

Announcement of Karbonn A40 Indian 4G smartphone by Airtel

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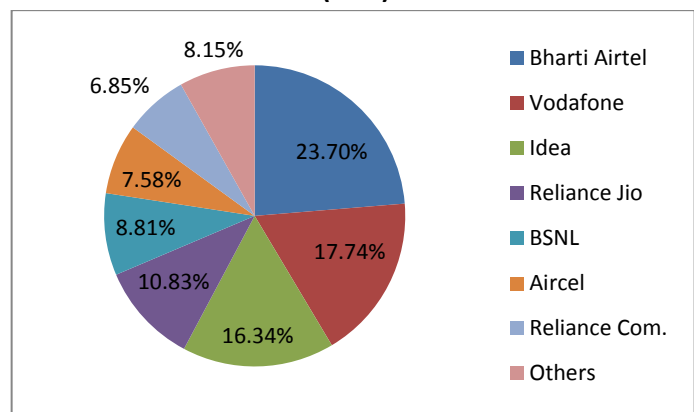
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On 11 October 2017, Bharti Airtel in partnership with Karbonn Mobiles came up with Karbonn A40 Indian 4G smartphone at an effective price of Rs.1,399 compared to the current market price of approximately Rs.3,499 for the smartphone. To purchase this phone, the customer will have to make a down payment of Rs.2,899 and the customer will receive a cash benefit of Rs.1,500 which will bring its effective price to Rs.1,399. However, to avail this cash benefit, the customer will have to make 36 continuous monthly recharges of Rs.169 or recharges worth Rs.3,000 in the first 18 months to avail the first refund of Rs.500 and another recharges worth Rs.3,000 over the next 18 months to claim the benefit of Rs.1,000. The Rs.169 bundled plan offers data and calling benefits. The plan offers unlimited calling along with usage of 0.5 GB data per day with 28 days validity.

The 4G smartphone Karbonn A40 Indian comes as a competition to the Jio phone which was launched by Reliance Jio in July 2017. Jio Phone is a 4G compatible feature phone with some smart features and supports VoLTE calls. While the phone is free, the user needs to pay Rs.1,500 as security deposit, which would be refunded upon returning the phone. The services like free voice calling, SMS and unlimited data will be available to these mobile users at a charge of a minimum of Rs.153 per month.

The announcement made by Bharti Airtel appears as a step by the company to gain market share and hold its leadership position in terms of subscriber base in the industry.

Chart 1: Market share of wireless service providers as of July 2017 (in %)



Source: TRAI

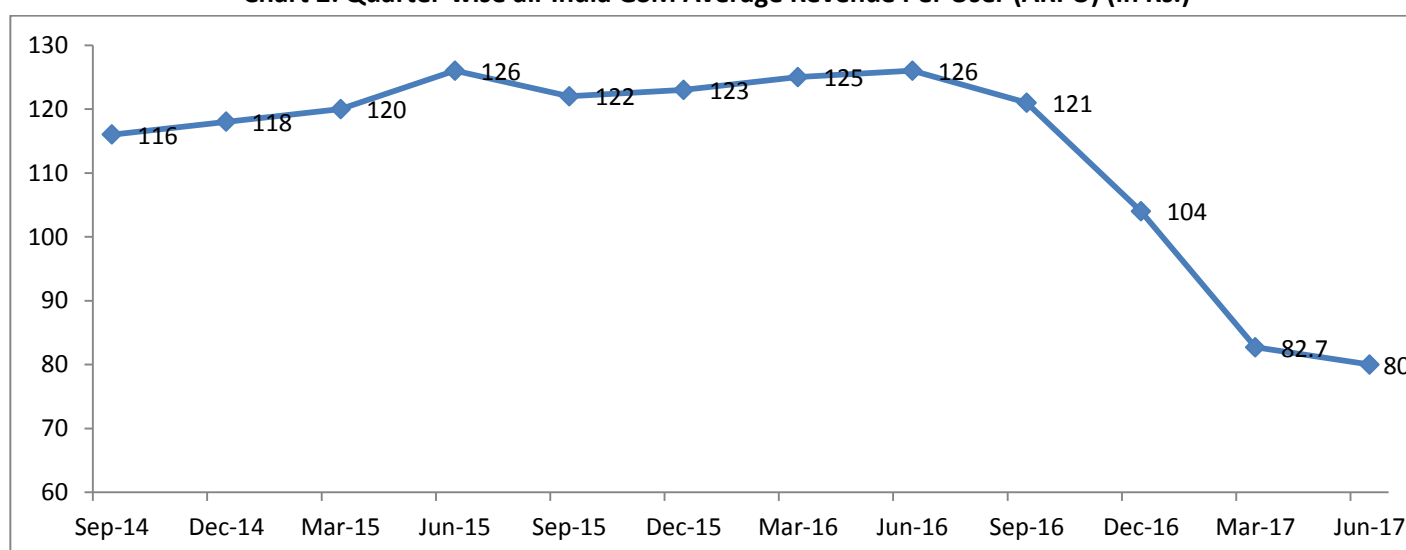
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As of July 2017, Bharti Airtel had holds a market share of 23.7% which represents a subscriber base of 281.3 million users. This is followed by Vodafone, Idea, Reliance Jio that hold respective market share of 17.7%, 16.3%, and 10.8% representing subscriber base of 210.5 million, 193.9 million and 128.5 million, respectively. Reliance Jio had launched its services in September 2016. The total wireless subscriber base stood at 1,186.79 million as on July 2017.

The Rs.169 bundled plan offered by Airtel points out that the telcos are looking forward to bundled services to help them retain market position.

Trend in Average Revenue per User (ARPU)

Chart 2: Quarter-wise all-India GSM Average Revenue Per User (ARPU) (in Rs.)



Source: CMIE and TRAI

From the above chart it can be seen that post the entry of Reliance Jio in September 2016, the ARPU for the industry had declined on a sequential basis in each of the quarters during the period September 2016 quarter to June 2017 quarter. The fall in ARPU can be attributed to the ongoing price war and intense competition in the industry mainly on account of free services offered by the disruptive new entrant, Reliance Jio in the initial months and comparatively cheaper services offered by the company later on.

Thus keeping a check on market share remains important for the telcos as ARPU for the industry remains low due to predatory pricing and intense competition going on in the sector.

Concluding remarks

- *The announcement made by Bharti Airtel appears as a step by the company to gain market share and hold its leadership position in terms of subscriber base in the industry.*
- *The Rs.169 bundled plan offered by Airtel points out that the telcos are looking forward to bundled services to help them retain market position.*

- *Keeping a check on market share remains important for the telcos as ARPU for the industry remains low due to predatory pricing and intense competition going on in the sector.*

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