

RURAL MOBILE PHONE MARKET – A WAY FORWARD**DR. CHIRAG V. ERDA****Assistant Professor,****Gyanyagna College of Science & Management, Atmiya Group of Institutions,
Rajkot, Gujarat**

XX

ABSTRACT

Indian rural market is emerging market with huge opportunities of course with certain serious challenges. Kashyap (2012, p. 24) has mentioned that rural India is changing. There is a change in the Indian rural economy from a slow-growth, subsistence agriculture economy to a fast-growth economy. There is a positive impact of economic liberalization and government-led infrastructure development on rural market. Non-farm sector is growing due to better access to goods, markets and funds.

India is the second largest and fastest growing mobile telephone market in the world (TRAI Report, 2012, p. 100). There was tremendous growth and dynamism in the Indian telecommunications sector from the last decade especially since 2003.

This paper highlight the telecommunication market specifically mobile phone market in rural India. This paper is useful for the researcher who wants to do research in the area of mobile phone or rural market in India.

KEY WORDS: Mobile Phone, Rural Market, Telecommunication

INTRODUCTION:

Today's market throws continues challenges to marketers. In response successful marketers face these challenges with innovative solutions. As urban markets are becoming more saturated and competitive many marketers are moving towards one of the most exciting, unexplored and yet one of the most challenging market that is rural market. It is exciting because of new opportunities, unexplored because still vast majority of it is not covered by many companies and challenging because it is very different from urban market.

Kashyap (2012, p. 24) has mentioned that rural India is changing. There is a change in the Indian rural economy from a slow-growth, subsistence agriculture economy to a fast-growth economy. There is a positive impact of economic liberalization and government-led infrastructure development on rural market. Non-farm sector is growing due to better access to goods, markets and funds. This paper will discuss the telecommunications in rural India and mobile phone market in rural India. This paper is useful for the researcher who want to study Indian rural market or mobile phone market in rural India.

RURAL – DEFINITIONAL ISSUES:

Jagdish Sheth (Kashyap, 2012 p. xix – Foreword) has described the importance of rural market vividly. He mentioned that at least 40 per cent of the world's markets are rural. There are nearly more than three billion people from such market, whose current consumption is estimated to be at least four trillion dollars per year. In past rural markets are ignored by most of the multinationals from advanced countries, and also by local large-scale manufacturers of packaged branded products.

It is not easy to define 'rural' in India as there are many approaches for it. Following is the formal definition of 'rural' followed by corporate approaches. It is strange that Census of India defines 'rural' as all that is not 'urban'. It may be because there were only villages before the development of cities and towns. Census of India defines rural as any habitation with a population density of less than 400 per sq. km., where at least 75 per cent of the male working population is engaged in agriculture and where there exists no municipality or board" (Kashyap & Raut, 2011, p. 3). Majority companies in FMCG sector consider rural as any place with a population up to 20,000. Same way in durable and agri-input companies consider rural as any town with a population below 50,000 (kashyap & Raut, 2011, p. 3). Thus, the definitions of rural differ from company to company for marketing purpose. It also considers the calculation of Market Potential Value (MPV) of a particular area (Dogra & Ghuman, 2010, p. 2).

TELECOMMUNICATIONS IN RURAL INDIA:

Today, India is one of the fastest growing telecommunications market. It is the second largest in number of telephone subscribers in the world (222 countries) indicated by the available international comparisons till 2010. India accounts for 12 per cent of the world's total telephone subscribers (TRAI Report, 2012, p. 6). The total number of telephone subscribers in India is 943.49 million in February 2012 as against 28.53 million in April 2000 (TRAI Report, 2012, p. 1) (see Table 1). The total numbers of telephone subscribers have grown at a Compound Annual Growth Rate (CAGR) of 35 per cent from 2001 to 2011. They were 9 per cent and 22 per cent in the 1980s and 1990s respectively.

