



COMPETITORS IMPACT ON PROFIT MAXIMIZATION AND SURVIVAL BUSINESS STRATEGIES –A CASE STUDY ON AIRTEL

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Abstract

Bharti Airtel Ltd headquartered in New Delhi, India, is a global telecommunications company with operations in 19 countries across Asia and Africa. The company ranks amongst the top four service providers, globally, in terms of the number of subscribers, and top mobile service provider in India. In India, the Airtel product offerings include 2G, 3G and 4G wireless services, mobile commerce, fixed line services, high-speed DSL broadband, IPTV, DTH, enterprise services including national and international long distance services. In the rest of the geographies, it offers 2G, 3G wireless services, and mobile commerce. It holds a major share of volume in the telecom sector in India. But due to the advent of Reliance Jio, It has to face some major challenges which resulted in its drastic reduction of profits in the form of huge missed profits. In this paper, the brand positioning, strategies adopted by the company and its SWOT analysis is discussed.

Keywords: Telecommunications, Technology, Strategies, Brand positioning.

Introduction

Airtel is founded by Sunil Bharti Mittal in 1976. The company has grown from being a manufacturer of bicycle parts to one of the most respected and largest business groups in India which have created world-class businesses in telecom, insurance, retail, and foods. Bharti started its telecom services business by launching mobile services in Delhi (India) in 1995. Since then it has emerged as one of the top telecom companies in India and is amongst the top three wireless operators in the world. Bharti Airtel is one of the world's leading providers of telecommunication services with presence in 20 countries across Asia and Africa.

Bharti Airtel offers GSM mobile services in all the 22-telecom circles of India and is the largest mobile service provider in the country, based on the number of customers. The group offers high-speed broadband network and fixed-line services in 87 cities. In the rest of the geographies, it offers 2G, 3G and 4G wireless services and mobile commerce. Bharti Airtel had over 354 million customers across its operations at the end of March 2017.

Over the years some of the biggest renowned names in international business have partnered with Bharti. Currently, Singtel, Qatar Foundation Endowment, IBM, Ericsson, Nokia, Siemens, Alcatel-Lucent and SK Telecom are key partners in telecom. AXA Group is the partner for the insurance business and Del Monte Pacific for the processed foods division.

Brand positioning

In years 1995-1998 Airtel used the tagline "power to keep in touch", which is aimed at the elite class of the society. In years 1999-2001, it started talking to new segments by positively positioning and establishing itself as a brand that improves the quality of life by introducing the line "Touch Tomorrow". In late-2002, Bharti Cellular Ltd released a television commercial, which instead of using the usual movie stars/sports celebrities, it chose A.R Rahman to promote its brand. The campaign attracted considerable media attention because this was the first time Rahman had agreed to do a television commercial. Bharti claimed to have scored an impression in terms of getting Rahman to compose five exclusive music tunes downloadable as ringtones for Airtel users.

The television commercial was a part of the brand repositioning and restructuring efforts for Airtel, as part of which, Bharti changed the brand's tagline in early-2002 from 'Touch Tomorrow' to 'Live Every Moment.' The company also decided to undertake a brand-building program and chosen the slogan 'Unlimited Freedom'. Commenting on these changes, company sources said, "Airtel's brand identity and the campaign will now have a new younger and international look and feel that builds on the earlier positioning."

Later in July 2014, the company undertook a new campaign on July 25 on television and other media including print, digital and outdoor. "As large parts of India are graduating towards smartphones, we as an operator are positioning ourselves as the most preferred network for smartphones. That is where the next phase of growth will come from. This time, while the logo remains unchanged, we have tried to make the look and feel of the brand more youthful, premium, and international, to inject

some excitement around Airtel. This time around, our brief was to build on Airtel’s brand, which stands for human connections and togetherness. The brand needed to be coherent across the business, consistent within the business, stand out in a crowded market and make the brand more aspirational” says Mohit Beotra, Chief Brand Officer of Bharti Airtel.

