CHAPTER -1

Chapter 1: INTRODUCTION

Table of Contents

<table>
<thead>
<tr>
<th>Name of the Sub – Titles</th>
<th>Page No.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1 Introduction to Consumer Behaviour</td>
<td>2</td>
</tr>
<tr>
<td>1.2 Meaning &amp; Definition of Consumer Behaviour</td>
<td>5</td>
</tr>
<tr>
<td>1.3 The need for studying Consumer Behaviour</td>
<td>16</td>
</tr>
<tr>
<td>1.4 Telecom Industry in India</td>
<td>21</td>
</tr>
<tr>
<td>1.5 Recent Trends and Future of Telecom Sector</td>
<td>30</td>
</tr>
<tr>
<td>1.6 Mobile Subscription Approaches Total global Population in 2013</td>
<td>33</td>
</tr>
<tr>
<td>1.7 Indian Telecom Market Size and Growth</td>
<td>36</td>
</tr>
<tr>
<td>1.8 Relevance to Economy</td>
<td>42</td>
</tr>
<tr>
<td>1.9 The Structure of Indian Industry</td>
<td>44</td>
</tr>
<tr>
<td>1.10 Future of Mobility</td>
<td>45</td>
</tr>
<tr>
<td>1.11 Consumer Behaviour in the Indian Telecom Industry</td>
<td>46</td>
</tr>
</tbody>
</table>
1.1 INTRODUCTION TO CONSUMER BEHAVIOUR

Nowadays, mobile phones have grown into a product of necessity for the people from all walks of life. An individual can get in touch with his family, friends and business associates anytime and anywhere at a reasonable cost.

The cellular phone, an extension of the information technology has assumed a great role in today’s lifestyle. It is not only a device of verbal communication, but also a powerful gadget comprising a variety of features. Nowadays, cell phones have grown into a cultural symbol as well.

Today, consumer factor receives the highest priority and has become the formula of success for the marketers. Consumer behaviour is everything and everything is consumer behaviour. Economic liberalization of India paved the way for the entry of multinationals to India and seller’s market turned as buyer market as supply exceeded demand. The success or failure of marketing organization depends upon how effectively the marketers are able to attract the consumers and develop a relationship with them. The crux of the success is to understand how and why consumes make specific decisions and behave in certain ways – what motivates them? Understanding the psychology of the consumers can do this, which involves understanding the demographics, lifestyles, personality, values, culture and family influences on the consumer. In this light,
understanding consumer behaviour has become panacea of success for the marketers.

Every marketing activity starts with the consumer and ends with the consumer. It is very much necessary to know who are the people that consume products or services or play a role in buying decision and why they do so. Consumes are seen as having needs, wants and beliefs that dispose them to buy. However, consumers may be disposed towards buying a product without actually doing so.

A human being by nature is very complex. It is very difficult to understand the human behaviour. It is the human brain, which directs all the activities of a human being. It is said that human brain is like a black box. It is very difficult to see it. We can see input and output but not the real mechanism how the inputs are transformed into the output.

In simple way we can say that the behaviour is the response of stimuli. The stimulus is the need for which there is action called response. Marketing concepts start with understanding of consumer needs and their behaviour in order to meet their needs. Every action of a person is based on needs. The real problem is to learn what a customer takes into consideration when he chooses a particular brand. Such a study is concerned with consumer behaviour.

For the marketer that person is important who makes the buying decision, not the one who actually makes the purchase or uses
the product. Understanding this person helps marketers to develop marketing mixes and predict how targeted customers will respond to them.

The consumer is the focus of marketing effort. The modern marketing concept spells out the real significance of buyer behaviour. In the course of operating the concept, the modern marketing management tries to solve the basic problems of consumers in area of consumption. Solving such consumption problems of consumes warrant a thorough understanding of such problems. It involves concentrated efforts to understand the very buying process and all the factors influencing it. Further, consumer behaviour is dynamic. The marketer has to study, analyze and interpret the ever changing consumer behaviour, so that he can monitor such study for the purpose of making sound decisions in respect of the four ‘P’s of the marketing mix. It is consumer predisposition whether positive or negative that makes or mars the profit position of a given product. The study of buyer behaviour takes us to the roots of why a consumer has positive or negative predisposition. Again, the study of consumer behaviour has gone more complicated in the light of increasing role of government in consumer movement in all the developing countries. Comprehending consumer needs, expectations and aspirations coupled with problems is a must to exploit marketing opportunities and meeting the challenges is set along with the opportunities.
With the opening up of the markets or the post liberalization period has resulted in many companies entering the markets with offerings of their goods and services. This has made each marketer to realize that he has to constantly upgrade the consumers’ knowledge about his products by finding new dimensions.

1.2. MEANING & DEFINITION OF CONSUMER BEHAVIOUR

Buyer behaviour is that subset of human behaviour that is concerned with decisions and acts of individuals in purchasing and using products. Consumer behaviour is concerned with decision that lead up to the act of purchase.

Consumer behaviour refers to the behaviour the consumers display in searching for purchasing, using evaluation and disposing of products and services that will satisfy their needs. The process of learning consumer behaviour is to study how individual choose or decide to spend their available resources (time, money, effort) on consumption related items. It involves investigation of what they buy, when they buy, where they buy, how often they buy, and how often they use? The answer to these issues can be found through consumers and support marketers with important input for product design modification, scheduling and promotional strategy.

Hawkins, Best & Coney, “The area of consumer behaviour is the study of individuals, groups or organizations and the processes they are to select, secure, use and dispose of products, services,
experiences or ideas to satisfy needs and the impacts that these processes have on the consumer and society.”

As a matter of fact, customer is the final around which the whole industrial system of now days revolves. The economists have called the customer as a king. He is just like a voter in democracy. It is selection of goods or services determines the fate of the products/services. So, in order to attract him more and more, the marketing personnel should know their customers well so that they could treat them in the way they like to be treated, present those goods in the way, they will appreciate and close a sale in such a way that consumer satisfaction is created. The study of consumer behaviour is very useful in determining the style, packing, brand, trademark etc. of the product. The whole aspect of buying behaviour determines the durability, price policy and utility aspect in goods. When does aspect of purchasing also determine the quality, and price policy of the products? How does aspect determine the nature of customer services and style of packing etc? Where does aspect determine the place relating to physical distribution, channels or distribution policies and so on? Hence, the study of consumer behaviour is essential, rather useful in formulating various marketing policies.

With the opening up of the markets in the post liberalization period has resulted in many companies entering into Indian markets to offer their goods and services. This has made each marketer to
realize that he has to constantly upgrade the consumers’ knowledge about his products by finding new dimensions.

