

MOBILE MARKETING IN RURAL INDIA – “TAPPING THE UNTAPPED OPPORTUNITIES”

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ABSTRACT

70% of the Indian population lives in rural areas. This segment, commonly referred to as the 'bottom of the pyramid', presents a huge opportunity for companies. The Indian mobile market has continued to witness a rapid increase in its subscriber base over the past few years, largely due to the declining mobile tariffs and availability of low cost handsets in the country. According to the Telecom Regulatory Authority of India (TRAI), there has been a rise of use of the mobiles by rural subscribers from 93.2 million users in 2008 to a massive 164.57 million in December 2009 and according to research report from RNCOS it has a potential to reach upto a subscriber base of 320 Million by 2012. Realizing the future growth potential of the rural mobile market and rising rural income, several leading mobile service providers are developing various strategies to exploit the rural mobile market of the country. This paper tries to understand the scope of mobile phone business in the Rural Indian Market and also explores the various strategies adopted by private mobile service providers to trap the rural market.

Key words: Indian rural market, mobile market, mobile service providers, handsets.

INTRODUCTION

The Indian mobile market has continued to witness rapid increase in its subscriber base over the past few years, largely due to the declining mobile tariffs and availability of low cost handsets in the country. The country saw addition of an average of around 10 Million subscribers per month in its mobile subscriber base during 2008 with penetration approaching saturation in urban India. With this, mobile operators in the country are now vying rural India as their next area for growth in the near future. Meanwhile, a number of mobile handset manufacturers have been working to cover the untapped rural mobile market, which will be the major driver for Indian mobile market in coming years. The mobile market in rural India has significant potential with number of subscribers anticipated to grow at a CAGR(Compound Annual Growth Rate) of around 32% during 2009 to 2012. It is forecasted that sales of mobile handsets in rural India will grow at CAGR of around 17% from 2009 to 2012.

According to a study by RMAI(Rural Marketing Association Of India), the rural economy has not been impacted by the global economic slowdown. The study found that the rural and small town economy which accounts for 60 per cent of India's income has remained insulated from the economic slowdown. Moreover, rural incomes are on the rise driven largely due to continuous growth in agriculture for four consecutive years. Our nation is classified in around 626 districts and approximately 6,38,596 villages(census 2001) which can be sorted in different parameters such as literacy levels, accessibility, income levels, penetration, distances from nearest towns, etc. 70 % of India's population lives in these villages.

According to the Telecom Regulatory Authority of India (TRAI), there has been a rise of use of the mobiles by rural subscribers rising from 93.2 million users in 2008 to a massive 164.57 million rural mobile subscribers in December 2009. As per the findings of a new research report from RNCOS, the largely untapped India's rural mobile market has the potential to reach upto the subscriber base of 320 Million by 2012. Realizing the future growth potential of the rural mobile market and rising rural income; five operators namely Airtel, Vodafone, Idea , Tata and Reliance Airtel, Reliance , Vodafone, and Tata Teleservices have descended on the turf with big network expansion plans and innovative marketing strategies, they account for 80% of rural subscribers. Airtel alone has the biggest share of 22.6%.

Growth of Mobile Subscriber in India (Rural and Urban)

Quarter ending	Subscriber Base (Million)		Teledensity	
	Rural	Urban	Rural	Urban
Jun 09	125.95	301.34	15.35	87.18
Sep 09	141.68	330.04	17.22	94.98
Dec 09	164.57	360.52	19.95	103.20

Mobile Subscriber (Service provider wise) and their Market share (Dec-2009)

Service Provided	Subscriber Base (Million)	Market Share %	Rural Subscriber (Million)
Airtel	118.86	22.60	43.24
Reliance	93.80	17.90	19.19
Vodafone	91.40	17.40	30.39
BSNL	62.86	12	22.42
IDEA / Spice	57.61	11	26.08
TATA	57.33	10.9	10.78
Aircel / Dishnet	31.02	5.9	11.69
MTNL	4.88	0.9	0
Uninor	1.21	0.2	0.41
Others	6.12	1.23	0.38

* Source TRAI report.