Strategies Adopted By Airtel

Airtel uses a mix of segmentation strategies to segment its offerings like basic call /SMS plans, prepaid / Post-paid plans, VAS– Data, caller tunes etc. Apart from geographically segmenting the market in East, West, North, South & Central, the market is also segmented in each region on the basis of demographic variables like age, Income, Social groups. Different geographic regions are handled differently and independent campaigns are run according to the people in each region. Airtel has targeted by using different campaigns over the period of time i.e. campaign like “Har ek friend jaruri hota hai” “Jo Tera hai woh mera hai” and recently launched a campaign of "one touch internet. Airtel has been successful in top-of-the-mind recall amongst cellular phone users and is enjoying a leadership position in most markets. After changing its logo it has repositioned itself as a Young and energetic international brand.

Under distribution strategy in the marketing strategy of Airtel, It has widespread simple and effective channel structure. This consists of a system of rural and urban distributors who are allotted territories and service retailer who had shops at the local market. The distribution network generally consists of Distributors, Field Sales Executives, Urban and rural retailers and Customers. There is another channel where Airtel exclusive stores are set up in popular areas, which are franchises owned by dealers to serve not only for customer service but also as distribution centers. The other type of network consists of online trade where company’s own website and various other recharge sites such as free charge, paytm etc to make online transactions.

Strategies Planned To Improve Performance

1	More high revenue (ARPU) customers	Grab increased share of 4G devices Drive rapid data consumption, accelerate SIM consolidation and accelerate postpaid
2	More services per customer	Build the largest Payments Bank by creating differentiation Accelerate Airtel homes through brilliant service bundling Drive depth of product portfolio in B2B
3	Brilliant customer experience	Eliminate customer frustration across clusters Deliver a world-class network experience Revamp our stores for improved growth and customer experience
4	Win with the Portfolio	Accelerate home broadband, B2B growth, and DTH Drive new revenue streams through a combination of content, innovation & alliances
5	War on waste	Drive down cost through challenging the status quo Accelerate active sharing, fiber and joint sourcing of bandwidth

Set back for airtel

On September 2016, Jio had officially launched its mobile network service, within the first month of commercial operations, Jio declared that it had acquired 16 million subscribers. This is the fastest accumulation by any mobile network operator anywhere in the world. Jio crossed 50 million subscribers in 83 days since its launch and crossed 100 million subscribers on 22 February 2017. By October 2017 it had about 130 million subscribers. Reliance Industries and three telecom companies – Bharti Airtel, Idea Cellular and Reliance Communication RCom have collectively lost Rs 22,522 crore of market capitalization in a single day after RIL chairman Mukesh Ambani at the 42nd annual general meeting announced the launch of Reliance Jio offering customers free domestic voice calls and zero national roaming charges.

Before the official launch of Jio, in July, Airtel has already cut off its data tariffs to retain its customer base. After its launch, Bharti Airtel’s revenue fell 3 percent to Rs 23,363.9 crore in the third quarter of FY 2016-17. Mobile data revenue dropped to Rs 4,049 crore due to “free voice and data offering by a new operator”. Data revenues at Rs 3,087 crore de-grew by 3

percent. Mobile broadband customers increased by 22 percent. The revenues on data contribute to 22.8 percent of the company's mobile revenues in that year when compared to 23.1 percent in the corresponding quarter last year. Among telecom stocks, Bharti Airtel, the largest loser in terms of m-cap, lost Rs 8,455 crore m-cap at Rs 124,199 crore, the BSE data shows. The company reported a 72% drop in quarterly profit on Tuesday, as free voice and data services offered by Reliance Jio Infocomm Ltd until 31 March affected rivals and forced them to cut down tariffs to retain customers.

Net profit fell to Rs 373.4 crore in the three months ended 31 March 2017 from Rs 1,319.2 crore when compared to the earlier year, the company said. This is the second straight decline in quarterly profit at the country's largest telecom company. Profit fell 55% in the three months ended 31 December. Revenue of the company declined by 12% to Rs 21,934.6 crore in the March quarter of 2017. Earnings before interest, tax, depreciation, and amortization, an indicator of operating profitability declined 13% to Rs 7,992.8 crore from Rs 9,188.1 crore a year ago. The company's average monthly revenue per user fell sharply from Rs 196 in the March quarter of the previous year when compared with Rs 156 in 2017. Average data revenue per user declined to Rs 162 from Rs 196. Data average revenue per user fell by 4.5% to Rs 185 in the year ended 31 March 2017 from Rs 194 in the previous year. The number of minutes spent on calls on its network, however, grew 13.4% in the full year. In response, Bharti Airtel slashed capital expenditure to Rs 3,808.2 crore in the March quarter, down 37.13% from Rs 6,057.4 crore in the previous year. For the year ended 31 March, company's net profit declined 37.4% from last year to Rs 3,800 crore. Revenue rose 1.1% to Rs 95,468 crore. As it can be observed from the below-listed statistics, Bharti Airtel faced a huge loss due to the expenses occurred during the financial year 2016-2017.