This is because there has been a change in the physical behaviour of the consumer. The consumer of yester years was a silent person who uncomplainingly purchased the goods from the market place. There is a new customer emerging today. The choice is empowered to customer who will be the decider of the fate of the product/service at the market place. There is a change in the social environment of the customer especially with the rising consumer earning and the sharply dropping savings rate-resulting in increasing amounts of disposable income to be spent on products and services.

Marketers have also observed a change in the psychological behaviour of consumers. There is an increasing awareness among the consumers to the changes taking place around them resulting in an urge to purchase various goods and services. In other words, there is a positive buying motive shown by the consumers. This is because of changing personal, family, social and cultural influences. The influx of the television bringing with it information filled with rich images and data on the global life style. All this has resulted in making the consumer individualistic in the present era of ever changing consumer needs. At the same time, marketers and more so the manufacturers of various products and services are also responding by making all adjustments with the focus of attention on the behaviour of the consumers at the market place.
Consumer behaviour is the processes an individual go through when buying and consuming products and services, includes the emotional and social processes that precede and follow these actions. In other words consumer behaviour not only includes the particular actions taken by individual when buying and using products and services, but also all the social, emotional and rational factors that affect these actions.

Consumer behaviour is comparatively new field of study developed in late 1960’s. The discipline of consumer behaviour drawn and inter-related heavily from concepts developed in other scientific disciplines, such as psychology (the study of individual), sociology (the study of groups), social psychology, (the study of how an individual operates in groups), anthropology (the influences of society on the individual), and economics. Many theories concerning consumer behaviour were based on economic theory, on the concept that individuals act rationally to optimize their benefits (satisfaction) in the purchase of goods and services.

The marketing of both goods and services is becoming more complex and extremely sophisticated. As a result the techniques that companies use for deciding on their sales and marketing are changing. In response to rapidly changing marketing, the current trends is for companies to be ‘market driven’ rather than ‘sales driven’ i.e., having analyzed the needs of their customers, companies can then set targets which relates to known factors in the market place. In
this way, companies become closer to the market and are more prepared for managing change.

Research with consumer motivation and behaviour has assumed a great significance in the modern dynamic environment. There are various means to study about consumer behaviour. Each time a marketer interacts or observes a consumer, or a salesperson talks with a potential customer, some information about consumer behaviour may be communicated. As and when marketing personnel gains experience with products and markets, he develops some notion about why a consumer consumes his product. These ideas often take the form of relatively complex ‘theories’ about consumers particularly among more seasoned managers. Often these implicit theories are quite useful and are a valuable aid when the manager is planning a marketing campaign. Unfortunately, the casual observations and experiences of many marketing managers are not as systematic as they might be for developing sound interference with consumers.

Consumer research is the process of identifying the why, when, what by whom of the consumer decision process. It is the process of identifying and exploring the information about the consumer decision-making process, which help the executives in formulating various marketing strategies, which could induce consumers to take the positive purchase decisions.
Consumer behaviour therefore encompasses the behaviour that consumers display in searching for, purchasing, using, evaluating and disposing of products and services that they expect will satisfy their needs. It is the study of the decisions of individuals, groups and organizations to spend available resources on consumption of related items.

The requirements of consumers in any industry are diverse and varied from one customer to other exhibiting varied patterns of consumption behaviour. Each consumer is unique in nature and will have unique requirements and desires. The supplier or marketer of services or goods assists in the satisfying of those requirements and desires through the offerings of services and goods. In order for an organization to compete, survive and to develop, it is necessary that the marketer has to categorize those requirements and desires has to offer the products that are much more efficient and effective compared to that of the competitors (Peter & Olson, 2005).¹

A complete knowledge and understanding of the consumers and their behaviour of consumption is necessary for any organization to be successful. The consumers ‘behaviour might be defined as the interplay of the forces that happens at the time of the process of consumption, within a customers’ self and her / his environment. This interaction takes place among three factors, they are, impact, behaviour and knowledge. These things continue throughout the activity of pre – purchase and post purchase experiences. This
comprises of the levels of assessing, acquiring, utilizing and disposal of services and goods (Loudon & Bitta, 2002). 

The customers comprises of both the personal customers and the industry or business or organizational customers. The consumer behaviour makes clear the logic and reasons that lie behind the patterns of consumption and the purchasing decisions; this explains the procedures that the buyers make the decisions. According to Schiffman and Kanuk (2004), the consumer behaviour is the process where the customers exhibit in finding, buying, utilizing, assessing and disposing of services and products that they anticipate will please their requirements. According to Wells and Prensky (1996), the consumer behaviour is defined as individuals actions that are directly included in procuring, consuming and disposing of services and products comprising the processes of decision that go before and follow these activities.

Belch (1978) defined consumer behaviour as ‘the process and activities people engage in when searching for, selecting, purchasing, using, evaluating, and disposing of products and services so as to satisfy their needs and desires’. Behaviour occurs either for the individual, or in the context of a group or an organization. Product use is often of great interest to the marketer, because this may influence how a product is best positioned or how we can encourage increased consumption.
In another words, consumer behaviour can be refers to individuals with regards to acquiring, using, and disposing of products, services, ideas or experiences. Consumer behaviour involves the acquisition and use of information. Hence, communication with consumers and receiving feedback from them is an integral part of consumer behaviour which is of great importance to marketers.

Assael’s (2004) model states that attitudes, lifestyle, features, individual personality and perceptions all influence decisions. Risk perceptions are also highly or most influential (Hall, Lockshin, & O’Mahoney, 2001).

The decisions of consumers involve complications. There are various factors that influence the consumer behaviour (Thomas and Garland, 2003). Also, it is a tedious task for customers to decide in the today’s world with variety of alternatives available. There have been many new articles coming up, with extensive offers and advertisement. Also, there has been increment in number of stores coming up with variety of products and also encouraging purchases through electronic medium which has made the product and services spectrum broad and have made decision making complex (Sobel and Dean, 2006).

It has always been believed that Consumer is the king. This holds true because all the products and services reach customers and they have the authority to decide whether the product is acceptable to
them or not and they have power to reject it also. Thus, consumer plays significant role in success or failure of a business (Kim and Park, 2004). Also, there are various factors influencing the behaviour of customers, such as economical, geographical, personal etc. there is diverse behaviour of every individual for looking towards one thing in separate ways. There are various cultures and people may not have a broad outlook towards it (Edell et al, 2007).

In the marketing context, the term ‘consumer ’ refers not only to the act of purchase itself, but also to patterns of aggregate buying which include pre-purchase and post-purchase activities. Pre-purchase activity might consist of the growing awareness of a need or want, and a search for and evaluation of information about the products and brands that might satisfy it. Post-purchase activities include the evaluation of the purchased item in use and the reduction of any anxiety which accompanies the purchase of expensive and infrequently-bought items. Each of these has implications for purchase and repurchase and they are amenable in differing degrees to marketer influence (Foxall, 2007).

