Customer Retention in BSNL: A Challenge Ahead

[1]Labh Singh, [2]Dr. A.S. Chawla

[1,2]PSMS, Punjabi University, Patiala, Punjab, India

Abstract

Liberalization has brought many challenges for the Government of India enterprise in Telecom Sector i.e. Bharat Sanchar Nigam Limited (BSNL). The market has opened up for telecom services and every company is struggling to capture maximum share of the growing market. Different strategies are being formulated to ensure the growth in customer base. In this paper, we have carved out a comprehensive study pertaining Indian Telecom market and position of BSNL in the Indian Telecom sector. Also, we have discussed the impact of liberalization on Indian Market particularly on BSNL, in terms of retention of its customers.

Keywords

BSNL, Liberalization, Customer Retention, Globalization

I. Introduction

According to Department of Telecommunication (DoT), India's strong telephone network is the second largest wireless network in the world. India is also the fastest growing telecom market in the world with an average addition of over 18 million connections every month in the network; the mass market growth in India is led by the mobile segment. This rapid growth in the telecom network has resulted an overall teledensity of 70% (see fig.1). This growth in the telecom sector is attributable not only to the proactive and positive policy initiatives of the Government but also to the entrepreneurial spirit of the various telecom service providers both in public and private sector [4,6].
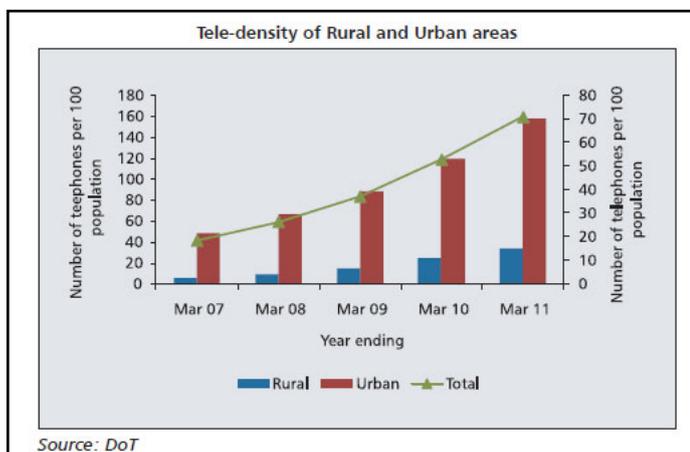

Fig. 1: Tele-Density of Rural and Urban Areas in India [14]

Being first telecom services company fully owned by Govt of India, BSNL has installed Quality Telecom Network in the country & now focusing on improving it, expanding the network, introducing new telecom services with ICT applications in villages & winning customer's confidence. Today, it has about 43.74 million line basic telephone capacity, 8.83 million WLL capacity, 72.60 million GSM capacity, 37,885 fixed exchanges, 68,162 GSM BTSs, 12,071 CDMA Towers, 197 Satellite Stations, 6,86,644 RKm. of OFC, 50,430 RKm. of microwave network connecting 623 districts, 7330 cities/towns & 5.8 lakhs villages [5] (see fig. 2).
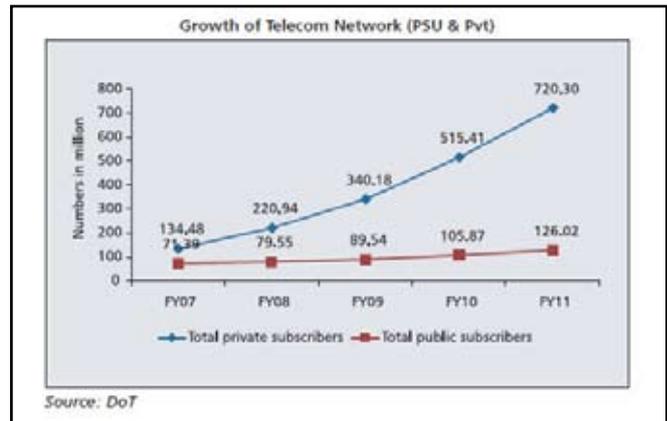