List of Income Generated And Profit/Loss After Expenditures And Taxes of Years 2013-2017

S.no	Year	Income in Rs.Cr	Profit/Loss in Rs.Cr
1	2013	46,814.00	5096.3
2	2014	50,771.90	6600.2
3	2015	60,689.40	13,200.50
4	2016	61,785.80	7546.5
5	2017	62,460.60	-9,925.60

Comeback Efforts

As soon as Jio came up with its mind-blowing offers, Airtel left no stone unturned to win the competition by offering high-quality services. The company cited 'predatory pricing' when it reported a worse-than-expected 55% drop in quarterly profit on 24 January. The introduction of Jio 4g services acted as a catalyst for airtel data and 4g services. The stronger user adoption, positive network usage monetized airtel its 4g network investments quickly. Bharti Airtel in November 2016, has awarded a \$60 million (402 crores) pan-India deal to Finnish gear maker Nokia to implement voice-over-LTE calling technology. "Airtel was piloting the technology in a few areas and after successful testing, is now looking at a bigger launch by giving a pan-India contract for IMS (IP multimedia system) solution to Nokia" sources said. The industry watchers said Airtel may be in an advantageous position if it launches VoLTE services anytime soon, considering that Jio hasn't been able to properly publicize the benefits of this technology due to the interconnection issue, which the 4G entrant claimed due to a massive connectivity issue. Airtel used VoLTE as a complimentary service to its existing voice offering. In case VoLTE is not available in an area, Airtel users would be able to fall back within the network to lower technologies, which are 2G and 3G, industry watchers say. The biggest telecom operator in the country has announced that it will establish its own VoLTE service across the country by March 2018.

"Bharti Airtel will be focused on cost controls and cornering a majority share of all 4G devices entering the India market to its data network in a bid to stave off the stiff challenge posed by new entrant Reliance Jio Infocomm", the company's managing director (India & South Asia), Gopal Vittal said. It started on an aggressive cost-optimisation drive through a mix of fiber-sharing and active-infrastructure sharing measures to improve finances for effectively giving competition to Jio. Airtel has announced several new recharge packs for its prepaid customers ranging from Rs 8 to Rs 399. It announced Rs 399 plan, which offers 1 GB data per day at 4G speed along with unlimited local and STD calls. The plan is to counter the Jio's Rs 399 plan which also offers unlimited local and STD calls along with 1 GB data per day for 84 days.



Airtel Quarter 1 profit beats estimates despite falling 75% on Reliance Jio impact. The better-than-expected Quarter 1 results were partly because of the eased pressure on Airtel after Reliance Jio started charging customers in April, after offering services for free for almost six months.

Presently Airtel teamed up with Ericsson to work towards the development of 5G technology. It recently entered into strategic alliance with SK telecom to build advance telecommunication network.

Swot Analysis

Strengths

1. Airtel is the biggest mobile service provider in India. With about 870 million wireless subscriptions, India ranks second after China in the wireless market. Airtel has a 22.2% share of that market.
2. Airtel has been in the market for many years and thus has towers all over the country. It is a major advantage because deployment of new technologies or increasing capacity at times requires a minimal hardware upgrade. Having infrastructure already established makes that process much faster and smoother.
3. Airtel is among India's most visible brands which are present in most parts of the nation through television, print and various other forms of advertising.
4. Bharti Airtel has nationwide penetration and although there is no lack of consumer complaints regarding dropped calls and slow data, it still offers a higher quality telecom service experience as compared to most other telcos.
5. The company has top notch and highly reputed stakeholders, namely Sony Ericsson, Nokia and SingTel, and the recent one being Apple. Such strategic alliances boost the brand equity.

