

Pricing strategies for low-ARPU subscribers in India

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Abstracts

Mobile tariffs in India are among the lowest in the world. Intense competition in the industry continues to put downward pressure on tariff levels, and the declining trend is accelerated by customers' price sensitivity and subscriber growth from the bottom of the socio-economic pyramid. The price war among operators has intensified recently, and some of the price plans offered are of questionable financial viability. This report discusses operators' current pricing strategies for low-ARPU customers, and ways that pressure to engage in a price war can be mitigated.

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Executive summary

In a nutshell

Key messages

Intense competition putting massive pressure on tariff levels

While some price plans are unviable, a few are apt for low-ARPU customers

Aggressive pricing is ultimately a zero sum game

However, financial loss can be permanent

Larger incumbents are better positioned to survive the price war

Ovum view

Differentiation and value-based pricing can slow tariff decline

Dynamic pricing as one key solution

Ad-subsidised or funded pricing is another option

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Now a norm rather than a differentiator

When everything changes, everything stays the same...

...except for the profit margin

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Per-call pricing

TTSL and Reliance are the only takers so far

TTSL is gaining market share, but it might be losing money

Although less risky financially, Reliance's plan is also less attractive

Free minutes and lifetime validity for local on-net calls

MTS is the only operator to offer such a plan

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