Table 1
Snapshot of the Telecommunications Sector

Variable	Date	Status
Teledensity*	February 2012	78.10
Urban teledensity*	February 2012	169.37
Rural teledensity*	February 2012	38.53
Total number of subscribers	February 2012	943.49 million
Total number of wireless subscribers	February 2012	911.17 million
Total number of wireline phones	February 2012	32.33 million
Number of Internet subscribers	December 2011	22.39 million
Number of broadband subscribers	February 2012	13.54 million
Number of wireless data subscribers	February 2012	431.37 million
Production of telecom equipment[#]	2010-11	Rs 535 billion ⁺ (Rs 510 billion in 2009-10)
Total exports of telecom items[#]	2010-11	Rs 140 billion ⁺ (Rs 135 billion in 2009-10)
Total imports of telecom items[#]	2009-10	Rs 450.3 billion
India's export of telecom consultancy[#]	2010-11	Rs 12.7 million up to September 2010 (Rs 72.70 million in 2009-10)
FDI in telecom^{**}	2010-11	Rs 75.46 billion
Gross revenue of telecom service sector	2010-11	Rs 1,717 billion

* Number of telephone subscriber per 100 people.

+ Projected.

Annual Report 2010-11, Department of Telecommunications, Ministry of Communications and Information Technology, Government of India (2011), www.dot.gov.in

** Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, Government of India (<http://dipp.nic.in/>).

(From Telecom Regulatory Authority of India as cited in Telecom Sector in India: A Decadal Profile, 2012, p. 1)

The composition of subscribers indicates the mobile subscribers have led the way. The increase in teledensity (number of telephone subscribers per 100 people) has largely been driven by the increase in mobile phone (TRAI Report, 2012, p. xi). Telecom services in India are divided in two main segments (a) telephone, wireline and wireless, and (b) Internet services. It also includes of other smaller segments including radio paging services, VSATs (Very Small Aperture Terminal), PMRTS (Public Mobile Radio Trunk Service) and GMPCS (Global Mobile Personal Communication by Satellite) (TRAI Report, 2012, p. 9).

In India the subscriber base for telecom services is large but skewed in favor of urban areas. Urban teledensity is 4.4 times that of rural density. The overall teledensity is 78.10 on February, 2012 with urban teledensity being 169.37 and rural teledensity being 38.53 (see Figure 1) (TRAI Report, 2012, p. 1). However, as the urban markets reaching a saturation point, the telecom service providers are penetrating rural areas for driving future growth. Thus, the service providers might witness substantial increase in their subscriber base by entering new rural markets. However, because of low spending capacity, the rural subscribers tend to use prepaid cards. Prepaid cards have less average revenue per user (ARPU) as compared to post-paid connections; the result might be the risk of decreasing ARPU for the telecom companies (Datta, 2011, pp. 399-400).

Rural - Urban Teledensity - 2012

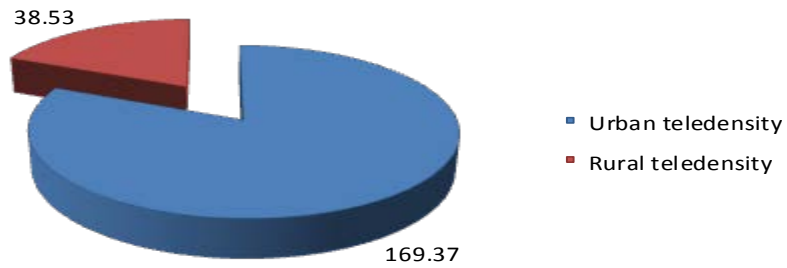


Figure 1. Rural – Urban teledensity – 2012

(Source TRAI Report, 2012)

Further, out of total subscriber base the wireless phones dominate the market in India and wireline phone segment constitutes only 3.4 per cent of the total subscriber base. In India total number of wireless subscribers is 911.17 million and total number of wireline phones is 32.33 million on February, 2012 (see Figure 2) (TRAI Report, 2012, p. 1).

