

Airtel innovates to try to lock in customers

With RJio getting 4 million subscribers in the “test” phase itself, it is not surprising market leader [Bharti Airtel](#) has chosen to respond in the manner it has, by slashing 3G/4G data rates at least a third—theoretically, it could be much more—on top of the 67% cut just a month ago; Vodafone and Idea may also follow suit. Since no decision has been taken on the incumbent telcos’ protest against RJio being allowed such an extensive “test” period without even filing a tariff plan, incumbents can lose millions of customers; if customers don’t know what the final RJio tariffs are, they will simply move due to the free data. So, Airtel has come out with a strategy through which it hopes to lock in customers by offering very low-cost but not free data—even the earlier price cuts by telcos were aimed at getting subscribers to pay a fixed sum to them each month while getting more data or free voice minutes bundled with a data plan. Right now, with so much unutilised capacity in the internet pipes, giving out cheap data is not a problem—the telcos have spent money to build out the networks and need to use them to the optimum.

Airtel’s latest offer is innovative and, should it work for data-hungry customers, the telco may find it easier to fend off the RJio challenge. The plan offers 1 GB of data per month at an upfront price of Rs 1,498 and then unlimited updates for just Rs 51. If a customer recharges just once a month, she ends up paying Rs 2,110 per year for 13 GB of data as compared to Rs 3,367 under the older plans—if the customer tops up twice a month, Airtel gets Rs 2,772, and Rs 3,946 if the top-up is weekly. That is a win-win for everyone. Airtel gets Rs 1,498 upfront and, most important, gets to ensure the customer doesn’t migrate to RJio. Also, at Rs 2,110, the monthly earnings of Rs 176 aren’t too bad considering Bharti’s current data earnings are Rs 202 on average; if the customer uses more data, the move may even generate higher revenues—for the customer, recharging weekly drops data charges down to Rs 80 per GB as compared to Rs 259 earlier. What’s critical is to ensure customers don’t move since, if they do, it will be very difficult to get them back—in another few months, if RJio continues to give free data, it could well pick up 30-35 million subscribers. What that will also mean is rigorous monitoring of customers who are leaving or reducing their data usage—this could mean they are using an RJio data SIM—by telcos and giving them even more aggressive retention schemes.

With customers given so much data, the question is what they are to do with it. RJio scores with a very large music and video library that it owns and an exclusive tie-up for the Star TV

bouquet; the Zee bouquet is also available to telcos like Airtel. Few Indian telcos built their libraries as they felt they could buy them and bundle this for their customers along with some waivers on data charges. With Trai not allowing this for any content on the internet—as opposed to the intranet—this means an Airtel or a Vodafone can't strike a deal with a Netflix and subsidise the data usage of its customers; they can, though, strike a deal for a better subscription fee. If RJio customers are using an average of 26 GB a month, this is driven both by the fact that the data is free and the quality of the programming offered is top-class.