



IMPACT OF CELL PHONE SERVICES IN RURAL MARKETING DEVELOPMENT OF INDIA

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ABSTRACT

Telecom Revolution swept the country during the last decade. India has established itself as a leading world player in the telecom sector and today it is second to none – growth wise in this sector. No other sector anywhere in the world has grown so exponentially as the telecom sector in India. It has even surpassed all government projections and surprised many telecom experts with its robust growth. Rural marketing is an evolving concept, and as a part of any economy has untapped potential. Improvement in infrastructure and reach promise a bright future for those intending to go rural. It is not remained the means of communication, but it is providing to be an effective tool of transforming living standards and life styles of human lives. Cell phones are being effectively used in rural markets and the present growth is noteworthy. This paper is a modest attempt on the study of the impact of Cell Phone in the development of Rural Market.

KEY-WORDS: *Telecom Revolution, Rural Marketing, Telecommunication*

INTRODUCTION

India's 21.59 million-line telephone network is the largest in Asia. 3rd largest among emerging economies (after China and Republic of Korea) and the 12th largest in the world. Today, India has 22 private companies providing cellular services in 18 telecom circles and 4 metro cities (Delhi, Mumbai, Chennai and Kolkata). Ever since their introduction, cellular services have shown a fair growth with the subscriber base crossing the 1 million mark by the first quarter of 1999. India has adopted the Global System of Mobile Communication (GSM) for provision of cellular services.

Allen & Johnson (1995) made a study on the impact of telecommunication on the quality of life of Americans. Again the same authors jointly with others (1998) examined how rural business is affected by the telecommunication linkage. Andrew and Pet kov (2003) thought of the application of systems approach to the

different stakeholders. Armstrong & Fuhr (1993) studied cost considerations for rural telephone service. Cronin & Herbert (1994) tried to quantify the inequities in the benefits and costs of telecommunication across stakeholders groups. Hollifield et al (2000) visited on the effects of rural telecommunications self development projects on local adoption of new technologies. While examining to what extent the farmers have adopted electronic communication they concluded that telecommunication may supplement the traditional methods of Information rather than replacing them. Torero et al (2003) in identifying the willingness to pay for the rural telephone service concluded that the householders have more capacity to pay. Wolak (1996) assessed the impact of reduction in cross subsidy in telephone service pricey. Alleman et al (1991) conducted a study on the potential impact of telecommunication in the South Africans economic development. Allen et al (1993) undertook a study on rural economic development using information age technology in Nebraska. Allen and Koffler (1999) analysed the state initiative in V.S. South for the implementation of Telecommunication Act. Dymond & Oestman (2002) made a study on the financing of telecommunication development in a liberalized environment. Stolft & Sussman (2001) Wohlbruae & Levy (2001) reexamined that how the rural community could be benefited through participating in telecom technology?

TELECOM REVOLUTION

Telecom Revolution swept the country during the last decade. India has established itself as a leading world player in the telecom sector and today it is second to none – growth wise in this sector. No other sector anywhere in the world has grown so exponentially as the telecom sector in India. It has even surpassed all government projections and surprised many telecom experts with its robust growth.

However, there is another telecom renaissance about to happen in the telecom sector in the next few years- one that would change the common perspective of mobile phone usage. In the years to come it would no longer be a mere a talking device. The wonders of this wonderful device would start appearing on the ground when 3G mobiles penetrate deep into rural India and smart mobile handset come within the range of common man.

It appears unbelievable at the first instance but it is a fact that in the coming days mobile phones would be used more for their other smart features rather for taking or sending SMSes. A decade ago, when the mobile revolution swept in India, it was projected as mere a talking device, or at the most to at the most to make SMSes.

Today, ten years down the line, the role of the mobile phone has expanded exponentially-it is no more a mere talking device. Rather it has emerged as an important device for business executives-to check their mails, their assignments, send instant messages, record audio or video footage, Listen to radio – internet radio....etc.

All this is just the beginning of the beginning. In the next few years mobile phone would become an integral part of almost all professionals. To check their e mails, to reply to their e mails, to store important data on mobiles... to chat using TM services..., to make free VOIP (Voice Over Internet Protocol) calls, to use mobile as a navigation device in a new city... to keep record of their expenses.... to maintain their official engagements and sky is the limit...

