

## Exploratory Study On Emerging Mobile Phone Market In Rural Part of Dharwad.

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### ABSTRACT :

Today as a hub for modern commerce we need to understand how the development of the mobile communication world as like Internet has been similar to the growth of radio a generation earlier, with obvious differences in attracting and individual markets to a mass audience.

It is the "Big Bang" of the 1990s a milestone in the Internet's development; as well the growth of radio in the 1920s led more focus in advertisement for the businesses world. According to recent statistics, there are nearly 300 million mobile phone subscribers as compared to just around 30 million PC's in the country.

The general purpose of telecom Technology lies for communication, and more focus is towards rural market. Rapid advances in mobile technologies have allowed marketers to abandon best practices for traditional media.

Rural areas in developing countries present especially difficult challenges to the development of networks and sustainable business projects. These challenges include unreliable electricity, limited or non-existent telecom infrastructures, poor road infrastructures, diverse topology, and low village density. These challenges are coupled with limited skill sets and limited financial resources among members of the communities. Members of rural communities are often characterized with high illiteracy, limited business skills, little technology skills, and lack of access to capital.

### Indian Cell Phone Industry :

A lot of water has flowed under the bridge from the time that mobiles were unheard of in India to the present where they have become almost omnipresent. Beginning from those days, Indian subscribers paid around Rs. 16.40 for a mobile to mobile call and around rupees 32.80 for a mobile to a land-line call. Today, as per recent statistics, customers pay far lesser for calls and occasional text messages that rounded to 1 paisa per second and upwards.

Now that mobiles have moved into the affordable bracket, there is a great demand for additional mobile services such as mobiles, email, stock market quotes, and astrology services, just to name a few.

A recent survey pointed to the fact that for most customers, mobile phones have become an extension of their personality. Many go a step ahead to say that mobile phones define their individuality as well. In such a scenario, it is worthwhile to compare the growth of the mobile phone industry with the computer industry in India. According to recent statistics, there are nearly 300 million mobile phone subscribers as compared to just around 30 million PC's in the country. Additionally, around 8 million subscribers are signing up every month for mobile services alone. For most individuals, mobile phones are becoming a single point of contact for the world surrounding them covering a wide range of utilities like emailing, entertainment, and banking. Not only are Indians fascinated, but they started spending a considerable amount on these services too. This figure amounted to around \$250 million last year. This figure is expected to reach \$1.7 billion by the year 2010. This is a boon in disguise for Indian cellular operators who are seriously looking forward to enhance their revenues. Currently, nearly 80% of the revenues come from services like ring tones and SMS. This makes India the second largest mobile market on earth.

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The young mobile savvy generation currently feels less privileged in nearly every sector. And that's precisely what is fuelling the growth in mobile services across the country. As the market expands but fulfilling the needs of mobile users by providing them attractive services, mobile phones are becoming a new vehicle for reaching out to the mobile generation. Mobile content providers also visualize a big jump in their services. These include many global companies such as Google, Yahoo and MSN, which have signed up with many Indian operators like Airtel, Bharti, Vodafone, Tata, and Reliance Communications. Together, they offer a host of services based on the local and regional markets in their area of operation. The Indian mobile scenario seems to be all set for the next stage - expansion and consolidation, but there are a few complications as well. Not all users can afford costlier services beyond messaging and talk time. What is expected is increase in the already growing user base so such services can become affordable to one and all in the long run.

#### **Emerging Rural Mobile Market in India :**

As more and more regions coming under the 'mobile umbrella', rural parts of India are no different. The study looks at how new mobility could be used to bridge the growing economic and social divide between rural and urban areas. This report helps clients to have an insight into the mobile industry in rural India, giving its forecasted future size including subscribers' growth, handset sales, market share, market penetration, opportunities, and roadblocks.

We have thoroughly analyzed various reasons responsible for the current trends in the rural mobile market in India and its future outlook that will help global players navigate through the latest trends in the Indian rural mobile sector. This report provides segment-wise analysis, forecast, latest market trends, and the potential growth areas of the rural mobile market in India. The extent of the information covered in the report will assist client to have a better understanding of the Indian mobile market.