Fig. 2: Growth of Telecom Network in India (PSU & Pvt) [14]

BSNL is the only service provider, making focused efforts & planned initiatives to bridge the rural-urban digital divide in 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 the country & operates across India except New Delhi & Mumbai. Whether it is inaccessible areas of Siachen glacier or North-Eastern regions of the country, BSNL serves its customers with a wide bouquet of telecom services namely Wireline, CDMA mobile, GSM mobile, Internet, Broadband, Carrier service, MPLS-VPN, VSAT, VoIP, IN Services, FTTH, etc. BSNL has 90.09 million cellular & 5.06 million WLL customers as on 31.07.2011. 3G Facility has been provided to the existing 2G connections of BSNL. In basic services, BSNL is miles ahead of its rivals, with 24.58 million wireline phone subscribers i.e. 71.93% share of the wireline subscriber base. At present, BSNL has 8.09 million broadband customers. The company has vast experience in planning, installation, network integration & maintenance of switching & transmission networks. During the 2010-11, turnover of BSNL is around Rs. 29,700 Crores [5].

Since its inception, BSNL has been facing challenges. One major challenge is the competition faced by it from the liberalized telecom environment. The liberalization or globalization process had started as early as 1992 when pace was set by introduction of Economic Reforms. The formulation of National Telecom Policies (NTP-1994 and NTP-1999) as guided by the main principles enshrined in Economic Reforms has led to the licensing of telecom services to private companies. These telecom operators or service providers have rolled out all kind of telecom services e.g. basic landline telephone service, cellular or mobile services, and WLL and Internet services. The market has opened up for telecom services and every company is struggling to capture maximum share of the growing market. Different strategies are being formulated to ensure the growth in customer base. BSNL has also been conscious of this fact and hence introduced marketing as a major management function. During its early days as a sole provider of telecom services, there has been no marketing worth its name. With this background in mind, authors have tried to investigate the major changes that BSNL has undergone since it is confronted with the competitive era thrown open by the new regime [7-10].

II. Background and Perspective

The first meeting of Steering Committee on Communication & Information was held on 20.02.2001 in Yojana Bhavan, New Delhi under Chairmanship of Shri M.S. Ahluwalia, Member, Planning Commission. From the observations made by members, it emerged that with a view to making IT a mass movement, special thrust would need to be given in the Tenth Plan to ensure easy and affordable accessibility of Internet and telecom services to rural areas. In this regard, the major points that emerged were:

1. While the capital cost of equipment providing Internet services was quite high at the present, the usage was quite low making the entire operations financially non-viable. The initiative taken by Bharat Sanchar Nigam Ltd. (BSNL) did not take off well due to above reasons. It had set up 738 Cyber Dhabhas till 1st of January, 2001 in different parts of the country.
2. Internet shops / Cyber Cafes have to be made self-financing / sustaining.
3. Internet use had to be tailored to local requirements to make it attractive and useful to the masses.
4. The acceptability and success of Internet as a communication medium of the masses would depend upon identifying its 'killer application'. Once this has been done, it would automatically grow down up to the village level without any major direct involvement of the Govt.
5. To give the entire programme an initial push and impetus, suitable policy initiatives will have to be taken to create conducive environment for large flow of private investment into this area. It was observed that opening of Internet telephony might, in fact, prove to be the 'killer application' and Govt. should consider doing the same right away.
6. Ensuring reliable power supply for Cyber Cafes in the rural and sub-urban areas was a pre-requisite for making the services self sustaining as it would ensure availability over longer periods and as per convenience of the people.

The question of affordability seemed equally important in this regard along with the issue of ensuring easy accessibility to IT services. The issue of digital divide had to be tackled on various fronts so that the disadvantaged groups do not slide further down the ladder of socio-economic development. Besides the rural urban divide, the other aspect that had to be kept in view in this regard was to ensure equal accessibility to socially backward classes [8-11].