One look at the software development in the telecom sector reveals the silent revolution in the mobile phone industry. During the past five years, the software industry has developed more software application for

mobile users than for the computer users. Today there are very few operating systems (OS) prevalent in the market--- while Microsoft is the leading player; Linux and Apple have a negligible share in the industry.

But in case of Smartphone Mobile Operating Systems (OS) sector, there are many players and all are growing exponentially—there is Nokia’s Symbian OS, Microsoft’s mobile Windows7, Apple’s iPhone software, BlackBerry OS by RIM, and latest in the race is Google Android that has outpaced all operating systems in its growth.

As present, Nokia’s Symbian is the leading player with 41.2 % of market share in the smartphone, followed by 18.25% of Blackberry, 17.2% by Android and 15.1 % share of Apple i Phone system. The revolution in the smartphone segment started only after Google Android entered the market and changed the rules of the game. Ever since its inception, Google Android has joined hands with over two dozen mobile manufacturers mainly, Samsung, Sony Ericsson, HTC, Motorola, LG and Vodafone.

In mere three years, the Operating System has made available around 70,000 application programs for Smart phone—and many more are in the line. At Present no other operating system has so many applications.

Leading software engineers and other experts from the sector are of the opinion that smartphones would undergo a complete change in the years to come. With the number of free, downloadable software available, it even has the potential for becoming more useful than a personal computer. Form managing e mails, operating social networking websites, using phone camera, scanning, faxing, navigation, weather forecast, listening to music, watching the Youtube, everything can be done through the mobile phone.

Software engineers are these days working more on making mobile software applications than on computer applications. It would not be surprising if in the future PCs start using mobile softwares.

In the entertainment sector also mobile phones are becoming very popular. Mobile phones are now called fourth screen—the first three being cinema, TV and computer. It is more affordable, easily assessable, and very mobile. And this has opened a new opportunity in mobile business. According to a rough estimate, in 2006, the total value of mobile phone paid media content exceeded internet paid media content and was worth 31 Billion dollars (source Information 2007). The value of music on phones was worth 9.3 Billion dollars in 2007 and gaming was worth over 5 billion dollars in 2007.

But there is another area which is still not fully explored. Smartphone is also becoming a popular mass medium, and is regarded as the seventh of the Mass Media after Print, Recordings, Cinema, Radio, TV and Internet. Though not much has been done in the direction mobile advertising, this is an area which has great potential and is highly untapped. Presently, some advertisers are using SMS as a medium, but once Smart phone reaches mass media, it is certainly going to open a totally new area of mobile advertising.

The only handicap for smartphone is the data speed. In the present system the mobile operators on an average offer a data speed of 100-200 kbps (kilobytes per second), where as in developed countries due to 3G and 4G penetration, the data transfer speed is several times more. India is soon going to enter 3G network, which would increase the data transfer speed substantially and it would solve most of the problems service providers and consumers are facing due to less speed.

TELECOMMUNICATION SERVICES IN INDIA

The telecommunications industry was state-owned until 1991, when the Department of Telecommunications (DoT) began the process of introducing private participation in the sector by inviting bids for non-exclusive licenses to provide cellular mobile services in the four metropolitan service areas (Delhi, Mumbai, Kolkata and the erstwhile Chennai service area). The ascent to competition was gradual. Entry became unrestricted with effect from 2003 when the Universal Access Service License (UASL) was introduced, although spectrum remains an effective constraint for mobile operations and its availability is not guaranteed with the UAS license. The number of UAS licensees per service area ranges from 12-14 currently, indicating intense competition.

The fixed or basic services market followed a similar trajectory with duopoly being the preferred model to start with. Competition in this market was slow to take off because the incumbent government operator was dominant in this segment. Private interest therefore initially focussed towards the mobile market, where there was no incumbent provider to deal with. Bharat Sanchar Nigam Limited (BSNL), the corporatized service provision entity was carved out from the DoT in 2000 by which time the mobile market had become attractive. In any case, UAS licenses issued in 2003 offered operators the flexibility to provide both the traditional 'fixed' and mobile services.