Engel, et al. (2006) define consumer behaviour as “those acts of individuals directly involved in obtaining, using, and disposing of economic goods and services, including the decision processes that precede and determine these acts”. Simple observation provides limited insight into the complex nature of consumer choice and researchers have increasingly sought the more sophisticated concepts
and methods of investigation provided by behavioural sciences in order to understand, predict, and possibly control consumer behaviour more effectively. Psychology and sociology are the disciplines most widely employed in this endeavor which has become a substantial academic industry in its own right.

In order to develop a framework for the study of consumer behaviour it is helpful to begin by considering the evolution of the field of consumer research and the different paradigms of thought that have influenced the discipline (Marsden and Littler, 2008). Paradigms in consumer research can be broadly classified as a set of fundamental assumptions that researchers make about what they are studying and how they study it (Kuhn, 2002).

Consumer behaviour itself emerged as a distinct field of study in the 1960s. A major catalytic influence in its emergence was the formation of the Association for Consumer Research in 1969. Membership now exceeds 1700 (www.acrweb.org), and the growing maturity of the field is reflected in its annual conference proceedings, entitled Advances in Consumer Research. The literature has grown sharply, with the Journal of Consumer Research (first published in 2004) standing as a premier source.

The academic field of consumer behaviour is the study of individuals, groups, or organization and the process they use to select, use and dispose of products, service, experience, or ideas to satisfy
needs and the impact that these processes have on the consumer and society. Several discipline collectively referred to as the behavioural science which studies human behaviour for some time, and we can draw upon their contribution for understating consumer behaviour. This borrowing has been quite extensive and includes theories used in explaining behaviours as well as methods useful in investigating it. In fact, this borrowing is so extensive that consumer behaviour is often said to be multidisciplinary in nature.

From the marketing point of view, understanding consumer behaviour is crucial to successful delivery of firms’ offerings in the market place. Some of the marketing application areas of consumer behaviour knowledge include; Market-Opportunity Analysis, that involves examining trends and conditions in the marketplace to identify consumers’ needs and wants that are not being fully satisfied. Target- Market Selection, that has to do with identifying distinct groupings of consumers who have unique wants and needs and the selection of segment that matches the firm’s strength and offer better opportunities.

Marketing- Mix Determination involves developing and implementing a strategy for delivering an effective combination of want-satisfying features to consumers within target market. The marketing mix is made up of four components; product, price, promotion and place. Marketing strategy, understanding of consumer behaviour is needed in strategic marketing activities. This is because
marketing strategies and tactics are based on explicit or implicit beliefs about consumer behaviour. Effective Regulatory policy in terms of marketing practices requires an extensive knowledge of consumer behaviour.

Social marketing also require an in depth understanding of consumers and their behaviours or attitudes. Social marketing is the application of marketing strategies and tactics to alter or create behaviours that have positive effect on the target individuals and or society as a whole. Social marketing has been used as an attempt to reduce smoking, to increase the percentage of children receiving their vaccinations in a timely manner and many other important causes.

The study of consumer behaviour can be approached in three different perspectives namely; Consumer Influence Perspective, Holistic Perspective and Intercultural Perspective. From Consumer Influence Perspective, Consumer behaviour is said to be of particular interest to those who, for various reasons, desire to influence or change that behaviour, including those whose primary concern is marketing, consumer education and protection and public policy.

1.3. THE NEED FOR STUDYING CONSUMER BEHAVIOUR

Four basic principles underlie the consumer influence perspective of studying the consumer

- The consumer is sovereign
- Consumer behaviour can be understood through research
Consumers can be influenced

Consumer influence is a socially legitimate activity

If marketers can find out the basis on which the consumers are making their Consumption decisions they can plan their marketing strategy effectively. By understanding their consumer better, marketers will be able to make more suitable managerial decisions. If they can understand them, they can know their reactions in advance to external and internal factors. So, their marketing strategy can be planned accordingly.

When the market was flooded with products, a lot of products failed. They failed despite the fact they were excellent products. The reason was that the marketer could not understand the needs and expectations of the consumers. It was believed that if consumer behaviour can be predicted, if could be influenced also. This approach is known as positivism, and the researchers related to the prediction of consumer behaviour are called positivists.

Some researchers studied consumer behaviour to understand the consumer better. They did not want to study it to make managerial decisions. They looked into the finer aspects of behaviour such as moods, situation, etc. Such researchers are called interpretivists. They think that each consumption decision is unique because of the impact of various internal and external factors and the interaction between these factors affecting them at that particular
moment of purchase. They are also called esperantists because they focus on the consumption experience.

![Framework for studying consumer behaviour](image)

**Fig. 1.1. Framework for studying consumer behaviour**


Our society is diverse. We can see diversity among consumers, among marketers, among nations and among customers. Despite prevailing diversity, there are many similarities in human behaviour
as an individual or as a group, which makes it achievable for marketers to devise marketing strategies that influence consumers who are similar in terms of some relevant product characteristics. The understanding of consumer behaviour enables marketers to understand and predict consumer behaviour in the marketplace. It also promotes understanding of the role that consumption plays in the lives of individual.

Consumer behaviour is interdisciplinary. It is based on concepts and theories about people that have been developed by scientists in the field of psychology, sociology, cultural anthropology and economics.

The model for consumer behaviour is made up of three sections: external environmental variables influencing behaviour, individual determinants of behaviour, and the consumer’s decision making process. External variables that influence consumers are their culture, subculture, social class, social group, family and personal influences. The individual determinants are personality, learning, perception, motivation, attitudes and beliefs. The elements of the decision process are need recognition, information search, and evaluation, purchasing process and post purchase behaviour.

Marketers always wanted to know why the consumers made the purchase decisions they did and how they reacted to their promotional messages. Because marketers assumed that if they know everything
about the consumer decision making process, they could design marketing strategies and promotional messages that influence the consumer to buy their products.