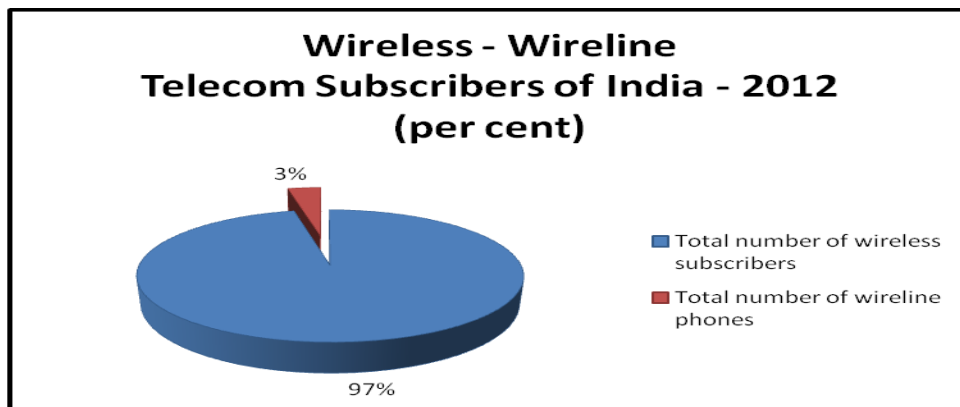


Figure 2. Wireless – Wireline telecom subscriber of India - 2012

(Source TRAI Report, 2012)

As major players entered in the rural market, it becomes very competitive for the mobile space. This happened due to the cut-throat competition and saturation of urban markets. Among different companies, Bharti is the market leader with a 24 per cent rural market share. Vodafone and BSNL are the second and third position respectively. Following Table 2 shows rural subscribers and rural market share by different service provider.

Table 2
Rural Subscribers and Market Share

Service Provider	Subscribers (in million)	Rural Subscribers (in million)	Per cent of Rural Subscribers	Rural Market Share
Bharti	146	56	38	24
Vodafone	115	43	37	18
Reliance	118	25	21	11
BSNL	105	37	36	15
Tata	80	17	21	7
IDEA	74	36	49	15
Aircel	46	17	36	7
Others*	39	5	—	3
Total	723	236	33	100

*Note: *Includes Unitech, Sistema, S- tel and HFC*

(From September 2010 TRAI Report on the Indian Telecom Services Performance Indicator as cited in Rural Marketing (2nd ed.) (p. 25), by P. Kashyap, 2012, New Delhi: Dorling Kindersley (India) Pvt. Ltd., Pearson Education.)

Rural Mobile Phone Market

India is the second largest and fastest growing mobile telephone market in the world (TRAI Report, 2012, p. 100). There was tremendous growth and dynamism in the Indian telecommunications sector from the last decade especially since 2003. A phone has been transformed from a “luxury” product to a “necessity” connecting millions of people. Earlier there was main concern in India to increase teledensity, i.e. telephones. Now, there is a change of idea of phone itself from fixed line / wireline phones to mobile / wireless phones (TRAI Report, 2012, p. 5).

The two biggest technological breakthroughs of the last 25 years are mobile technology and internet. There are five reasons for success of high penetration of mobile technology (i) poor landline penetration, which even today is about 5%, (ii) progressive and proactive government policy – the government did not safeguard this industry but urged it to be globally competitive, (iii) the regulatory framework, (iv) the trust of operators in the market and (v) affordable and relevant innovation from handset manufacturers (Datta, 2011, p. 387).

The rise of mobile phones is the main reason for the increase in teledensity in India and around the world especially in the developing countries. The ratio of mobile phones to fixed lines as of 2010 in the world ranged from 0.4:1 to 386.5:1. In the world the average ratio of mobile phones to fixed lines stood at 21.5:1 in 2010. The same ratio in India is 21.4:1 in 2010 whereas the comparable numbers for China and U.S. are 2.9:1 and 1.8:1, respectively (TRAI Report, 2012, p. 6).

According to the report by Juxt titled Juxt India Mobile 2013, India has 554.8 million mobile users. Penetration of mobile in urban India is 70% and in rural India, it is 36%. Out of all active connections 95% are pre-paid. 93% of those are on GSM networks; 7% are on CDMA. And 9% of 554.8 million mobile users use multiple SIMs.

The ‘household level’ penetration of mobile phones and connections is 61% overall, and among urban households it is 88% (see Table 3) (Juxt India Mobile 2010 as cited in Datta, 2011, pp. 399-400).