Rural mobile subscriber base is projected to grow at a CAGR of 32% during 2009-2012, propelled by growing middle class rural population and government support.

#### **Key Findings :**

With the largely untapped rural market, India's rural mobile market has the potential to reach upto the subscriber base of 320 Million by 2012, as per the findings of a new research report from RNCOS, "Emerging Rural Mobile Market in India". The anticipated increase in the number of rural mobile subscribers in India is mainly accredited to the affordable services and low-cost handsets, as per the report. The urban market constitutes the maximum portion of the Indian mobile sector, but is now heading towards saturation with a tele-density of over 70%. On the other hand, the rural market is largely unexploited and provides a huge growth potential as 70% of India's population lives in rural areas.

Realizing the future growth potential of the rural mobile market and rising rural income, several leading handsets manufacturers, like Nokia, are lining up to enter this market by teaming up with some micro finance institutions. Among service providers, BSNL and Bharti Airtel are the major players, but others like Tata, Idea, and Vodafone are developing various strategies to exploit the rural mobile market of the country. "Emerging Rural Mobile Market in India" is an extensive research and objective analysis on the current as well as future trends in mobile sector in terms of technology, subscriber base, penetration and segmentation of mobile market in India. The report also includes the key market players in India, including both handset manufacturers and service providers. This report will help clients analyze the factors critical to the success of rural mobile market in India.

#### **Further Description on: Emerging Rural Mobile Market in India :**

India's telecommunication sector is witnessing an explosive growth, as falling tariffs and rising incomes are bringing mobile phones within the reach of millions of new customers. Mobile industry players are eyeing rural India as their new area of opportunity. The companies are getting a boost with the fact that the mobile users

are expected to cross 230 Million by 2007 end and 500 Million by 2010 with an addition of about 5 to 6 Million subscribers every month. Cellular service providers seem to be answering the call of the wild as they are entering the so far ignored rural market. Although a huge market in the urban segment remains tapped, most of the cellular operators have turned towards rural India to broaden their base and reach. So the real growth is expected from this geography in near future. The low population density in rural areas has necessitated more towers of higher altitudes raising the costs further. Language is another problem and there are many dialects that had no alphabet in rural India. To meet these challenges, operators must come up with solutions like simplifying product access, offering customer centric solutions (like songs, music, hello tunes that are popular), and infrastructure sharing.

#### **Key Findings :**

With saturation in the urban market, growth in Indian mobile market will be driven by an increased focus on the rural market, aggressive promotions, and handset bundle offers.

As of March 2008, mobile subscribers in rural India accounted just 21% of the Indian mobile subscriber base. However, it is forecasted to grow at a CAGR of more than 47% during 2007 to 2010.

In order to remain competitive, the mobile industry could see several mergers and acquisitions, roll out obligation and substantiate equity holding in more than one telecom company.

Enormous opportunities are emerging for the low cost handset manufacturers along with low tariffs, infrastructure development for mobile communication.

Rural India will account for around 35-38% of the total mobile handset sales by 2010.

#### **Research Methodology Used :**

Information Sources Information has been sourced from various credible sources like books, newspapers, trade journals, and white papers, industry portals, government agencies, trade associations, monitoring industry news and developments, and through access to more than 3000 paid databases.

#### **Analysis Methods :**

The analysis methods include ratio analysis, historical trend analysis, linear regression analysis using software tools, judgmental forecasting, and cause and effect analysis.

Even amid the global economic slowdown, one Indian industry continues to boom: selling cellphones to the rural poor. Economists have slashed Indian economic growth forecasts for this year and the stock market is in the doldrums. But cellphone companies are signing millions of new subscribers a month, making India the fastest growing mobile-phone market in the world. There is no sign of a slowdown yet: figures to be released later this month are expected to show that new subscriptions in January-2008 reached a record 11 million.

The demand for cellphones is coming mainly from rural consumers, who typically earn less than Rs. 2,000 a year. These buyers haven't been affected by plunging stock and real-estate prices or tighter bank lending since they typically don't own land and don't borrow. A large majority of them don't have access to regular landline phone networks — there are only about 40 million landline subscribers in India — so once cellular coverage comes to their towns or villages they scramble to get their first phones. Can You Hear Me Now? Indian consumers, many from rural areas, make up the fastest-growing group of cellphone subscribers world-wide.