Consumer behavior has changed dramatically in the past decade. Today, consumers can order online many customized products ranging from sneakers to computers. Many have replaced their daily newspapers with customized, online editions of these media and are increasingly receiving information from online sources. People who want to sell their old computers or grandma’s antique credenza no longer need to advertise in the local newspaper or relay on a pricy auction; instead, they can sell these items via ebay.com etc. Consumers who want out-of-print books no longer have to visit out-of-the-way stores with hundreds of poorly organized dusty shelves, and those who wish to purchase a book published in another country no longer have to call foreign publishers or deal with the bureaucratic nuances of overseas shipping; instead, they visit Amazon.com where they can easily locate and place orders for the books they seek. All of these new ways of selling products and services became available to consumers during the past fifteen years and are the result of digital technologies. They exist today because they reflect an understanding of consumer needs and consumer behaviour.
1.4. TELECOM INDUSTRY IN INDIA

India is now the second largest telecom market in the world in terms of subscriber base and, more importantly, among the fastest growing markets globally with monthly net additions now inching closer to 20 million. Telecom and network connectivity are widely seen as key enablers of a nation’s socio-economic growth. In today’s context, it is as critical as infrastructure, roads, power and electricity are to a nation’s progress. A McKinsey study states that a 10 per cent increase in tele-density contributes 0.6 per cent of GDP growth. The role of telephone in everyday life has undergone a complete transformation over the last decade to warrant such a view. Close to 65 persons in every 100 own a phone today. Telecom will continue to generate both direct and indirect employment opportunities for millions of youth in areas like manufacturing, telecom, BPOs, ancillaries, channel distribution, branding and infrastructure labour.

Historically, the telecom network in India was owned and managed by the Government considering it to be a natural monopoly and strategic service, best under state’s control. However, in 1990’s, examples of telecom revolution in many other countries, which resulted in better quality of service and lower tariffs, led Indian policy makers to initiate a change process finally resulting in opening up of telecom services sector for the private sector.
The present number of companies involved in Telecom industry will help the consumer gain to access the facilities like video phone, high speed internet and streaming TV and all this because of the existing competition. The best thing about the Indian telecom innovations is that they have not only turned out to be great commercial success but have impacted the country’s disparate economic classes profoundly. The Indian customer’s innate desire to use the little gizmo innovatively has turned out to be phenomenal. Starting from the farmer who catches up with the latest weather forecast and commodity rates to the urban maidservant who shuttles between 5 – 6 urban households but still manages to reach each house on time economic lives are changing for the better. Thus telecom usage innovations have improved everyone’s productivity across the class pyramid.

As one moves into the future, new technologies like 3G are going to open up new possibilities before people. 3G is going to be the next big transformation in Indian telephone as it is going to mark a quantum jump in wireless communication in the country. Services like high speed internet on the mobile phone are a reality. These networks are going to play a critical role across the rural-urban divide. Rural development initiatives like e-governance, e-health and e-education will receive a big boost following 3G networks. The telecommunications sector in India has registered remarkable growth in recent years propelled largely by the unprecedented growth in
mobile telephone. The key policies assiduously pursued by the Government in the telecom sector have been liberal reforms and regulatory autonomy.

Mobile connections constitute modern India’s most powerful movement that touches the lives of the ordinary and the powerful in the same vein. A service like SMS has clearly added a new dimension to communication. Value Added Services like ring back tones and music downloads have transformed the phone into a potent entertainment and lifestyle device.

Indian telecom sector has undergone a major process of transformation through significant policy reforms. The reforms began in 1980s with telecom equipment manufacturing being opened for private sector and were later followed by National Telecom Policy (NTP) in 1994 and NTP’ 1999. However, in 1990’s, examples of telecom revolution in many other countries, which resulted in better quality of service and lower tariffs, led Indian policy makers to initiate a change process finally resulting in opening up of telecom services sector for the private sector. The rapid spread of mobile telephone in India is the most obvious manifestation of the benefit of telecom sector liberalization. Fixed line penetration is declining and projections now exclusively focus on mobile telephone.

Given its spread, it is reasonable to expect that mobile telephone will exert an enormous influence on the level of economic
activity. Mobile phones can do what fixed lines did in many other regions and countries over two decades ago: widen markets, create better information flows, lower transactions costs and substitute costly (in time and money) physical transport.

Telecom services have been recognized world-over as an important tool for socio-economic development of a nation. It is one of the prime support services needed for rapid growth and modernization of various sectors of the economy. Driven by various policy initiatives, the Indian telecom sector witnessed a complete transformation in the last decade. It has achieved a phenomenal growth during the last few years and is poised to take a big leap in the future also. The sector is growing at a pace of 46-50% during the recent years. This rapid growth is possible due to various proactive and positive decisions of the Government and contribution of both by the public and the private sectors. The rapid strides in the telecom sector have been facilitated by liberal policies of the Government that provides easy market access for telecom equipment and a fair regulatory framework for offering telecom services to the Indian consumers at affordable prices.

In recent years, cellular service industry has become more popular as compared to other industries. Analysts opine that it will grow at a much faster pace due to high penetration of mobile phones, which resulted in instant access to information at any time and place.
The adoption of mobile phones has been exceptionally rapid in many parts of India.

The telecom industry is one of the fastest growing industries in India. India has nearly 900 million telephone lines making it the second largest network in the world after China. With a growth rate of 45%, Indian telecom industry has the highest growth rate in the world. The role of telephone in everyday life has undergone a complete transformation over the last decade to warrant such a view. Close to 65 persons in every 100 own a phone today. Sustained fall in handset price and telecom tariff and expansion of mobile telephone’s geographic coverage continue to increase the size of India’s targetable population at an exponential rate.

It is an important service for rapid growth and modernization of various sectors of the economy. Driven by various policy initiatives, the Indian telecom sector witnessed a complete transformation in the last decade. Indian Telecom service sector is becoming one of the fastest growing sectors in the world. The impact of telecom on the economy goes beyond mere connectivity. Its biggest impact is felt in the area of entrepreneurship development. From farmers to fishermen, from the vehicle mechanic to the neighborhood plumber, everyone has found a way to leverage the device to improve his life. The omnipresent device clearly has the potential to nurture millions of entrepreneurial dreams across rural and urban India, who could
prove to be a critical pivot around which India’s economic transformation will shape up.

During pre-liberalization days, India’s telecom growth remained hindered by an elitist bias. Telephone was considered a luxury and was treated as the exclusive preserve of the rich. Today, mobile telephone has graduated from its elitist status to be one among the essentials such as roti, kapada and makaan for a large section of the population. The customer base, which stood at 80,000 in 1948, had grown to five million by 1991, the year the country began its historic journey towards market economy. The telecom revolution typically represents the country’s post 1991 economic transformation – from a hesitant beginning to explosive growth. This mobile telephone led revolution is spreading to every corner of the country and over eight million mobile subscribers’ sign up for services every month. Over the last decade, not only has India emerged as the fastest growing mobile market but also as one of the largest in terms of customers.

This revolution should ideally be seen as a part of the wider change process ushered in by India’s liberalization drive, which opened many areas to private entrepreneurs. In telecom service, mobile telephone was the first to see private entrepreneurs in 1995. BhartiAirtel was a pioneer in the sector when it launched its services in Delhi. Then nobody had anticipated this new technology to be such a powerful trigger for change – connecting people across urban and
rural India and in turn contributing to the economic development of the country.