Discussing the various issues relevant for growth of telecom sector, it was observed that building of a world class telecom infrastructure was a prerequisite to achieve the goal of making India an IT superpower. Govt. need not put large investment exposing public money to undue risks. In the face of fast technological changes, the investments in telecommunications needed to be protected. Permitting free flow of Foreign Direct Investment (FDI) was one of the viable options. Therefor, due to sufficient found availability with multinational companies, the risk taking capacity would be widely spread due to their global operations. Keeping this in view, it was observed that the various restrictions on FDI including financial cap of 49% on equity participation needed to be reviewed. In this context, it was observed that some restructuring of the domestic financial markets was also needed to ensure availability of credit at affordable price to Indian companies [9-11].

III. Present Scenario

The focus of the Telecom Regulatory Authority of India during the year 2010-11 was to restructure the policies and strategies in the Telecom as well as the Broadcasting sectors so as to lay down a strong foundation for the future development of these sectors and also to empower and educate the growing body of telecom consumers [8]. State run PSU Bharat Sanchar Nigam Ltd (BSNL) have to face one more reality i.e. fall in market share and revenue. As per latest data published by BSNL Unions SNEA website BSNL is at 4th position as an operator with Market share of 13.17%. BSNL market share has decreased by 0.15% during the month of September 2011 and during 2011-12 by 0.66%. During September 2011, 7.15 million telephone connections & 7.90 million Wireless connections have been provided in the country taking the total telephone connections in the country to 906.94 million as on 30th September, 2011. During August 2011, 0.19 million broadband connections were added taking the total broadband connections in the country to 12.69 million as on 30.08.2011. Meanwhile BSNL is at 1st position as an operator with Broadband Market share of 63.71%. BSNL market share has increased to 0.03% & 0.60% during the month of August 2011 and during 2011-12 respectively [2].

Table 1 below indicates the revenue contributions of the public and private sectors during 2009-10 and 2010-11. Fig.3 below indicates the revenue earnings of different telecom companies for 2009-10 and 2010-11 [1].

Table 1: Revenue Contributions of Public and Private Sector 2009-10 and 2010-11

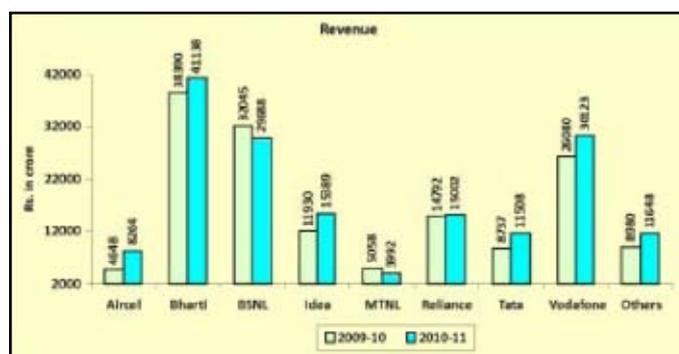| Revenue of Telecom Service Sector		
		(Rs. in Crores)
Particulars	2009-10	2010-11
Revenue of public sector companies	37390	33976
Revenue of private sector Companies	113270	132776
Total Revenue	150660	166752

Fig. 3: Revenues of Telecom Service Providers 2009-10 and 2010-11

BSNL had initially faced the challenge from other operators who are very aggressive to capture the market especially in basic telecom segment in small towns. BSNL has responded suitably:

1. By providing better services at lower rates
2. Wider coverage of areas
3. Stress on marketing especially in urban segments which are more prone to competition,
4. Tapping the unexplored rural market
5. Attractive offers to lower income groups besides other segments.
6. Bundling of other services like internet and Value Added Services (VAS).

According to TRAI, the pressure of competition and regulation has caused the tumbling of revenues, tariffs and increase in traffic and growth of different telecom services. It states that there has been a general reduction in mobile tariffs by more than 50%.

IV. The Spread and the Diversity

The main flagship service of BSNL at the time of its formation was land line services also called POTS i.e. Plain Old Telephones and their number was hardly 20 Millions.