#### **Rural knowing.....**

In the village of Karanehalli, a cluster of simple homes around an intersection of two dirt roads about 40 miles from India's high-tech capital of Bangalore, Farmer K.T. Srinivasa doesn't have a toilet for his home or a tractor for his field. But when a red and white cellular tower sprouted in his village, he splurged on a cellphone. While the way his family threshes rice — crushing it with a massive stone roller — hasn't changed for

generations, his phone has changed the way he farms. He uses it to decide when to plant and harvest by calling other farmers, to get the best prices for his rice, coconuts and jasmine by calling wholesalers, and to save hours of time waiting on the road for deliveries and pickups that rarely come on time. "Life is much better with the cellphone," he said from his rice paddy in the shadow of the new tower. "I bring it with me to the fields and anyone can reach me here."

#### Case study :

What are your experiences, thoughts, frustrations and successes concerning life and work in rural India? Mr. Srinivasa, like close to half the 800 people in his village, uses Idea Cellular Ltd. as it was the first to bring them service. He paid the equivalent of about Rs. 1600 for his Nokia phone, and spends about 300/- each month for service. Like most rural users, Mr. Srinivasa uses his phone to make voice calls — he doesn't know how to text message or to download emails. On average rural Indians use their phones around 8.5 hours a month, up 10% over the past year. The story is the same across rural India, home to more than 60% of India's population of 1.2 billion. China, Indonesia and Brazil also continue to show solid growth in cellphone sales.

The continued expansion of the cellphone industry in India stands in sharp contrast to most other industries here. Textile and software exporters are struggling. India's brand new malls are sparsely populated and the sales of cars, trucks, tractors and motorcycles have declined in recent months. But the cell phone industry recorded more than 10 million new subscribers in December, up from eight million a year earlier. The industry's overall subscriber base grew 48% in 2008 to 347 million customers. Rural customers "have been hungry for mobile phones for a long time, so demand will remain unaffected," by the global jitters, said S.P. Shukla, chief executive officer of the mobile business at Reliance Communications India Ltd., India's second-largest cellular company by number of subscribers, after Bharti Airtel. Reliance launched a new \$2 billion nationwide network in January that reaches more than 24,000 towns and 600,000 villages.

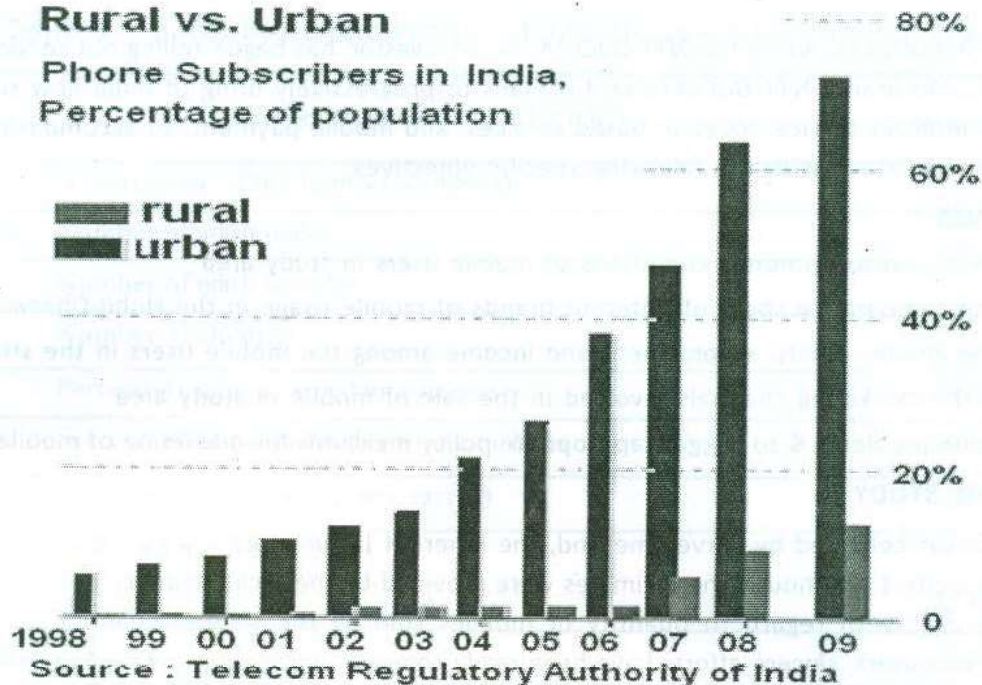
International wireless giants are clamoring for a piece of the action. Last year, Vodafone Holdings PLC took over India's fourth-largest cellular company by number of subscribers. In December-2008, Japan's NTT Docomo Inc. announced it will pay almost \$3 billion for a 26% stake in Tata Teleservices Ltd. Bharti Airtel saw its profit in the three months ended Dec. 31 climb to 22 billion rupees (\$452 million), up 25% from a year earlier, as it drew in a record number of new subscribers. And with a national penetration rate of less than 30% as of December there is still a lot of untapped demand. In contrast, in the U.S. more than 80% of the people have mobile phones. In China the penetration rate is more than 40%.