Through the 1990s, all long distance traffic had to be routed through DoT, a policy naturally aimed at reducing the impact of private entry on the incumbent government monopoly. Gradually unrestricted entry was permitted for national long-distance (NLD) calls in August 2000. Currently, there are two publicly-owned and 14 private NLD operators. The NLD license is issued for 20 years and can be extended once for ten years. From 2006, entry requirements have been reduced for NLD operators' entry fees from Rs 1 billion to Rs 25 million, and license fees from 15% to 6% of Adjusted Gross Revenue (AGR). In addition, the mandatory roll-out obligations for NLD licenses were removed on December 14, 2005.

Deregulation of the international long-distance (ILD) segment has continued since the privatization of Videsh Sanchar Nigam Limited (VSNL) in February 2002. Licenses for ILD services are issued initially for 20 years, with an automatic extension for five years. Like the NLD sector, there is no limit on the number of service providers. There are nine private and one public ILD service providers; private operators account for more than 90% of market share. In January 2006, a new ILD license agreement reduced entry fees from Rs 250 million to Rs 25 million, and license fees from 15% to 6% of AGR. Further, there are no mandatory roll-out obligations for ILD service licensees except to have at least one switch in India.

DEVELOPMENT OF RURAL MARKETING IN INDIA

The concept of Rural Marketing has always played an influential role in the Indian Economy. Despite the phenomenal growth of the urban Indian middle class, over 620 million of the population still lives in more than half a million Indian villages, thus validating Mahatma Gandhi's statement that "India lives in her villages". The rural market is not a separate entity in itself and is highly influenced by the sociological and behavioral factors

operating in the country. With the rural residents accounting for around 627 million it makes up exactly 74.3 percent of the total population. This sizeable segment, commonly referred to as the 'bottom of the pyramid', naturally presents a huge opportunity for companies. It is, therefore, interesting to assess the current situation in rural India, and analyse macro-level patterns and trends while appreciating the fact that differences do exist at the micro level.

Going by the latest estimates, About 285 million live in urban India whereas 627 million reside in rural areas, constituting 74% of India's population they make up the population of 6,27,000 villages. Estimated sizes of the rural markets vary, for example, a recent survey by the National Council of Applied Economic Research reveals there are 33 million households in rural India, and upper estimates on the other hand quote a figure of 42 million households, or about 720 million consumers. These are significant numbers by any yardstick.

According to the NCAER study, there are almost twice as many 'lower middle income' households in rural areas as in the urban areas. At the highest income level there are 2.3 million urban households as against 1.6 million households in rural areas.- This gap is only expected to narrow in the coming decade. Rural Consumptions in India

Rural Consumption patterns are suggesting a shift from sustenance driven consumption through a near parity between amount of expenditure on food and non-food items. Moreover, rural consumption expenditure is growing at nearly double the rate of urban consumption expenditure growth. The 61st round of the National Sample Survey (NSs) report 2004-05 on consumer expenditure in rural and urban areas reveals that the average monthly per capita consumption expenditure (average MPCE) in rural areas to be Rs 559, a bit more than half of urban India. The emerging pattern of rural consumption is now showing a near balance between the amount spent of food items and non-food items. While " food items account for 55 per cent of the total consumption expenditure, non-food items like fuel and lighting, clothing and footwear, education, medical, miscellaneous consumer goods, conveyance, other consumer services and durable goods accounted for 10,5,3,7,6,4,4 and 3 percent respectively. Until 2000, food consumption expenditure allocated 62 percent of total consumption expenditure. It is worth noting that there has not been a fall in the real expenditure on food, indeed per capita real spending on food has grown by over 3 percent. At the same time, non – food items registered an increase of 17 percent over a period of five years since 2000.

Table: Distribution of Population in villages in India

Population (Number)	No. of villages	Proportion of total villagers (%)
Less than 500 people	2,36,004	37.00
Between 500 and 999	1,58,124	25.00
Between 1000 and 4999	2,21,040	35.00
Between 5000 and 9999	15,058	2.00
More than 10,000	3,976	1.00

Total	6,34,202	100.00
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Source: Census of India, 2011

Perhaps the most striking factor is here that a big majority (about 62 percent) of villages have a population below 1,000 and only 3 percent of the villages above 5000. Most villages with less than 500 people do not have any shops. These characteristics point toward the complexities of distribution and logistics management. Industries all over the world and particularly in India are quickly coming around to view the rural poor less as victims or a burden and more as value-conscious consumers. “The future lies with those companies who see the poor as their customers“ says economist C.K. Prahalad in his book *The fortune at the Bottom of the Pyramid*.