But launch of variety of services under the licensing regime by the private operators took BSNL by surprise. Some of the services launched by them were-:

1. Basic telephone service on landline and wireless (WLL)
2. Mobile telephony /Cellular phones on GSM or CDMA techniques
3. Internet services and Internet telephony also called web phone services
4. ISD and NLD licensing for international and national calls
5. Broadband and lease-line services for corporate houses and
6. IP based services for VPN and CUG networks of big companies having all India presence

In response to the threat perceived by BSNL it has rolled out similar kind of services at a much larger scale. This could be possible due to wide spread telecom infrastructure through out India at the disposal of BSNL. This infrastructure has been built up mainly during the last 100 years. This includes:

1. Telecom land and buildings
2. Telecom installations such as telephone exchanges, transmission equipments, Transmission towers and telegraph equipment
3. Telecom network, which includes underground transmission cables, local telephone cables, overhead cables and wires and subscriber equipment (mainly telephones). Local network is also called last mile access network.
4. Satellite communication equipment i.e. earth stations and radio/wireless equipment.

This infrastructure has been one of the many strengths of BSNL that has not let it down so far inspite of a fierce competition thrown open by the private companies during at least last five years.
Other strengths of BSNL are:

1. Trained pool of employees in the country,
2. Very large network in urban as well as rural areas,
3. Availability of huge bandwidth on OFC cable for high speed data network,
4. Well established rules and procedures,
5. Large size of distribution and service network supported by postal department,
6. Accessibility through PCOs and franchisee network.

V. The Danger Ahead-Losing Customers

In February 2003, Bharat Sanchar Nigam Ltd. (BSNL), the largest basic telecom service operator in India, was reportedly facing problems in retaining its existing landline customer base. The company found its landline subscriber base shrinking at an alarming rate. BSNL sources revealed that during 2002, customers surrendered around 2.5 million landline connections. BSNL was also facing problems in adding new customers on account of delay in deployment of new connections. Reportedly, the delay in providing new connections led to a 20% decline in the customer-base growth rate in 2002 as compared to the previous year (in 2002, BSNL could provide only one million lines as compared to 1.6 million lines provided in 2001). Analysts pointed out that this situation was not new to BSNL. In 2001 also, many BSNL landline connections were surrendered, prompting the Department of Telecommunications (DoT) to order an enquiry into the cause of the problem. The enquiry revealed that many factors were making subscribers surrender their landline connections. One major issue was the 1x6 rule introduced by the Income Tax Department. In this scheme, a person was required by the law to file income tax returns, if he/she possessed a telephone. This led many subscribers, who did not otherwise fall under the purview of the 1x6 scheme, to surrender their phone connections. The trend was observed mainly in the rural areas. Income from agriculture was exempt from tax, but if they owned a telephone, people in these areas had to file their tax returns. Surrendering the phone connection thus seemed to be a better option. Since rural markets were an important segment for BSNL, this trend was very disturbing [8-12].

In the Union Budget for 2002-03, the government of India removed landline connections from the 1x6 scheme. BSNL expected that this would help to stop the evasion of its subscriber. Yet the situation worsened. Now, the company was faced with competition due to the growing popularity of cellular phone services in the country. Before cellular phones became popular, many people used to take more than one landline connection so that they could use one phone in case the other went out of order. Cellular phone services made the second landline connection unnecessary. As per the study conducted in a District of Punjab, it has been found that during the year 2004-2005 about 14000 fixed line telephones were restored against the disconnection of 11000 telephones. The annual rate of churning was about 8%. Telephones disconnected on request by the subscribers are about 45% whereas 55% were disconnected due to default of payment. Restored cases are more because some cases pertain to previous year/s.

Due to the free market environment and mature competition in liberalized telecom industry, BSNL has been facing following challenges:

1. Migration of customers to the competitors.
2. Surrendering of services
3. Loss of revenue and profits
4. Underutilization of the network
5. Surplus staff
6. Low telecom traffic

To confront this challenge and to maintain or improve its market position, BSNL has been cautious from the beginning. In the process many a sale promotion schemes were launched.