In Khairat, a village 45 miles outside Mumbai that is only accessible on foot or by motorcycle, buffalo farmer Mohan Zore makes around Rs 4000 a month but figured he still needed a phone once his village got coverage. He doesn't have to walk into the market to find out the price of buffalo milk, he now just dials friends at the market from his phone. And he can easily call his son from the fields when he is out grazing his herd. He used to spend 300 rupees and three hours on a bus to visit his daughter and grandchildren. Now he can catch up with them for one rupee a minute. "The phone saves me money," he says from his mud-walled home, which he shares with his 20 buffalo. The companies are pushing ahead with multibillion dollar build-out plans to expand their networks to smaller and smaller villages.

"We are still experiencing strong growth in all areas," said Amit Ganani, chief executive officer for Tower Vision India Pvt. Ltd., a New Delhi based company that builds cellular towers and then rents them out to multiple service providers. It built the tower that brought cellular services to Karanehalli. It plans to raise the number of sites it has in India to about 5,000 by the end of the year from about 3,000 now. "If you go to the remote areas you don't have to be a genius to record huge growth," Mr. Ganani said. The villagers in Karanehalli say the cellular tower was one of their first opportunities to plug into what was happening in the rest of India, and the world. They can name America's new president — "Obama!" a group of villagers shout when asked. They know that the global slowdown has hurt the price of coconuts as well as silk.

### Rural vs. Urban

Phone Subscribers in India,  
Percentage of population



They know that their relatives that work at the nearby Toyota Motor Corp. factory have lost their jobs recently. They also understand that their agriculture-based economy is not hurting as bad as that of their high-tech neighbors in Bangalore. "After the global crises," said Mr. Srinivasa, the farmer, "I think we are in better shape."

In last three months India added 12 million odd new users, bringing the total for fiscal 2008 to over 33.2 million mobile phone subscribers, more than 150 per cent growth, thanks mainly to increased competition and steep fall in tariffs during the past 12-15 months, says The Times of India of the total mobile subscriber base, GSM cellular industry – led by Bharti, BSNL and Hutch – showed impressive growth of 106 per cent. There were 26.1 million GSM subscribers at the end of March 2008, up from 13.4 million last March. CDMA was 7.1 million at the end of March, 2008 with Reliance accounting for over 6.4 million subscribers, followed by Tata Teleservices (Indicom), way behind at 620,000 customers

#### Some more insights.....

Million rural mobile subscribers at the end of the first quarter, up by 18 percent from 93.2 million users in the fourth quarter of last year, said by the country's telecom regulator.

The country's 282 million urban wireless subscribers accounted for 72% of all mobile users at the end of the first quarter, the Telecom Regulatory Authority of India (TRAI) said. Indian mobile services companies and handset vendors have identified the rural market as a new growth opportunity, as urban markets are getting saturated. Nokia, for example, launched its Life Tools service in June 2007, after a pilot project in the Indian state of Maharashtra. The service offers agriculture information, education, and entertainment targeted at people in both rural areas and small towns.