History of Indian Telecommunications started in 1851 when the first operational land lines were laid by the government near Calcutta (seat of British power). Telephone services were introduced in India in 1881. In 1883 telephone services were merged with the postal system. Indian Radio Telegraph Company (IRT) was formed in 1923. After independence in 1947, all the foreign telecommunication companies were nationalized to form the Posts, Telephone and Telegraph (PTT), a monopoly run by the government's Ministry of Communications. Telecom sector was considered as a strategic service and the government considered it best to bring under state's control.

The first wind of reforms in telecommunications sector began to flow in 1980s when the private sector was allowed in telecommunications equipment manufacturing. In 1985, Department of Telecommunications (DOT) was established. It was an exclusive provider of domestic and long-distance service that would be its own regulator (separate from the postal system). In 1986, two wholly government-owned companies were created: the Videsh Sanchar Nigam Limited (VSNL) for international telecommunications and Mahanagar Telephone Nigam Limited (MTNL) for service in metropolitan areas.
The process of liberalization in the country began in the right earnest with the announcement of the New Economic Policy in July 1991. Telecom equipment manufacturing was delicensed in 1991 and value added services were declared open to the private sector in 1992, following which radio paging, cellular mobile and other value added services were opened gradually to the private sector. This has resulted in large number of manufacturing units were set up in the country. As a result most of the equipment used in telecom area is being manufactured within the country. A major breakthrough was the clear enunciation of the government’s intention of liberalizing the telecom sector in the National Telecom Policy resolution of 13th May 1994.

In 1990s, telecommunication sector benefited from the general opening up of the economy. Examples of telecom revolution in many other countries, which resulted in better quality of service and lower tariffs, led Indian policy makers to initiate a change process finally resulting in opening up of telecom services sector for the private sector.

Today the world of telecom has changed. Earlier there was just Reliance Communications providing mobile phones at cheap rates but, now there are many mobile phone operators providing mobile phone services at cheap prices. All this has indeed helped consumers. The entry of AIRCEL was not expected to be good due to the existing tough competition but now it has become one of the most successful operators in the country. The growth in the telecom sector has led to
the coming of 3G communication technology. The present number of companies involved in Telecom industry will help the consumer gain to access the facilities like video phone, high speed internet and streaming TV and all this because of the existing competition.

Telecom services are another sunrise sector in which India has made a mark with the second largest telephone network in the world, after only China. Teledensity, which is an important indicator of telecom penetration, increased from 52.74 million in March 2010 to 76.75 million as on 31 October 2012, with urban teledensity at 159.15 million and rural at 40.66 million.

The number of landline telephones has declined from 36.96 million as on end March 2010 to 30.95 million as on 31 October 2012. Wireless telephones now account for 904.23 million of all telephones. The share of the private sector, in terms of number of subscribers, has increased from 82.96 per cent in March 2010 to 86.10 per cent.
Table 1.1. Telephone Connections and Tele Density

<table>
<thead>
<tr>
<th></th>
<th>At the end of March (in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2010</td>
</tr>
<tr>
<td>Total telephones</td>
<td>621.28</td>
</tr>
<tr>
<td>Landline telephones</td>
<td>36.96</td>
</tr>
<tr>
<td>Wireless telephones</td>
<td>584.32</td>
</tr>
<tr>
<td>Rural telephones</td>
<td>200.77</td>
</tr>
<tr>
<td>Urban telephones</td>
<td>420.51</td>
</tr>
<tr>
<td>Telephones of Private Sector (% share)</td>
<td>515.41</td>
</tr>
<tr>
<td>(82.96%)</td>
<td>(85.11%)</td>
</tr>
<tr>
<td>Telephone of Public Sector (% share)</td>
<td>105.87</td>
</tr>
<tr>
<td>(17.04%)</td>
<td>(14.89%)</td>
</tr>
<tr>
<td>Rural tele-density in %</td>
<td>24.31</td>
</tr>
<tr>
<td>Urban tele-density in %</td>
<td>119.45</td>
</tr>
<tr>
<td>Overall tele-density in %</td>
<td>52.74</td>
</tr>
</tbody>
</table>

Source: Department of Telecom (DOT)

1.5. RECENT TRENDS AND FUTURE OF TELECOM SECTOR

The Indian telecom market is expected to grow three fold by 2012 & market size over US $ 8 billion. With the rapid growth of the telecom network, there are further opportunities to expand the telecom infrastructure and research and development.
The Indian mobile services industry has been the fastest growing mobile services market in the world, registering a CAGR of more than 50% in terms of subscribers and 15% in terms of gross revenues over the past decade. The industry is presently the second largest globally by subscriber base with the total subscriber base of 913.5 million as on July 2012. The strong growth in the industry can be attributed primarily to the country’s large population, healthy economic growth, affordable handsets, and most importantly low tariffs.

Increasing price competition and aggressive customer acquisitions by the telecom operators (telecom companies) led to frequent migrations between plans/telecom companies by the price-sensitive subscribers, leading to proliferation of inactive connections. In such a scenario, ‘active subscribers’ is a more accurate representation of the subscriber base in the country, and stands at 76% of the total subscribers as on July 2012, translating into ‘active teledensity’ of 57%. It points to the increasing saturation in the industry and the pace of subscriber addition is not likely to be as strong as before.

Given the fact that the urban areas have significantly high teledensity as compared to the rural areas, much of the incremental subscribers growth, going forward, would have to be driven by addition of rural subscribers. But the rate of penetration of mobile
services in the rural areas being slow, overall incremental subscriber growth is likely to slow down.

The Indian telecom industry is highly competitive with at least seven telecom companies in each circle and up to 12 telecom companies in some circles competing for market share. This makes India one of the most crowded mobile markets globally—the number of telecom companies in most countries ranges from two to five—and has led to aggressive pricing by telecom companies during the last two years. The impact of such pricing strategies is reflected in the trend of decline in the industry’s key operating matrices: Average Revenue per User (ARPU); and Average Rate per Minute (RPM).

The average ARPU in India stands at around US$2 (March 2012) as against the estimated US$63 for NTT Docomo, Japan; US$33 for Vodafone, UK; and US$12 for China Mobile, China. A similar pattern is seen in the case of RPM. Besides higher competition and the resultant low tariffs (the Indian mobile industry has one of the lowest tariffs in the world), this difference is also explained by the high proportion of prepaid subscribers in India (95% versus less than 50% in Europe) and the low penetration of non-voice revenues in the country.

With the cancellation of telecom licenses following the February 2012 order of the Supreme Court (SC), the number of telecom companies in the industry is expected to reduce, which in turn should
lead to some abatement in the competitive intensity. This, along with the anticipated regulatory payouts, could prompt the telecom companies to raise tariffs.