Weakness

1. Airtel, like all other service providers in India, has been affected by the extreme price competition. Due to this, there is a considerable decline in the profits of the company.
2. Outsourcing operations helped Airtel in lowering its cost. But on the other hand, they are running the risk of being dependent on some companies which may affect its operations.
3. With its acquisitions turning out to be a bad investment, and credit being high and margins being low, Airtel group is in high debt.

Opportunities

1. Partnering of Airtel with smartphone companies is going to be a smart move as mobile number portability in India is concerned. This will ensure fixed cash flows in the future and a higher customer base.
2. With high competition in the industry and shrinking margins, venturing out into new markets and developing economies will prove beneficial for the company.
3. Introduction of value-added services can be helpful to the company in attracting consumer base.
4. Although it is currently providing 3G & 4G services, these services are not been able to reach certain geographical locations. Expansion of these services to geographies where no network is established yet can be a fruitful one.
5. Airtel has to increase its pace for the penetration of its LTE as it presently offers in 10 areas only.

Threats

1. With changing Governments and its policies and auction of the spectrum it can be a hard task for the company to adapt to the environment.
2. Declining profit margins and price completion in the market can affect the company adversely.
3. While Mobile Number Portability gives the customer independence to change the service provider while retaining the present number it may affect the company as it charges high when compared with other telecom players in the market.

Conclusion

For any company ups and downs are common in the business environment. Prior to the advent of Jio, Airtel has been the market leader with highest share volume percentage. After the advent of a newcomer, it's not been a smooth sail for Airtel, even though it fought back the new challenges. Even though the profits for the company are lost drastically for few quarters, it managed to get an impressive number of subscribers. It adapted to new changes and modified its preferences. It is working towards new technological advancements for the provision of quality services towards consumers even though the process has been going at a slower pace.

Data Analysis using SPSS Software

Null Hypothesis: Statistically there is no significant difference between the income generated before expenditure and profit or loss after expenditures and taxes.

Data View In SPSS

	V1	V2	V3	V4
1	S.no	Year	Type	Amount in Rs.Cr
2	1	2013	1	46814
3	2	2014	1	50771.9
4	3	2015	1	60689.4
5	4	2016	1	61785.8
6	5	2017	1	62160.6
7	6	2013	2	5096.3
8	7	2014	2	6600.2
9	8	2015	2	13200.5
10	9	2016	2	7546.5
11	10	2017	2	-9925.6

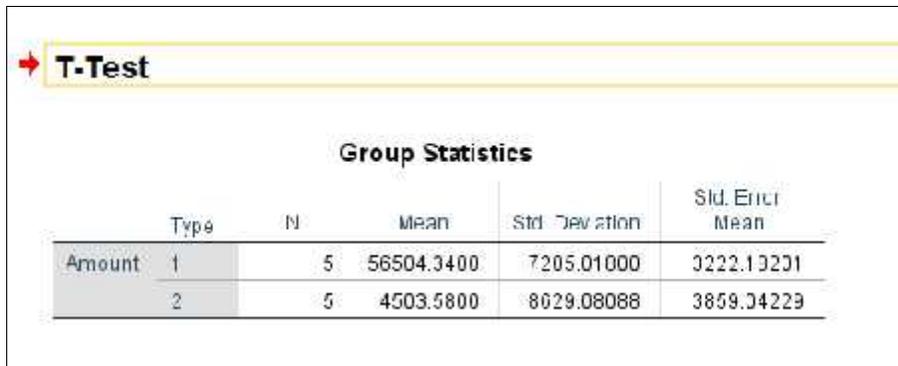
- 1-Income generated before expenditure and taxes
- 2-Profits/ Losses after expenditure and taxes

Variable view in SPSS software

Name	Type	Width	Decimals	Label	Values	Missing	Columns	Align	Measure	Role
1	S.No	Numeric	2	0	None	None	12	Right	Nominal	Input
2	Year	Numeric	4	0	None	None	12	Right	Scale	Input
3	Income generated	Numeric	7	1	Income generated	None	12	Right	Scale	Input
4	Profits/loss	Numeric	7	1	Profits/Losses	None	12	Right	Scale	Input