MARKETING STRATEGIES ADOPTED BY VARIOUS PRIVATE MOBILE SERVICE PROVIDERS IN INDIA

► Airtel

Bharti Airtel Limited, a group company of Bharti Enterprises, is among Asia's leading integrated telecom services providers with operations in India, Sri Lanka and Bangladesh. In South Asia, the company had an aggregate customer base of over 134 million customers as of the end February 2010, including 124.6 million mobile customers in India. Airtel is India's largest integrated and the first private telecom service provider with a footprint in all the 23 telecom circles.

The 850 million strong rural markets in India is the biggest single market in the world and Airtel is rapidly expanding its footprint in the rural areas of the country. It has already connected over 3.2-lakh villages and plans to reach 5 lakh by 2010. Airtel has been consistently focusing on enhancing telecom penetration in the rural areas of the country to bring about a true telecom revolution. The company has been constantly coming out with innovating ideas to utilize technology to the fullest for the benefit of the rural populace and many projects were introduced in this direction. Airtel is improving its network connectivity in the rural areas along with its existing circles and are spending billion for that purpose only. Airtel is appointing distributors at the tehsil level and using existing channels of fast moving consumer goods in these areas to push their products.

Airtel, which has been focusing on the rural markets to add volumes in the subscriber base, will now extend value-added services (VAS) to them. Currently, about 55% of Airtel's 124.6 million customer base is from the rural areas and the company expects this share to reach 65% very shortly, bringing renewed focus on VAS for the rural customers. The company also plans to work on banking solutions and target the 80% unbanked population in India, with options like money transfer, that will include the rural areas.

In order to propel its growth, Airtel is planning to target the rural areas of the Northeast region. It has planned to set up 2500 Airtel Service Centres (ASCs) in the two telecom circles of Northeast and Assam. At present the Airtel Northeast subscriber base is at 2.7 million and in the last four years the company invested around Rs 1000 crore in this region. Airtel earns a revenue of around Rs. 75 crore from the Northeast region. Of the 37000 villages in the Northeast region, Airtel is present in at least 22,000.

Since the villagers are usually not comfortable speaking with call centre executives or to a machine and prefer to be served in the local dialect by a local person. So Airtel has set up Rural Airtel Service Centers by providing training to local entrepreneur who can sell SIMs and recharge coupons.

In May 2008 Airtel and Indian Farmers Fertiliser Cooperative limited (IFFCO) announced the launch of a joint venture company IFFCO Kisan Sanchar Limited (IKSL), that is set to provide a major boost to Indian agriculture

and the rural economy at large. The joint venture company harness the power of telecom to add value to the farm sector and empower the rural farmer by giving him access to vital information, which will enhance his livelihood and quality of life. The innovative telecom products and services, especially created for the farming community, enhance their productivity and play a bigger role in India's growth story. The Indian farmer now look forward to the benefits of mobile telephony and mobile internet through this initiative. IKSL offer products and services, specifically designed for farmers, through IFFCO societies in villages across the country. They are providing affordable mobile handsets bundled with Airtel mobile connection. The farmer get access to a unique VAS platform that broadcast 5 free voice messages on mandi prices, farming techniques, weather forecasts, diary farming, animal husbandry, rural health initiatives and fertiliser availability etc. on a daily basis. In addition, the farmer able to call a dedicated helpline, manned by experts from various fields, to get answers to their specific queries.

In October 2007 Airtel, announced that it partner with the Government of Gujarat in the prestigious eGRAM Connectivity Infrastructure Project. Under this first-of-its kind project in the country, Airtel set-up telecom infrastructure to connect 13,716 Village Panchayats and Common Service Centres in the state. The Panchayat Offices / eGRAMs are expected to form a powerful socio-economic network supporting information dissemination and facilitating e-governance initiatives in the state. Airtel has designed a comprehensive VSAT-based solution to provide last mile connectivity to these villages. The project linking 13,716 Village Panchayats and Common Service Centers located in the remotest corners of the state ensure high quality and cost-effective video, voice and data services in the areas of agriculture, e-governance, health, education etc. at Village Panchayats. The connectivity also facilitate point to point and point to multipoint video conferencing services.