Table 3
Penetration of Active Mobile Phones (in per cent)

Mobile penetration	Year 2010		
	Urban	Rural	All India
Penetration (subscribers)			
Household level	88	48	61
Individual level	46	18	26
Tele-density (subscriptions)			
Household level	237	103	145
Individual level	54	21	31

(From Juxt India Mobile 2010 as cited in Businessworld marketing whitebook 2011-2012 (7th ed.) (p. 419), Datta P. (Ed.), 2011, Kolkata: ABP Pvt. Ltd.)

In mobile usage rural market has already overtaken urban market in India. 54% of the mobile users in India are from villages (see Figure 3). There are 298 million mobile users in rural areas (using 346.7 million active SIMs) while there are 256.2 million mobile users in urban areas (using 296.7 million active SIMs). In India 64% of the mobile users are male. The penetration level among male is 55% and among female is 37%. Further more than 65% of the mobile users are below 35 years. In fact penetration is highest (75%) among 19-24 age group, fairly low (44%) among teens and (44%) in 46-55 age group. Interestingly students (33%) and housewives (22%) together are accountable for bulk (55%) of total mobile users in India (Juxt India Mobile 2013).

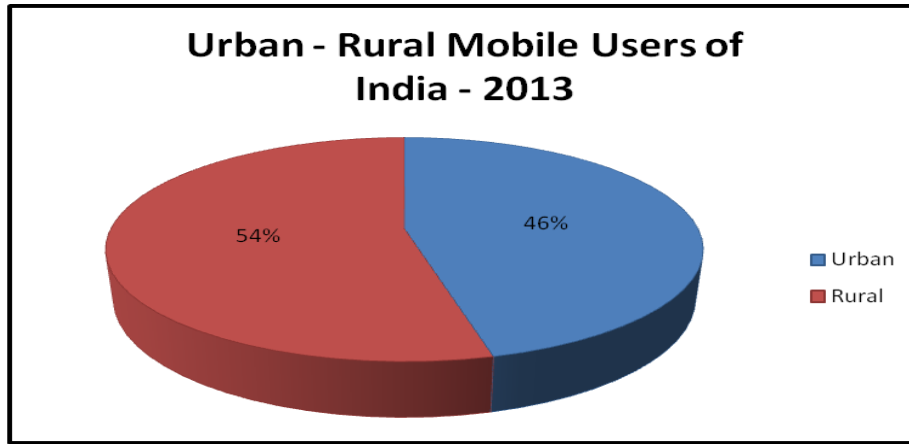


Figure 3. Urban – Rural mobile users of India - 2013
(Source Juxt India Mobile 2013)

There is a change in the trend of mobile ownerships in rural India. More females are subscribing to mobile phones (see Figure 4). In 2006, out of total mobile owners 12% were females while in 2010 there were 20% females (IRS as cited in Datta, 2011, p. 429).

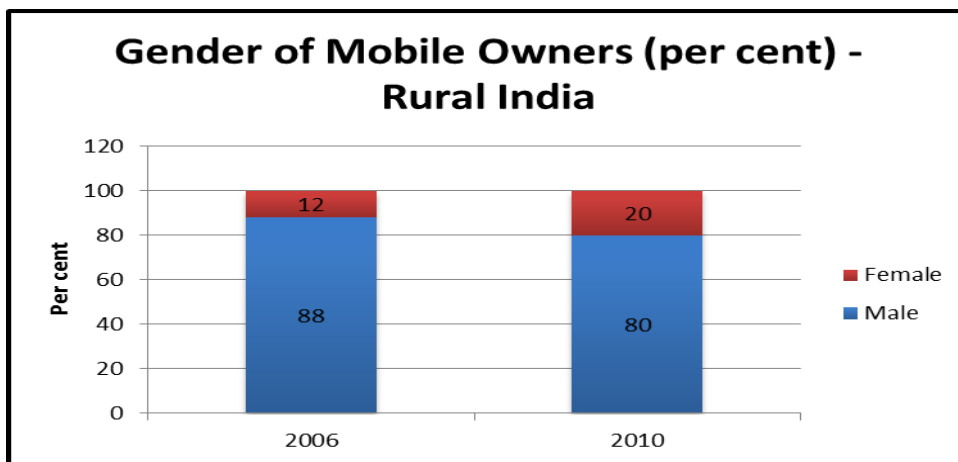


Figure 4. Gender of mobile owners – Rural India
(Source IRS as cited in Businessworld marketing whitebook 2011-2012 (7th ed.) (p. 429), Datta P. (Ed.), 2011, Kolkata: ABP Pvt. Ltd.)