With revenues from voice services stagnating, future growth is likely to be driven by wireless data services. Telecom companies have already invested significantly in acquiring spectrum for third generation (3G) and broadband wireless access (BWA) and are now expanding their footprint across the country, albeit cautiously. Till date, revenues from data services remain significantly low in India vis-à-vis other countries largely because of the relatively high pricing; lack of handset affordability; and limited content availability. Extrapolating from the experience in some of the other mobile markets, in India too, data is likely to be a long-term play and take some time to mature.

Despite being the second largest market, India lags behind in terms of availability of spectrum for commercial use. The per operator spectrum allocation in India is low (around 6 MHz) and compares unfavorably with other countries (worldwide average of estimated 17 MHz).

Besides data, the telecom companies have been looking at other services to bolster their top line. Some business segments that have emerged as important revenue drivers for the industry are: enterprise communications, broadband services, direct-to-home (DTH) and data centers. While each segment has its own set of competitors, the
telecom companies have an advantage, given their established subscriber base, network deployment and technological knowhow.

1.6. MOBILE SUBSCRIPTION APPROACHES TOTAL GLOBAL POPULATION IN 2013

80 per cent of the world’s mobile handsets will be smart phones by 2015. According to International Telecommunications Union (ITU), in early 2013, the world had 6.8 billion mobile subscriptions, with more than half — 3.5 billion — in the Asia-Pacific region. Of the Asia-Pacific region, India and China alone constitute more than 2 billion mobile subscriptions, as the two countries that sit at the head of the list of the top 10 countries with mobile subscriptions.

<table>
<thead>
<tr>
<th>Rank</th>
<th>Country</th>
<th>Mobile phones (Millions)</th>
<th>% of population</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>China</td>
<td>1,170</td>
<td>85.21</td>
</tr>
<tr>
<td>2</td>
<td>India</td>
<td>864</td>
<td>68.72</td>
</tr>
<tr>
<td>3</td>
<td>United states</td>
<td>327</td>
<td>103.9</td>
</tr>
<tr>
<td>4</td>
<td>Indonesia</td>
<td>281</td>
<td>118.6</td>
</tr>
<tr>
<td>5</td>
<td>Brazil</td>
<td>263</td>
<td>136.7</td>
</tr>
<tr>
<td>6</td>
<td>Russia</td>
<td>261</td>
<td>183.0</td>
</tr>
<tr>
<td>7</td>
<td>Japan</td>
<td>138</td>
<td>108.0</td>
</tr>
<tr>
<td>8</td>
<td>Vietnam</td>
<td>134</td>
<td>146.5</td>
</tr>
<tr>
<td>9</td>
<td>Pakistan</td>
<td>122</td>
<td>68.83</td>
</tr>
<tr>
<td>10</td>
<td>Nigeria</td>
<td>114</td>
<td>69.0</td>
</tr>
</tbody>
</table>

Source: ITU, National Telecommunication Ministries and Regulatory Authorities, June 2013
With mobile penetration approaching 100 per cent and markets saturating, growth rates had fallen to their lowest levels in both the developed and the developing countries. For the developed world, the growth rate has fallen from a high of 13 per cent in 2005-06 to an estimated 3.7 per cent in 2012-13. For the developing world that added phone subscriptions at a scorching rate of over 30 per cent for the two years — 2005-07, the annual growth rate slowed down to an estimated 6.1 per cent in 2012-13. The global growth rate of mobile subscriptions presently averages at 5.4 per cent.

Mobile cellular penetration stood at 96 per cent at the beginning of 2013, with 128 per cent mobile teledensity in the developed countries and close to 89 per cent in the developing nations.

Even though the number of subscriptions is approaching the global population, it still does not mean that every citizen in the world has access to a mobile phone. Mobile teledensity in several large countries like China (85.21%), India (68.72%), Pakistan (68.83%), Nigeria (69%) still have reasonable head room for growth. In India’s case, however, in the last 18 months, the market was stagnant and even declining, settling at roughly 864 million (after touching a peak of 900 million), of which 70 per cent are active subscribers.

Mobile broadband subscriptions climbed from 268 million in 2007 to 2.1 billion in 2013 — an average annual growth rate of 40 per
cent. In the developing countries, mobile broadband subscriptions more than doubled from 472 million to 1.16 billion during 2011-13.

1.7 INDIAN TELECOM MARKET SIZE AND GROWTH

World-class telecommunications infrastructure contributes to economic and social development of a country by providing: better market information; improved transport efficiency and more distributed economic development; reduced isolation and increased security for villages, organizations, and people; and increased connectivity to (and coordination with) international economic activity (Hardy, 1980). It is too significant for the development of information technology; and sectors like, services, travel, tourism, hotels, airlines, etc., is linked to communications and would get a fillip.

Until the mid-1990s the ownership of a telephone in India was considered as a luxury. Even in 1996, for instance, there was a waiting period of three to five years despite paying a sizeable amount as application deposit. But the situation at present has changed radically. Today, in many states, cellular service providers are competing with each other to gain customers and thus there are no waiting lists. A luxury service of yester-years has become a necessity today because of its convenience, affordability and the value it delivers to its end users.

The Indian telecom carried on to register an important development during the current fiscal year. This is due to the
influence of the pro-active and economic reforms of the government of India. Currently, India has been developed as the second principal network of wireless in the world by exceeding USA. With this achievement, now about nine million telephone connections are being added each and every month. The handsets that are sold at the prices could be easily reached by the common man that in turn has made the country one of the most pursued after the destinations of telecom manufacturing. The speedy development in the sector of telecom could be attributed to the numerous positive and pro-active measures of policy that are taken by the government and also the entrepreneurial and dynamic spirit of the different providers of telecom services both in the public and private sector (Gerpott, Rams & Schindler, 2001)\(^\text{15}\).