As part of its marketing strategy to expand subscriber base and to cover 90 percent of Karnataka's population by the end of 2009, Airtel has partnered with Nokia to come up with two handsets that would have the menu and sms facilities in Kannada. The Nokia monochrome 1200 model would be available at Rs 1272 while the Nokia 1208 colour handset would be available at Rs 1560. The handsets would come along with a free Airtel mobile connection and recharge of Rs 295, lifetime validity and local calling rates at Re one per minute and STD charges at Rs 1.50 per minute.

It has launched various HBO van activities (handset bundle offer van) in Puliampatti and Nambiyur to take its services to the rural masses. With this new initiative, Airtel aims to further sustain its rural presence with a slew of benefits such as the lifetime pre-paid pack at Rs. 30 for its customers in the region. The other innovative offer for rural areas is Easy Charge, Lifetime, Easy Lifetime & Super Lifetime Prepaid, Prepaid Rural Rs.25 SUK , Grameen SUK etc.

► Vodafone

Vodafone Essar, one of India's leading cellular services provider is the Indian subsidiary of Vodafone Group and commenced operations in 1994 when its predecessor Hutchison Telecom acquired the cellular license for Mumbai. The company has operations across the country with over 100 million customers.

Keeping in mind the affordability, accessibility and requirements, Vodafone designed an innovative product 'GappaGoshti' to suit the needs of the market and create a long term association with the rural markets of India. In May 09 Vodafone, launched 'GappaGoshti' for prepaid customers in rural markets of Maharashtra and Goa. GappaGoshti is a pack which allows Vodafone prepaid customers in villages to form the GappaGoshti community and discuss business, market trends, stay connected with family, near and dear ones at just 30paise/minute. Existing customers can recharge with the Rs 101 paper voucher, while new customers can enjoy this offer with Rs 101 Vodafone Prepaid Card. Once purchased, any regular talk time recharge option can be used with Vodafone GappaGoshti. Vodafone customers can talk at 30paise/min within the GappaGoshti community. This pack comes with lifetime validity and will be available at retail outlets across villages in Maharashtra and Goa except Mumbai.

In November 2009 it launched a Special Tariff Voucher 28 for its Prepaid customers in UP East. Priced at Rs. 28, the Special Tariff Voucher enables Vodafone customers to make all local and STD calls to Vodafone numbers at 1 paise per second for all local and STD calls and 1.2 paisa per second for local/STD calls from Vodafone to any other network service provider across India. The Special Tariff Voucher 28 comes with 1 year validity without any daily decrement. This offer is also available for the new customers with recharge of Rs 27. In addition, Vodafone subscribers have the option to recharge with Special Tariff Voucher 2 and 9. Special

Tariff Voucher 2, priced at Rs. 2, enables Vodafone customers to make STD/Local calls to Vodafone numbers at 1p/sec. The Special Tariff Voucher 9, priced at Rs. 9 enables Vodafone customers to make STD/Local calls at 50p/minute to any network. Both these Vouchers come with 1 year validity and have a daily decrement of 50 paisa. It is going to launch a ultra low cost hand set bundled with Vodafone mobile connection specific for rural area.

► IDEA Cellular

IDEA Cellular is an Aditya Birla Group Company, India's first truly multinational corporation is a leading GSM mobile services operator in India with over 62 million subscribers with a market share of 11% under brand IDEA. It is a pan India integrated GSM operator covering the entire telephony landscape of the country, and has NLD and ILD operations.

It start operations in West Bengal , Assam and Jammu and Kashmir by 2009 end. In Maharashtra and Goa, where Idea holds a 35 per cent market share in the GSM space, the company plans to reach rural and semi-urban subscribers. The company's customer base had crossed eight million, with over 1,300 cell sites to achieve network coverage of 6,110 cell sites, in Maharashtra and Goa.