In Indian rural market most of the mobile subscribers (59%) are from larger population size villages (>2000). In fact 9 out of 10 rural subscribers are from 1,000+ population villages (see Table 4). Higher tendency to have multiple active SIMs are also seen in bigger villages (>2000). However, if one study subscriptions by distance, 3/4th of all rural mobile subscribers stay within a distance of 10 kms from the nearest town. This shows a reasonably concentrated penetration of mobile users in the rural areas in India (see Table 5) (Juxt India Mobile 2010 as cited in Datta, 2011, pp. 421-422).

Table 4
Mobile Subscribers and Subscriptions by Population Size

Village by population size	% Rural mobile subscribers	% Rural mobile subscriptions
Less than 500 persons	1.6	1.5
500 – 999 persons	10.0	9.0
1,000 – 1,999 persons	29.0	26.5
2,000 or more persons	59.0	63.0

(From Juxt India Mobile 2010 as cited in Businessworld marketing whitebook 2011-2012 (7th ed.) (p. 421), Datta P. (Ed.), 2011, Kolkata: ABP Pvt. Ltd.)

Table 5
Mobile Subscribers and Subscriptions by Distance from Nearest Town

By distance from nearest town	% Rural mobile subscribers	% Rural mobile subscriptions
Less than 5 kms	23	23

5-10 kms	25	25
More than 10 kms	52	52

(From Juxt India Mobile 2010 as cited Businessworld marketing whitebook 2011-2012 (7th ed.) (p. 422), Datta P. (Ed.), 2011, Kolkata: ABP Pvt. Ltd.)

In India rural areas and urban areas almost half of all active mobile handsets in use (47%) were bought in the price range of 1,500-3,000. The urban users show a lower relative incidence of buying a handset below 1,500 (28% against 36%) compared to rural users. On average, urban handsets are about 20% more expensive than the rural users (see Figure 5) (Juxt India Mobile 2010 as cited in Datta, 2011, p. 426).

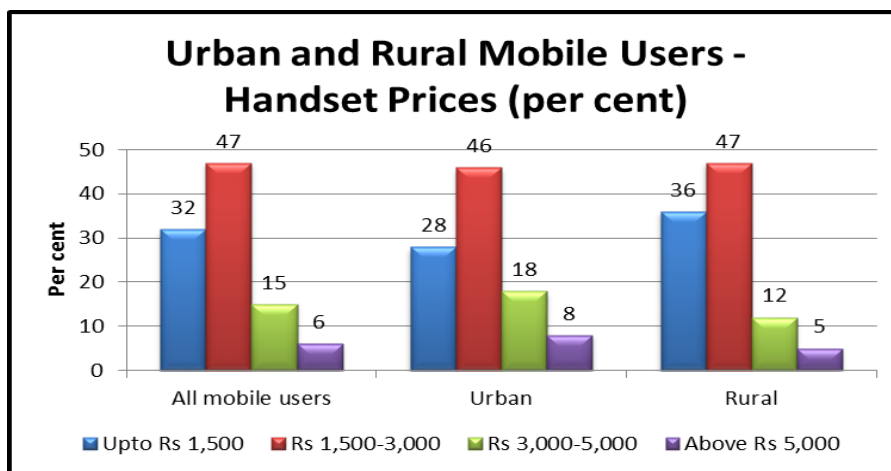


Figure 5. Urban and Rural mobile users – Handset prices
(Source Juxt India Mobile 2010 as cited in Businessworld marketing whitebook 2011-2012 (7th ed.) (p. 426), Datta P. (Ed.), 2011, Kolkata: ABP Pvt. Ltd.)

CONCLUSION:

Thus, Mobile phone market in rural India is emerging market. Even there has been increase in smart phone market in rural India. People of rural India specifically the rural youth are enthusiastic for new technological innovation. But it is necessary to understand the consumer behaviour of rural people to achieve the success in the market.

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