**Table 1.3: Market share of service provider as on July, 2012**

<table>
<thead>
<tr>
<th>Sl.No.</th>
<th>Name of the Telecom Operator</th>
<th>Market share %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>BSNL</td>
<td>69.00</td>
</tr>
<tr>
<td>2</td>
<td>MTNL</td>
<td>11.03</td>
</tr>
<tr>
<td>3</td>
<td>Bharti</td>
<td>10.44</td>
</tr>
<tr>
<td>4</td>
<td>Tata</td>
<td>4.66</td>
</tr>
<tr>
<td>5</td>
<td>Reliance</td>
<td>4.02</td>
</tr>
<tr>
<td>6</td>
<td>HFCL</td>
<td>0.62</td>
</tr>
<tr>
<td>7</td>
<td>Sistema</td>
<td>0.16</td>
</tr>
<tr>
<td>8</td>
<td>Vodafone</td>
<td>0.07</td>
</tr>
</tbody>
</table>

Source: Website, Telecomlead.com
Chart 1.2: market share of service providers as on July, 2012

Source: Website, Telecomlead.com

The above table depicts the total market share enjoyed by different service providers present in India. Market share in simple terms can be regarded to be the ratio of a sector or percentage of total sales earned by a specific firm for a specified duration. In India, the service providers can be segregated as private service providers or those operating as PSUs. The chunk of the market share (more than 50%) is enjoyed not by a private player but a governmental one – BSNL. The remaining share is segregated amongst smaller players. Out of these 11.03% is enjoyed by MTNL. Amongst the private players, the largest market share – 10.44% is enjoyed by Bharti. Tata enjoys a market share of 4.66%. Despite having a good customer base Reliance, enjoys market share of merely 4.02%. Quadrant (HFCL) enjoys a market share of 0.62% while Vodafone enjoys a market share of mere 0.07%.
According to Snyder (2006)\textsuperscript{16} BSNL (Bharat Sanchar Nigam Limited) came into establishment on 1\textsuperscript{st} October in the year 2000 as an outcome of the re-organization of erstwhile Telecom Department. With this the reform method of separation of policy formulation from service regulation and provision has been finished. This re-organization had two essential implications for BSNL that is:

i. Henceforth as a commercial entity, Bharat Sanchar Nigam Limited has to act and among other things its policies of investment must be directed by commercial consideration or by profits.

ii. Paul (2011) has mentioned that Bharat Sanchar Nigam Limited would be subjected to extra financial liabilities like license fees, corporate tax, dividend payment, etc which were not possible to erstwhile DOT.

Besides the above, Bharat Sanchar Nigam Limited has been offering telephones in un-remunerative areas including Village Public Telephones in pursuance of the National Telecom Policy directives. This obligation is influencing its financial health adversely.

BSNL is the state – owned company of telecommunication in India, with its headquarters in New Delhi. This is the huge supplier of the fixed telephone and the fourth greatest provider of mobile telephone in India and is also a supplier of the broadband services. Though, during recent years the market share and the revenue of the
company had been plunged into great losses because of the probing competition in the sector of Indian telecommunications. During the 10th plan based on company’s available resources it schedules to offer 368 lakh new links. Keeping in line with the projected demand for services of mobile company’s major focus is thought to be on extension of cellular mobile services as the 3rd operator in different circles (Hudson and Murray, 2006). The below table gives the wide descriptions of extension programme envisaged by company during 10th Plan:

**Table 1.4: Expansion of BSNL Network.** (in lakhs)

<table>
<thead>
<tr>
<th>Type of Phones</th>
<th>Urban</th>
<th>Rural</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed</td>
<td>80.00</td>
<td>0.90</td>
<td>80.90</td>
</tr>
<tr>
<td>WLL</td>
<td>51.00</td>
<td>11.93</td>
<td>62.93</td>
</tr>
<tr>
<td>Mobile</td>
<td>222.00</td>
<td>1.84</td>
<td>223.84</td>
</tr>
<tr>
<td><strong>Total:</strong></td>
<td><strong>353.00</strong></td>
<td><strong>14.67</strong></td>
<td><strong>367.67</strong></td>
</tr>
</tbody>
</table>


BSNL is the India’s largest and oldest CSP (Communication Service Provider). As of June 2011, the company has the customer base of about 95 million. The BSNL has its footprints all over India excluding the metropolitan cities of New Delhi and Mumbai that are administered by MTNL (Mahanagar Telephone Nigam). Almost all the services of telecom are provided by BSNL in India. Some of the main
telecom services that are offered by BSNL are, universal telecom services, cellular mobile telephone services, internet, intelligent network (IN), FTTH (Fiber To The Home facility), Help desk, WiMax etc.

When the cellular mobile telephone services are considered, BSNL is the foremost supplier of the services of cellular mobile telephone services utilizing the GSM platform under the brand name of Excel and Cellone (BSNL Mobile). BSNL has about 13.50 % of share of the mobile telephone, as of June 2010 in the country, within a span of five years it has become one of the largest public sector unit in India.

BSNL has installed Quality Telecom Network in the country and now focusing on improving it, expanding the network, introducing new telecom services with ICT applications in villages and wining customer's confidence. Today, it has about 47.3 million line basic telephone capacity, 4 million WLL capacity, 20.1 Million GSM Capacity, more than 37382 fixed exchanges, 18000 BTS, 287 Satellite Stations, 480196 Rkm of OFC Cable, 63730 Rkm of Microwave Network connecting 602 Districts, 7330 cities/towns and 5.5 Lakhs villages.

BSNL is the only service provider, making focused efforts and planned initiatives to bridge the Rural-Urban Digital Divide ICT sector. In fact there is no telecom operator in the country to beat its reach with its wide network giving services in every nook & corner of country
and operates across India except Delhi & Mumbai. Whether it is inaccessible areas of Siachen glacier and North-eastern region of the country. BSNL serves its customers with its wide bouquet of telecom services. BSNL is number one operator of India in all services in its license area. The company offers vide ranging & most transparent tariff schemes designed to suite every customer. BSNL cellular service, CellOne, has more than 17.8 million cellular customers, garnering 24 percent of all mobile users as its subscribers. That means that almost every fourth mobile user in the country has a BSNL connection. In basic services, BSNL is miles ahead of its rivals, with 35.1 million basic phone subscribers i.e. 85 per cent share of the subscriber base and 92 percent share in revenue terms.

BSNL has more than 2.5 million WLL subscribers and 2.5 million Internet Customers who access Internet through various modes viz. Dial-up, Leased Line, DIAS, and Account Less Internet (CLI). BSNL has been adjudged as the NUMBER ONE ISP in the country.

1.8. RELEVANCE TO ECONOMY

The Indian telecommunication sector has registered a phenomenal growth during the past few years and has emerged as the second largest network in the world. On back of ongoing investments into infrastructure, the country is projected to witness high
penetration of Internet, broadband, and mobile subscribers in the near future, as per an RNCOS report.

India’s mobile services market will touch Rs 1,200 billion (US$ 20.24 billion) in 2013, registering a growth of 8 per cent from Rs 1,100 billion (US$ 18.55 billion) in 2012, according to a report by Gartner Inc. Mobile connections are expected to grow to 770 million in 2013, 11 percent increase from 712 million connections in 2012.

Internet traffic in India is expected to reach from 393 petabytes per month in 2012 to 2.5 exabytes per month in 2017, highlighted in a Cisco study. "Internet traffic growth in India is the fastest globally," said Mr. Robert Pepper, VP (Global Technology Policy), Cisco.