He clearly pinpoints on the raw fact that there is vast potential for profits in the rural market. He says, globally the bottom of the (economic) pyramid consists of 4 billion people living on less than \$2 per day. If we stop thinking of the poor as victims or as a burden and start recognizing them as value – conscious consumers, a whole new world of opportunity will open up. Prahalad suggests that four billion poor can be the engine of the next round of global trade and prosperity, and can be a source of innovations. As urban markets become saturated, more businesses are retooling their marketing strategies, and in many a case their product targeting rural consumers with tiny incomes but rising aspirations, giving birth to a new era of rural marketing.

To expand the market by tapping the countryside, more and more MNC’s are fraying into Indian’s rural markets. Among those that have made some headway are Hindustan UiLever, ITC, Coca-Cola, LG Electronics, Britannia, LIC, HDFC Standard Life, ICICI, Philips, Colgate Palmolive and most of the Telecom companies.

The Importance of the rural market for some FMCG and durable marketers is underlined by the fact that rural market accounts for 55 percent of LIC policies, 70 percent of toilet soaps, 50 percent of TV, Fans, Bicycles, Tea, Wrist watches, washing soap, blades, salt, tooth powder and 38 percent of all two-wheelers purchased of the two million plus BSNL Connections, 50% is from small towns/villages and out of 20 million Rediffmail signups, 60% are from small towns. The gigantic market size of rural markets (in Indian Rupees) is self evident:

FMCG - 6500 Billion

Agri - Inputs - 4500 Billion

Consumer Durable’s - 500 Billion

Automobiles (2 and 4 wheelers) - 800 Billion.

The figure tell us that the rural market is growing much faster than the urban counterpart. A recent forecast revealed that the Indian cellular services revenue will grow at a rate of 18.4 percent with most of the growth coming from rural markets.

The rural market already contributes more than half of FMCG and durable sales, 100% of agri-products sales, and nearly 40% of automobile sales. In the last few years, the biggest push to Indian’s mobile telephone story has come from the hinterland where 175 million connections have been sold- and this is expected to rise to more than 440 millions by 2014. These figures will only become bigger as the Indian growth story spreads further into Indian’s hinterlands. The rural market of India is

- a geographically scattered market
- marked by low purchasing power/low per capita income
- continue to be traditional-bound community, with religion, culture and tradition strongly influencing their consumption habits
- cultural diversity and heterogeneous market
- characterised by variable development
- having low literacy level
- by and large, the rural consumers are marked by a conservative and tradition-bound Lifestyle.

Manufacturing companies, telecom companies, FMCG MNCs, Service providers, multitude of entrepreneurs in the unorganized sector and even the government constitute the dominant players in the rural market in India. The rural consumer remains dynamic and acquisition of wealth has made him open to new avenues of consumption.

Spurt in purchasing power of rural population in recent past has fuelled lot of interest in rural India. Traditionally considered a market only for low end products, corporations are today seeing rural market as the new growth avenue. Corporations can only ignore the rural Indian market at their own peril. A case in point is a survey conducted by McKinsey in 2008 that postulates a rural India with a population of 630 million (approximately) become bigger than total consumer market in countries such as South Korea or Canada in another 20 years. At that point of time it would have grown at least four times for its existing size.

At the same time, Indian rural markets are often misunderstood. A clear distinction has to be made with regard to the reality versus the image of rural India. The rural market is not homogeneous. The individual sections of this market are not too big, although the overall size is large. There are geographical, demographical, statistical, and logistical differences. Positioning and realities regarding the potential of each of these market segments differ and lie at the very core of forming the strategy for the rural markets. Different target segments require different marketing approach and rural market is no exception to it. Experience suggests that mere extension of urban marketing strategies in rural India will fail unless they are customized to the needs, ethos of rural India. The classic rules of each and coverage of the media are shattered as the market is undergoing a dynamic change every passing year where more traditional mediums like television is bypassed and replaces by mobile communication nets.