To capture the rural market ,IDEA has partnered with Reuters Market Light and has launched a unique service 'Krishi Voucher' to provide agri-information to the Farmer community in Maharashtra.The innovative agricultural information service developed by Reuters Market Light, is now made available for the large farming community on the IDEA network, in Maharashtra & Goa circle. Krishi Voucher is designed to equip farmers with critical information that is easy to access and actionable, thus helping them improve both production and marketing of their produce. This information service, which offers agriculture related information on various crops, pricing, market geographies, and climate/weather conditions and forecast, will be available for over 8 million IDEA subscribers in the telecom circle. This service is available for a monthly subscription fee of Rs.75 only. The voucher will be available across IDEA retail outlets, in Maharashtra & Goa. Farmers can subscribe to the service by calling on a specially provided Toll Free Short-Code –“58090” where they would be supported by Marathi, Hindi and English speaking specialized customer care representatives to register their preferences such as crops, markets, locations etc. Daily updates will be provided via SMS in two languages - Marathi and English.

► Reliance

Reliance Communications is Anil Dhirubhai Ambani Group Company with over 100 million subscribers with a market share of 18%. Reliance has brought the true mobile revolution in India by launching low cost mobile handset with equal amount free talk time to its customer. Reliance Communications has announced a host of measures to increase mobile and Internet penetration in rural India. It has taken the initiative to lower the tariff plans.

Reliance has introduced Internet service BharatNet, Grameen (a new value-added service on mobiles) and M2M (machine to machine) specific for rural customers. BharatNet plan is RCom's high-speed wireless Internet service that covers 20,000 rural locations. It is designed for rural and sub-urban markets offering speeds of approximately 153 kbps. RCom is offering BharatNet Internet access for Rs 98 a week with downloads up to 350 MB and the tariff is available across rural India. Grameen VAS cover several specialised services on the mobile phone such as Mandi Bhav (market price), agriculture and animal husbandry updates, weather forecast, local information, and news in multiple Indian languages. Grameen VAS is priced at Rs.15/- a month. The M2M solutions include mobile applications that aid automation, surveillance, remote monitoring and data gathering.

As part of its rural thrust, Reliance Communication has formed a joint venture with Krishak Bharti Cooperative Ltd (Kribhco) for offering value-added services to mobile users in villages. The joint venture, called Kribhco Reliance Kissan Ltd, will disseminate useful information to Kribhco & RCom customers. While Kribhco has expertise in the rural market and understanding of the needs of the farmers, RCom has the infrastructure. RCom's GSM services in eastern part of the country had the highest growth in terms of percentage points during the fourth quarter of 2008-09 and the company is hoping to replicate this in other parts of the country as it rolls out its pan-India GSM service.

► Tata Indicom

Tata Teleservices Limited spearheads the Tata Group's presence in the telecom sector. Incorporated in 1996, Tata Teleservices Limited is the pioneer of the CDMA technology in India. It has embarked on a growth path since the acquisition of Hughes Telecom (India) Ltd [renamed Tata Teleservices (Maharashtra) Limited] by the Tata Group in 2002. It launched its mobile operations in January 2005 under the brand Tata Indicom and today enjoys a pan-India presence through existing operations in all of India's 22 telecom Circles. TTS, operating in 20 of the existing 23 mobile telephony circles in India. It is using a door-to-door marketing strategy, involving members of gram panchayats and trained market-feelers to make residents of villages and small towns aware of the usefulness of mobile telephony and how the system of pre-paid refills work. The company's value-for-money handsets priced between Rs 1,000 and Rs 1,400 with a plethora of tariff plans to choose from is what is driving subscription growth in their regions.

Tata Indicom inaugurated a project in a district in Gujarat that allows farmers to operate their irrigation pumps from remote locations without the having to travel to the farm. The company has tied up with product development and engineering services provide, Impetus Technologies to launch services for rural VAS market in India. The service, Mandi Bhav, targets farmers and related communities to provide updated information on current prices of various commodities across the country. The application, available on various platforms including J2ME, BREW, WAP and SMS, will provide prices of over 200 commodities from around 3,000-odd exchanges in the country, including over 300 in Gujarat. At Rs 30 per month on subscription basis, the multi-lingual application will support around nine major Indian vernacular languages.