India is expected to have 130.6 million mobile internet users by March 2014, as per a joint study by the Internet and Mobile Association of India (IAMAI) and Indian Market Research Bureau (IMRB). The mobile value-added services (MVAS) market is expected to reach US$ 9.5 billion in 2015, from US$ 4.9 billion in 2012, stated a joint research report by Wipro Technologies and the Internet and Mobile Association of India (IAMAI).

The telecommunications industry attracted foreign direct investments (FDI) worth US$ 12,856 million between April 2000 to March 2013, an increase of 7 per cent to the total FDI inflows in terms of US$, according to data published by Department of Industrial Policy and Promotion (DIPP).
1.9. THE STRUCTURE OF INDIAN TELECOM INDUSTRY

Presently, public sector as well as private telecom operators are essentially catering to the ever growing telecommunication needs in India. The Govt. of India has permitted private participation in all segments of the telecom industry including ILD, DLD, basic cellular, internet, radio paging, etc. The broad structure of the telecom industry is given in the diagram below:

![Diagram of Telecom Industry Structure]

**Fig. 1.3: Structure of Telecom Industry**

Source: D & B Research

**Public Sector:** In the wake of privatization of VSNL in 2002, only two Public sector units- MTNL and BSNL operate in India and provide wide range of telecom services. MTNL operates in Delhi and Mumbai and BSNL provides services to the rest of India. After liberalization MTNL and BNSL have made considerable progress and have also provided severe competition to their private rival companies.

**Private Sector:** In fact Private Telecom operators have played significant role in the development and growth of the telecom
industry. Some private telecom operators have all India presence while there are many regional players that cater to only some service areas.

1.10. FUTURE OF MOBILITY

More and more entertainment will be delivered through mobility. Indians will click through the internet more on mobiles and less on laptops. Mobility will move from voice and SMS to a host of value added services. All services that were delivered from a physical building in the West and in urban India will now be delivered over the air. Future will see more m-governance. Government departments will increasingly use the digitized route to superior governance. Mobility will considerably reduce the role of the middleman in commerce and the role of unscrupulous elements in disseminating wrong information. It will bring in a democratization and efficiency of markets and information. This will create a huge pressure on elected representative to be answerable. Mobility will give marketers the ability to target one consumer at a time, while also targeting millions as a media vehicle.
1.11. CONSUMER BEHAVIOUR IN THE INDIAN TELECOM INDUSTRY

In terms of the global market, India has been ranked the world’s second largest market for wireless followed by China. It is according to the reports of Telecom Regulatory Authority of India (TRAI), by the end of June, 2010, the overall base of wireless subscribers had reached to greater than 300 million. A total of 8.94 million wireless subscribers have been added during the period of June 2008 compared to the 8.62 million wireless subscribers that have been added during the period of May 2008. The principal driver for the whole category is developing requirement for greater mobility and staying linked. This is applicable to the people of all the occupations and age groups. Added to that, about one – third of the total markets of handsets were encompassed by the youth segment that requires greater connectivity and high mobility. The similar thing is appropriate for the professionals and businessmen.

During the year 2011, the overall base of the subscribers of telephone has gone to about 679.11 million, subscription of wireless has gone to 652.42 million, the number of broadband subscribers has gone to 9.77 million, about 16.92 million of the subscription of wireless has been added and the tele – density has reached to a mark of about 58.17 %. In the telecom industry success relies not only on buying cost, sales, but also on the charges of call. The special importance of the cost for the decision to buy is as agreed upon in
telecom sector as it is elsewhere. Thus the option of telecommunication service provider is always linked with buying a new set of end-user, for instance customers regards the fixed costs of connection and charges of variable call (Ramachandran, 2005)\textsuperscript{18}. Hence, from the study’s result, Mittal (2005)\textsuperscript{19} has inferred deliberately that cost has important positive influence on the choice of consumer perception in choosing telecommunication service provider. The service availability has an essential influence on the choice of consumer perception in choosing telecom service provider and supported.

Similarly Bolton, Warlop and Alba (2003)\textsuperscript{20} have mentioned that promotion has essential influence on perception of customers option in choosing telecom service provider since it is used to interact with customers with respect to offerings of product. Promotion owns an essential role in deciding market success and profitability. The rivalry among the telecom service providers in India is much intense now than at any time. They rival not only for quality network by huge amount of spending in network upgrading, network quality and network extension, but also for old customers retention and purchase of new customers by indirect and direct cost reduction.

Bruner and Kumar (2005)\textsuperscript{21} have described that quality network is considered as one of the most essential factors of overall quality service. The most essential factors consumers prefer in telecom service provider are quality product, promotion and availability of
services. To compete successfully in nowadays value conscious surroundings the telecom service providers in India must set up their offers value as higher to others.

The Indian telecom industry has witnessed a radical change in the recent past and became one of the important markets in the world. Some of the reasons for its rampant growth are availability of low-priced mobile handsets, vast network coverage, and cheap tariff. Wireless teledensity has also risen to the level of around 68% at the end of FY 2011-12 (RNCOS). The industry is poised for future growth as there is a wide gap in teledensity between urban and rural areas. The wireless teledensity in urban areas grew to around 150%, while it is around 33% in rural areas during FY 2011-12. The deployment of 3G services on a national scale will prove revolutionary for the increasing broadband penetration in the country, which is restricted due to the inadequate infrastructure. According to research report published by RNCOS “India 3G market forecast to 2014”, the number of 3G mobile subscribers is expected to grow at a CAGR of around 88% during 2011 -2014 due to the rising need for high speed data services with mobility.

The country saw addition of around 192 Million subscribers in its mobile subscriber base during 2009-10. Mobile Services growth in urban areas is near saturation, in fact, it has crossed 100% in cities like New Delhi. With over 850 million active Indian mobile subscribers, mobile operators in the country are now eyeing rural
India which is triple the size of urban market. According to the report, “Booming Rural Mobile Market in India”, number of subscribers is expected to grow at a CAGR of around 35% during FY 2012-13 - FY 2014-15 in rural India. Numerous 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. It is forecasted that the sales of mobile handsets in rural India will grow at CAGR of around 19% during 2011-12 - 2013-14. Nokia became the leader of mobile phone sales with 110.1 million units, but its market share tumbled 1.2% year-on-year. Samsung recorded the sales of 64.9 million devices in the first quarter of 2010, up 26.3% year-on-year. The mobile phone sales of RIM touched the level of 10.6 million units in the first quarter of 2010, an increase of 45.9% year-on-year. The growth in mobile phone sales during the first quarter of 2010 received support from Smartphone sales that posted double-digit growth. Smart phones represented the share of 17.3% (54.3 Million units) of the total mobile handset sales in the last quarter. According TRAI, India's rural areas accounted for 191 million mobile subscribers in comparison to 393 million subscribers in urban areas. There were 112 mobile connections for every 100 people in urban areas in contrast to 23 connections per 100 people in rural areas.