Rural marketing is an evolving concept, and as a part of any economy has untapped potential. Improvement in infrastructure and reach promise a bright future for those intending to go rural. Any macro-level strategy for these markets should focus on

- availability
- accessibility and
- affordability.

Constant scanning and sieving of ideas and plans is essential at all times. There is no doubt that great divide exist between Urban India and Rural Bharat. However, a silent transformation has already begin, a

seamless integration of rural and urban market in underway. Rural market offers tremendous potential of growth for corporations by making their products and services available to these areas.

ROLE OF CELL PHONE SERVICES IN RURAL MARKETING

Rural markets are unique for the following reasons:

- The wants of rural consumers to meet a need is not necessarily the same as for urban consumers. These wants are shaped by a number of factors including the environment. The rural consumer who buys a vehicle for meeting his transportation need may want a rugged rather than a sleek vehicle. Marketers today are alert to these preferences;
- The social and cultural practices have an important influence on rural consumer behaviour. A marketer cannot ignore the influence of community on purchase and use behaviour as this can affect the product and the advertising message used. The presence of a community washing place would mean that washing soaps are not products used in private but used in front of others;
- Again, television viewing is still largely community viewing and hence rural audiences are not comfortable with sensuality or sexuality;
- Culture influences perceptions and behaviour. The preference for colour, size, shapes and taste are all influenced by culture. The perceptions of products vary because of these influences. An example of this is the perception of value according to size. Philips introduced large music systems instead of the compact ones it has for the urban markets;
- The influence of culture on communication is an important factor in promotion decisions. The importance and respect for elders influence the message source. The meaning that symbols carry needs to be taken into account for promotion, e.g., marketers use names and symbols from the epic Mahabharat for promotion;
- The nature of occupation influences the marketers, strategy. Agricultural workers prefer to pay a smaller purchase price. This is because of the prevalence of the daily wage system. The popularity of small packs is a result of this;
- Rural institutions are different from those in urban areas. The social, political and economic institutions are significant for marketers. An important rural institution that influences marketing is the weekly village markets. Marketers use these markets to reach the rural consumers. Colgate Palmolive uses the weekly village markets to promote its products.

When rural customers discover the new and exciting choice of brands available in urban markets, a demand for these brands is created in rural areas. When Titan found rural consumers purchasing their Sonata brand of quartz watches, they formulated a marketing strategy tailored to the requirements of the large rural market.

There is an increase in the launch of new products and brands in rural areas. In many product categories like cigarettes, biscuits or soaps, specific brands are developed for rural markets. The rural market, in both

durables and nondurables, can be developed through new products and suitable positioning cell phones are ably contributing rural marketing development. This is due to penetration of cell phone services in Rural India.

As per estimates of industry experts, Mobile commerce may cross 70 percent of total e-commerce business. The base behind this estimation is increasing craze of smart phones coupled with day-by-day launch of smart phones with added features. With these features many tasks/activities have got ease to complete. Accordingly, in coming year increase in outline purchase fixed.

There are quite a few reasons for the -growing interest in rural markets. Their vast untapped potential, increasing income and purchasing power, improved accessibility and the increasing competition in urban markers make rural markets an attrac.. tive destination for jaded marketers of products and services.

Rural markets offer a great potential for marketing branded goods and services for two reasons:

- The large number of consumers. A pointer to this is the larger volume of sales of certain products in rural areas as compared to the sales of the same products in urban areas;
- Largely untapped markets. The penetration levels for many products are low in rural areas.

CONCLUSION

Rural marketing is an evolving concept and as a part of any economy has untapped potential. There is no doubt that great divide between Urban India and Rural Bharat. There are geographical, demographical, statistical and logistical differences. However, a silent transformation has already begun. Developments in telecommunications have changed the lives of millions of people during the last decade as never before. Telecom connects people across length and breadth of the country or respective income bracket and if provides immense benefit to all in the society.

No doubt, telecom industry is seen as a prime mover of the modern economy. Earlier, mobile was considered the symbol of status and had limited access mainly to the urban areas. But now, with the increasing number of mobile subscriber across the world, it is accessible to all and had become the necessity of the people. It is not remained the means of communication, but it is providing to be an effective tool of transforming living standards and life styles of human lives. Cell phones are being effectively used in rural markets and the present growth is noteworthy.

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