Bharti Airtel upgrades post-paid plans with an aim to increase ARPU

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The telecom industry has been constantly hinting towards the need for an upward push in the Average Revenue per User (ARPU) level and the telcos aim to increase their respective ARPU levels to at least Rs.200 per subscriber per month. Taking a cue from this, Bharti Airtel announced new post-paid plans for its corporate and retail customers on 22 July 2021. Bharti Airtel along with Vodafone Idea had increased tariffs by about 20%-40% for the prepaid users in December 2019.

Corporate customers that involve volume of connections for corporates and provides business tools services have seen a change in plans with plans costing Rs.199 a month and Rs.249 plan now starting from Rs.299 plan. This thus will result in 20%-50% hike in tariffs of the starting or beginning plan for corporate customers. The eligible corporate customers will be migrated to the new plans, as applicable, from their subsequent billing cycles. Similarly, for retail customers the telco has discontinued its Rs.749 family post-paid plan for new customers and will now offer Rs.999 as the only family post-paid plan with enhanced data benefits.

With these new plans for Bharti Airtel's post-paid customers to start now, it is important to note that the post-paid users account for a small proportion of 5% of the telco's total customer base. Even while they have a small share, the post-paid users are more revenue generating customers compared to pre-paid users. At all-India level while the ARPU of a post-paid user was Rs.227 per month, the ARPU generated by a prepaid user was Rs.95 per month during the quarter October-December 2020. This indicates the gap of revenue generation between the two set of users. Apart from this, the post-paid users tend to have a very low churn rate which means that they do not easily switch their networks.

Concluding remarks

- The new post-paid plans will support the upward momentum in Bharti Airtel's ARPU. Since the share of post-paid users is around 5% in the telco's total customer base, the contribution of this tariff hike in its aggregate/blended ARPU growth is likely to be less than about 4%.
- The change in prices is not expected to result in major migration of Bharti Airtel's subscribers.
- With this step of tariff hike, it is clear that the telco is working towards the goal of achieving ARPU growth.

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