The rural market is however likely to be low margin business, said by Kamlesh Bhatia, a principal research analyst at Gartner. The number of mobile subscribers in the country is on the upswing with demand both from rural and urban markets. The number of subscribers for mobile services across the country has increased to 391.76 million in the quarter ended March this year, up by 50 percent from 261 million in the same quarter last year, according to TRAI data. However competition and tariff cuts have brought down the average revenue per user, said by S.K. Gupta, advisor at TRAI.

A number of foreign mobile service providers have invested in joint ventures in India, including Vodafone and

NTT DoCoMo. Tata Teleservices, which has NTT DoCoMo as an investor, has begun rolling out services across India under the Tata DoCoMo brand. NTT DoCoMo said it plans to progressively bring to India new services such as its i-mode wireless Internet service, location-based services, and mobile payment. to accomplish desired goals. Hence, it is proposed to study with the following specific objectives

#### **SPECIFIC OBJECTIVES :**

1. To evaluate the socio-economic conditions of mobile users in study area
2. To study the comparative share of different brands of mobile usage in the Hubli-Dharwad twin cities.
3. To study the gender equity, employment and income among the mobile users in the study area.
4. To identify the marketing channels involved in the sale of mobile in study area
5. To analyse the problems & to suggest appropriate policy measures for marketing of mobile in study area.

#### **LIMITATION OF THE STUDY :**

Since, the data was collected by survey method, the inherent lacunae associated with this type of inquiry have crept into the study. Even though the estimates were provided by the recall memory on account of the non-maintenance of records with regard to quantity of mobiles sold by the sellers, quantity purchased by the intermediaries and end-users, sincere efforts have been made to elicit an accurate and reliable information as far as possible by cross questioning. However, the degree of discrepancy if any would be negligible as the estimates presented are in averages. The study is based on the secondary sources of data also and hence the accuracy of the results depends on the accuracy with which the data were generated.

#### **Conclusion :**

Here is a brief summary of my pick of the ten trends that will define the mobile space in India in 2009 onwards:

1. Subscriber growth in India will continue, driven by rural expansion, entry of newer operators, 3G and cheaper handsets.
2. Focus on Value-added Services and Data will increase in saturated, urban markets.
3. Mobile VAS operators which build direct-to-consumer relationships will start emerging.
4. Flat-rate Data Plans will accelerate the use of the Mobile Internet, Social Media and Rich Media.
5. Operators and/or handset players will launch AppStores to drive usage, innovation and revenues.
6. Mobile Payments and Commerce will come into vogue for micro transactions.
7. Companies will create multi-faceted mobile presence to deepen customer relationships and drive permission-based interaction and engagement.
8. The Mobile will emerge as the next advertising and marketing medium - and be seen as capable of not just mass reach but also allow a high degree of targeting.
9. The 2009 general elections will be an inflection point in the usage of mobiles in many different ways.
10. "Rural India is keen on high feature phones but not as much as urban India. A customer in the rural area is happy to have features, which are available in the urban markets. They are happy to have colour handsets, other accessories like phone book where in he can store details of contacts, games, alarm tones and so on,"

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**Table 1 : Socio-Economic Profile of Mobile users in Hubli Dharwad**

Sl. No.	Socio-economic characteristics	Numbers
1.	Average size of the family (Numbers)	5
a.	Number of adult males	2
b.	Number of adult females	2
c.	Number of children	1
2.	Percentage adults owned mobile sets	78.00
3.	Percentage of house holds owning mobiles	96.00
4.	Average size of land holding (acres)	2.19
6.	Proportion of family types	
a.	Nuclear	83.00
b.	Joint	17.00

**Table 2 : Extent of brand mix of mobile in the study area.**

Sl. No.	Name of mobile set	No. of respondents using mobile	% to total
1	Nokia	112	37.33
2	Sony Ericson	80	26.67
3	L G	33	11.0
4	Micro Max	64	21.33
5	Others	11	3.67