Output in SPSS

Level of significance- 95% -0.05



T-Test

Group Statistics

Amount	Type	N	Mean	Std. Deviation	Std. Error Mean
Amount	1	5	56504.3400	7205.01000	3222.13231
	2	5	4503.5800	8029.08088	3859.34229

Group statistics here gives information on number of observations taken on income before the expenditure and taxes and profits/losses after expenditure and taxes, mean of observations, standard deviation, and standard error mean of those observations

Independent Sample Test

		Levene's Test for Equality of Variances				t-Test for Equality of Means		95% Confidence Interval of the Difference		
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
Amount	Equal variances assumed	.024	.881	0.341	3	.000	52020.76120	5027.35140	42407.57465	63593.94595
	Equal variances not assumed			0.341	7.753	.000	52020.76120	5027.35140	42343.03354	63558.50543

To know whether equal variances to be assumed or not to be assumed we make use of Levene's test for equality of variances. As a rule, if p-value Sig.>0.05, we use the first line of t-test results. Whereas when p-value Sig <0.05 we reject the null hypothesis of equal variances and thus use the second line of t-test results.

Here the significant value is 0.88 which is greater than 0.05 so we consider the first line of t-test results.

If the Sig. (2-tailed) value is greater than 0.05, then we can conclude that there is no statistically significant difference between two conditions of income generated before expenditure and taxes and profits/losses after expenditure and losses.

If the Sig. (2-tailed) value is less than or equal to 0.05 then there is a statistically significant difference between the two conditions of income generated before taxes and expenditure and profits/losses after expenditure and losses.

Here the Sig. (2-tailed) is 0.00 which is less than 0.05 so there is a statistically significant difference between income generated before taxes and expenditure and profits/losses after expenditure and losses.

Result: Here there by we conclude that by t-test that there is a considerable amount of statistically significant difference between the two conditions.

Theoretical Calculations

Null Hypothesis: There is no significant difference between income generated before taxes and expenditure and profits/losses after expenditure after taxes and expenditure.

X₁ = Income before expenditure and profits

X₂ = Profits/Losses after expenditure and losses

S.No	X ₁	X ₂	X ₁ -x ₁	X ₂ -x ₂	(X ₁ -x ₁) ²	(X ₂ -x ₂) ²
1	46,814.00	5096.3	-9690.34	592.72	93902689.32	351316.9984
2	50,771.90	6600.2	-5732.44	2096.62	32860868.35	4395815.424
3	60,689.40	13,200.50	4185.06	8696.92	17514727.2	75636417.49
4	61,785.80	7546.5	5281.46	3042.92	27893819.73	9259362.126
5	62,460.60	-9,925.60	5956.26	-14429.18	35477033.19	208201235.5
Total	X ₁ =282521.7	X ₂ =22517.9			(X ₁ -x ₁) ² = 207649138.4	(X ₂ -x ₂) ² = 297492830.7

$$x_1 = \frac{\sum X_1}{n_1} = 56504.34$$

$$x_2 = \frac{\sum X_2}{n_2} = 4503.58$$

Formulae for calculating the value of t is

$$t = \left(\frac{x_1 - x_2}{s} \right) \left(\frac{n_1 n_2}{n_1 + n_2} \right)$$

Where x_1 = Mean of first set of observations

x_2 = Mean of the second set of observations

n_1 = number of observations of the first set

n_2 = number of observations of the second set

$$s = \text{combined standard deviation} = \sqrt{\frac{\sum (X_1 - x_1)^2 + \sum (X_2 - x_2)^2}{n_1 + n_2 - 2}}$$

$$s = \left(\frac{207649138.4 + 297492830.7}{5 + 5 - 2} \right)^{0.5} = 7946.24$$

$$t = \left(\frac{56504.34 - 4503.58}{7946.24} \right) \left(\frac{5 \times 5}{5 + 5} \right) = 16.36$$

The tabular value of t for 95% level of significance and 8 degrees of freedom is 1.86. As the calculated value of t is greater than the table value of t the null hypothesis is rejected.

So there is a significant difference between the income before the expenditure and taxes and profits after taxes and expenditure.

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