► Aircel

The Aircel group is a joint venture between Maxis Communications Berhad of Malaysia and Sindya Securities & Investments Private Limited, whose current shareholders are the Reddy family of Apollo Hospitals Group of India, with Maxis Communications holding a majority stake of 74%. Aircel commenced operations in 1999 and presently it has with over 32 million subscribers with a market share of 6 %. It was launched commercially in December 2003, in Chennai and quickly established itself as a market leader. Aircel began its outward expansion in 2005 and met with unprecedented success in the Eastern frontier circles. It emerged as a market leader in Assam and in the North Eastern provinces within 18 months of operations. Till today, the company gained a foothold in 18 circles including Chennai, Tamil Nadu, Assam, North East, Orissa, Bihar, Jammu & Kashmir, Himachal Pradesh, West Bengal, Kolkata, Kerala, Andhra Pradesh, Karnataka, Delhi, UP(West), UP(East), Maharashtra & Goa and Mumbai. It has focused mainly on remote areas with variety of low value recharge coupon, unlimited local talk time and unlimited SMS etc. It has launched low cost hand set bundled with Aircel mobile connection specially for rural areas known as Prepaid Gramin pack. The pack cost Rs.49 with talktime value of Rs1/-. However rural subscriber will get Rs.75/- talk time, which will be given in 3 equal parts of Rs.25/- on 3rd, 6th and 9th month. It has also launched ring tones in regional languages like Assamese, Oriya, Bengali, Kashmiri and Dogri. Aircel is one of the first service providers that introduced internet service on mobile and 1 paisa per second plan.

► Uninors

Uninor, is a joint venture between the global telecom giant Telenor and Unitech Ltd. Presently it has over 4 million subscribers with a market share of 0.2 %. Uninor eyes on rural and semi-urban market to penetrate its presence and mark its brand over there. Uninor is oriented to tap the potential in rural UP, as low-cost cellular services are affordable it plans to capture market through more innovations. It has also launched '*Uninor Blue Brigade*', a fleet of Uninor branded vehicle adorned with colorful graphics with an objective of reaching out to customers in rural areas of UP besides creating deeper brand awareness and visibility across the state. These Uninor branded vehicles will be running for the next few months across 100 towns including semi-urban, rural and remote areas of UP to reach out to prospective customers. With cellular services becoming more affordable than ever, a large number of rural customers now own cell phones and Uninor attempts to capture this new emerging market through its marketing innovations. The key reason for this initiative is to understand the customer requirements in rural areas and to gather customer feedback as well from these remote locations. Uninor has also launched three new special tariff vouchers; the 32 STV, the 129 STV and the 49 STV for its customers. The 32 STV pack offers 1000 local Uninor to Uninor minutes free. The validity of this voucher is 30 days all local calls are at 29 paise and STD at 49 paise per minute with a call set up fee of 35 paise.

OPPORTUNITY FOR HANDSETS BUSINESS

Realizing the future growth potential of the rural mobile market, many handsets manufacturing company are making innovative marketing strategy to tap the growing rural market.

India has about 164 million rural subscribers and there is big scope for selling more handsets in the rural markets. Manufacturer like Nokia hopes to break into the rural markets by taking the help of micro finance institutions in the country. It has tied up with SKS Micro finance, that offer mobile handsets on installments of 100 Indian rupees (US\$2) a week for 25 weeks. Apart from collaborating with MFIs, Nokia tries to reach into rural areas with 'showrooms on wheels' and 'Rural care on the go'— marketing and servicing vehicles, respectively. Nokia has also launched Nokia Life Tools, which it describes as "a range of agriculture, education and entertainment services designed especially for the consumers in small towns and rural areas of the emerging markets." Life Tools Agriculture services provides information on seeds, fertilisers and market prices over mobile phones. Life Tools Education will teach, say, English language, help prepare for exams and offer career tips. Aimed at providing timely and relevant information customized to the user's location and personal preferences directly on their mobile devices. Nokia is using channels with territorial reach like Doordarshan and All India Radio to reach the interiors. The company has also incorporated nine Indian languages on certain handsets to promote sales. Similarly Samsung and LG is also trying to tap the rural market by introducing low cost handsets with incorporated regional Indian languages on certain handsets to promote sales.

