profit margin has been increasing at high rate:

The profit margin of Idea cellular in relation to its competitors like Bharati Airtel and Vodafone has grown relatively about 4% from 2006-07

3. Strategy in Global Context For Idea Cellular Ltd. Which was 11% to 15% in 2007-08. It is strength for the organization as it is likely to give them a competitive edge.

4. Financial strength:

The current ratio and the quick ratio of Idea Cellular (Current Assets/Current Liabilities) is 1.38: 1 and 1.3: 1 which show they can convert their assets into cash easily and pay their current liabilities. In the same way their working capital is \$1.5 billion which shows that they have huge cash for daily bases operation and financial works. If we talk about their shareholder funds which include general reserve and equity share capital is \$23 billion and total long term debt is \$6 billion which is less than their capital, so it helps them to get loan easily.

5. Market share:

The overall market share of Idea cellular is increasing at a healthy rate. It is currently operating in an industry which is expected to grow at a rate of 1.3 \$ trillion in revenue according to a US based research agency (Insight research corporation New Jersey). Thus we can infer from this fact that Idea cellular has a huge target audience, as it has expanded its operations in almost all parts of India.

6. Technology innovation:

Being the first player in the telecom industry to start GPRS services in India, and even starting unique products, such as 'My gang' and 'Idea radio', the technological innovation of the organization can act as strength to the company in the long run.

7. Strong advertising and promotion:

Idea cellular is known in the industry for its aggressive promotional and advertising techniques, such as having Abhishek Bachan, a famous Bollywood star as part of its advertising punch line 'What an idea Sir Ji' proved effective in carrying out the promotional campaigns throughout the country.

8. Strategic alliance:

Idea cellular has strategic alliance with IBM and Oracle. Both have a unique brand image for providing best in class software solutions like CRM (Customer Relationship Management) and OLAP (Online Analytical Processing). It has also tie ups with leading mobile producers like Nokia. This

shows that the organization is dedicated towards providing superior services to its customers.

Weakness:

1. No presence in Broadband or internet service:

BSNL, Airtel, Reliance communications, Tata, all of them offer broadband services. Reliance communications as well as Tata are now offering high broadband access through Data cards. It thus adds value to their respective brands. Not being a broadband service provider is therefore a big weakness for them.

2. Less PAN India presence:

Idea cellular limited has a low PAN (Presence across nation) India presence as compared to its rivals Airtel and Reliance communications. Airtel and Reliance have always been the first ones in expanding their operation expeditiously as compared to other players in the industry.

3. Target only North India:

Idea Cellular is the market leader in North India, but they have a small market share in South India. Now recently it has made its presence in Tamilnadu.

4. Not a player of “ Direct to Home Service”:

Idea cellular is not a player of DTH services. Players like Reliance and Bharti Airtel have a strong presence in DTH services. Looking at the future prospects of DTH services the giants like Tata, Airtel and Reliance who are the

leading mobile service providers in the country have entered the arena of DTH. The DTH industry is expected to touch a base of 40-50 million subscribers by 2015.

5. Not a big player in urban market:

Idea Cellular is considered as rural market leader but they do not have good market share in urban area. They have 70 % market share in rural area and 32% market share in urban area.

Opportunities:

1. Increasing number of cellular phones
 2. Starting of 3G services
 3. Nokia providing Idea the vendor-agnostic consultancy services
 4. Idea offers Internet connectivity in 20 circles
 5. Idea joined IBM to integrate some IT work
- Increase in the number of mobile phone is an opportunity for Idea because it can be a reason of increase in consumers of services. 3G technology is a new technology in mobile world. It is costly to setup but once it is setup then it gives profit in the sense of speed, quality and coverage. People are also moving to the 3G. Today Nokia is also manufacturing mobile with 3G functioning. Nokia is helping idea in their business models, effectively of systems, and technologies.

Threats:

1. Brand name of other companies
2. Force by courts to reduce tariff

3. New Players Promotional prices

4. Increased network costs

5. Decline of ARPU: There are many other companies like Airtel, Vodafone which has very repudiated brand image and are potential threats for idea.

Force by the courts to reduce tariff has resulted in lowering of service tax of service provider. New players like Aircel started one paisa per second, as a result it become very difficult to reduce call rates, but for survival in market it is necessary to do. Adopting new technologies in the network is costly and increases the cost price. According to ABI research ARPU of telecom

including India is falling. 6. Threat of rivalry:

Today there is lots of competition between telecom companies to be ahead of each other. There are government companies like BSNL and MTNL. Some private Indian companies like Tata, Reliance and some are foreign

companies like Vodafone, spice. 7. Threat to new entrants:

Indian telecom companies facilitates opportunities to foreign companies in different fields like; VPN, satellite phone calls, 3G, international calls and value added services.

Market f or idea Growth Avenue:

1. Rural telephony.

2. Enterprise telecom service.

3. VAS (value added services)

4. 3G

5. WiMAX

6. Infrastructure sharing

7. Virtual private network.

8. Managed services

In India big amount of players up-and-coming in the market national level from its state level existence like;

1. Aircel

2. Virgin

3. Spice

4. Vodafone

8. Threat of substitute product and service:

The services like; GSM, internet, VOIP, CDMA mobile, Wire line, broadband, carriers, VSAT, MPLS-VPN, etc. are provided by telecom industry. While talking about internet telephony, it is increasing as a good alternative. With cheaper rate it offers video conferencing just like Skype.

9. Bargaining Power of Customer:

As it is offering services at cheaper rate, bargaining power of its customers is very low. But due to the launching of mobile services at cheaper rate by Airtel and other telecom companies, customers acquired many options. So it could be bargaining power from the customer's point of view.

10. Bargaining Power of Suppliers:

Idea cellular consumes iron, aluminum, electric wires for tower making. It purchases these raw materials in bulk quantities that every supplier wants to sell their product. Thus the bargaining power of suppliers is very less.