**Table 3 : Gender equity using mobile sets in the study area**

Sl. No.	Name of mobile set	Men	Women	Average price
1.	Nokia	74	38	3200
2.	Sony Ericson	53	27	2800
3.	L.G	14	19	2700
4.	Micro Max	28	36	3100
5.	Others	05	06	4300

**Table 4 : Occupational pattern profile of Mobile users in Hubli Dharwad.**

Sl. No.	Occupational pattern	No. of Persons	Per cent
1.	Student	83	28.00
2.	House wife	26	19.00
3.	Business	62	21.00
4.	Salaried	48	16.00
5.	Self employed	34	11.00
6.	Retired	13	4.00
7.	Others	4	1.00
<b>Total</b>		<b>300</b>	<b>100.00</b>

**Table 5 : Income profile of Mobile users in Hubli Dharwad**

Sl. No.	Income level	No.	Per cent
1.	Up to Rs, 8,000	20	7.00
2.	Rs, 8,000 to 15,000	91	30.00
3.	Rs 15,000 to 20,000	53	18.00
4.	Rs. 20,001 to 30,000	79	26.00
5.	Rs.30, 000 and above	57	19.00
<b>Total</b>		<b>300</b>	<b>100.00</b>

**Table 6 : Quantity and value of mobiles sold in study area/month.**

Sl.No	Sources	No. of mobiles sold per month	Average value (Rs. sold /month)
1.	Retailers	65	72,000
2.	Company show room	36	45,000
3.	Dealers	110	1,25,000
<b>Total</b>		<b>201</b>	<b>2,42,000</b>

Table 7 : Mobile users Profile in the study area.

S. No.	Name of the mobile brand	Quantity of phones used by respondents	Average Number of months respondents using hand sets	Avg. currency spending / month (Rs)	Avg. price of mobile sales irrespective of agencies sold (Rs)
	Nokia	163	8 – 8.5 year	128	3200
	Sony Ericson	83	5 – 6 year	75	2800
	L.G	29	1 year	30	2700
	Micro Mix	04	5 months	40	3100
	Others	21	5 months	40	4300

Note 1 : Figures in parentheses indicate percentage to the total

2 : Average price of mobile sales worked out by averaging the prices obtained by the mobile users from different agency to whom they sold to mobile users.

Table 8 : Marketing costs incurred by mobile users while purchasing the mobiles.

Sl. No	Item of cost	Amount In Rs	% To the total
1	Transportation	12.00	16.66
2	Personal expenses	60.00	83.34
	<b>Total</b>	72.00	100

Table 9 : Factors considered while purchasing mobile phone handset

Sl. No.	Problems	Respondents (end users)	
		Number	Per cent
1.	Aesthetic look	24	8.00
2.	Price	111	37.00
3.	Weight	18	06.00
4.	Brand	78	26.00
5.	Features	57	19.00
6.	Battery backup	12	04.00
	<b>TOTAL</b>	300	100.00

Table 10 : Sources of media, which influence the customer to purchase mobile phone handset

Sl. No.	Problems	Respondents (end users)	
		Number	Per cent
1.	Friends	137	45.67
2.	Family members/relatives	43	14.33
3.	TV media	22	7.33
4.	Newspaper	18	6.00
5.	Advertisement/Hoarding	67	22.33
6.	Magazines	13	4.33
<b>TOTAL</b>		300	100.00

Table 11 : Ranking of marketing problems faced by mobile phone handset sellers

Sl. No.	Problems	Opinions of the traders	
		Rank	Per cent
1.	Paucity of supply of handsets	3	36%
2.	High price fluctuation	6	17%
3.	High taxation	5	29%
4.	High competition market	1	63%
5.	High bargaining by customers	2	47%
6.	Low commissions	4	32%

Table 12 : Ranking of problems faced by mobile users in the study area

Sl. No.	Problems	Respondents (mobile users)	
		Rank	Per cent
1.	Connectivity problem	1	68
2.	Handset hangover problem	4	29
3.	Software problem	3	35
4.	Battery backup problem	2	47
5.	High price	6	17
6.	High commission	5	21