Realising huge potential in rural market, small Indian handset manufacturing companies, like Micromax, Intex Technologies and Karbonn have started offering differentiated features at a comparatively lower price. Companies like Micromax, Intex Technologies, Karbonn, Byond & Fly, amongst others, are in the race to pump in huge money in marketing activities to rope in rural customers. These companies are bullish about the Indian rural market in terms of the number of handsets being sold. As per analysts, almost 60% of the total net additions are from the rural area, which makes this market more lucrative for these small handset manufacturers. These manufacturers would not be investing as much as the international handset manufacturers in marketing, but some of them, like Micromax and Karbonn, have already rolled out television commercials. These companies have focused on a particular rural region, which has fuelled their growth. They cater to customers who would be totally new to a mobile handset.

Recognizing the inconsistent power supply in rural area and to do away with the problem of chargeable battery, Olive telecommunication an Indian mobile phone company has come up with an innovative affordable mobile handset "FrvrOn", that come up with AAA-sized rechargeable lithium-ion dry-batteries at a cost of Rs.1699/-. On this battery, the phone is expected to function for three hours continuously and conventional battery would make it work for one more hour.

CHALLENGES IN FRONT OF MOBILE SERVICE PROVIDERS IN THE RURAL MARKET

Although the rural market does offer a vast untapped potential, it should also be recognized that it is not that easy to operate in rural market because of several problems. Rural marketing is thus a time consuming affair and requires considerable investments in terms of evolving appropriate strategies with a view to tackle the problems. Service providers need to understand the social dynamics and attitude variations within each village. The major challenges faced are:

■ Underdeveloped People

Underdeveloped people by and large characterize the rural markets. Life in rural areas is still governed by customs and traditions and people do not easily adopt new practices.

■ Lack of Proper Infrastructure Facilities

Nearly fifty percent of the villages in the country do not have proper roads. Communication to these villages therefore becomes a very costly affair. Many rural areas are not connected by rail transport. Roads become unserviceable during the monsoon and interior villages get isolated.

■ Lack of reliable Electricity

Poor electricity supply, the main source of energy required for communication is another limitation.



■ Media for Rural Communication

Television has made a great impact and large audience has been exposed to this medium. Radio reaches large population in rural areas at a relatively low cost. However, reach of formal media is low in rural households; therefore, the market has to undertake specific sales promotion activities in rural areas.

■ Many Languages and Dialects:

The number of languages and dialects vary widely from state to state, region to region. Handsets having regional Indian languages in the menu, phone book and sms facilities are more popular. So; it is a major challenge in front of the handset manufacturing companies to manufacture mobiles having different languages.

■ Low Per Capita Income

Even though about 33-35% of gross domestic product is generated in the rural areas it is shared by 74% of the population. Hence the per capita incomes are low compared to the urban areas. Low cost handset with lifetime connection validity is more popular in rural areas. Similarly low value recharge coupons are more popular than the high value ones.

■ Low Levels of Literacy

The literacy level is low in rural areas as compared to urban areas. Print medium becomes ineffective in rural areas. When it comes to rural India, there are several limitations with call centers. Villagers are usually not comfortable speaking with call center executives or to a machine. Rural users prefer to be served in the local dialect by a local person.

■ Problem related to market research

Readymade market research report is not available for rural area. So service provider has to do the research before launching their services which is a costly affair.

CONCLUSION

Thus, looking at the opportunities, which rural markets offer to the Service provider and the handset manufacturers, it can be said that the future is very promising for those who can understand the dynamics of rural markets and make use of them to their best advantage. A radical change in attitudes of marketers towards the cheerful and budding rural markets is the call of the hour so that they can successfully impress more than 850 million rural consumers spread over approximately six hundred thousand villages in rural India.

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