There has been a clear indication of churning in basic phone segment of BSNL. The reason for this downfall may range from feeling of burden of higher rentals by the customer to poor quality of service. Till recently following efforts have been made to stem the tide of competition:

1. Appointment of franchisee for sale and distribution of services

and products and fixing of targets for sale

2. Offering of incentives such as commission @ Rs. 100-200/- per basic connection plus 25% of this amount on retention for one year.
3. Heads of service area / circle/state are also been empowered to offer sale incentives matching with other operators.
4. There is also a provision for commission on achieving the targets.
5. Increase in the commission to STD PCO holders up to 35%,
6. Decrease in the minimum guarantee amount to Rs. 800/-
7. Empowering the STD PCO owners as follows: -
(i).   Own a mobile PCO,
(ii). Telephone bill collection,
(iii). STD PCO as cyber café
(iv). Sale of SIMs cards, recharge coupons on commission basis,
(v). Delivery of telegrams etc.

In addition to above schemes, utmost stress is being given to improve the customer care services by doing the following: -
1. Personal attention to corporate customers,
2. Improving the quality of response at call centers,
3. Opening of more customer service centers (CSCs),
4. Providing round the clock service at CSCs.
5. Proper training to the CSC staff on behavioral aspects,
6. Providing total information at SINGLE POINT up to the satisfaction of the customer.
7. To analyze the reasons for large scale surrendering of telephones.

VI. Sale Promotion Activities by BSNL

The management of BSNL has also launched numerous promotional schemes & incentive offers for its valuable customers. Some of these were:
1. Full talk time on Cellular/SIM Cards,
2. Waiving of installation charges & security deposit on Basic Phones,
3. Waiving of rental for the disconnected period both on B Fones & Mobiles etc.

These promotional schemes, launched over the past few years, are described as below:
1. A new B Fone for Rs.840/- only and with a free Rs.525/- ITC Card.
2. BSNL has launched a Phone-on-Phone scheme in selected cities of the country to provide NTC within 48 hrs. The customer needs only to dial telephone No.1500 of the customer service center to convey his demand for services and facilities.
3. No additional security for mobile phone for existing BSNL customers.
4. The shifting charges of Telephone within local area or to any part of the country have been waived off.
5. The restoration of B Fone without paying rentals for the disconnected period was introduced repeatedly.
6. Waiving of installation charges for new telephones.
7. Additional plans have now been introduced for user of b-Fone connections. A few of them were economy, special & super plans in which subscriber gets 150,600 & 1800 calls free by paying fixed monthly rents of Rs 350/-, Rs 750/- & Rs 1650/- respectively.
8. Second Basic phone connection at concessional rate exclusively for internet & student internet scheme. Rental

of Rs.99/- for students and Rs. 399/- on second free phone for internet only. This was in addition to Internet usage charges according to the type of package.
9. The pulse of international calls has been duration-increased manifolds. The international calls charges for the countries like Canada, Germany, Singapore & UK have been reduced to as low as Rs 7.20 per minute and further revised downwards.
10. Various contests have been organized for customers to promote BSNL service.
11. Waiving of activation charges for commercially important customers for less than 50 cellular connections.
12. Initially a mobile phone scheme called "Student Power" was launched and became very   popular. This scheme was priced at just Rs. 99/- per month in the post-paid segment.

VII. Market, Customer Service and Distribution

History stands witness that BSNL has lived up to the expectations of its customers. The concept of Dealers & Distributors as channel partners has been introduced. Concept of Single window service has been in practice since the popular 100-days programs even prior to year 2000. This was focused to provide multiplicity of service related information to the customers. Main activities at CSCs are enumerated as below: -
1. Booking of complaints and faults.
2. Impart information about waiting list.
3. Information about new services.
4.   Sale of products such as ITC cards, SIM cards, Recharge coupons, sancharnet cards, WEB PHONE cards etc.
5. PCO services on STD, LOCAL and IN PCOs.
6. Issue of duplicate telephone bills in case of loss or missing of original bill.
7. Accepting of bill payments on cash counters.
8. Display of advertisements, new products and marketing material.
9. Issue of telephone directory.
10. Distribution of application forms and other material for various facilities and services of BSNL.
11. Issue of Demand Notes against the application and
12. Issue of Advice Notes for provision of the demanded service/s and facilities.

To leverage its marketing efforts, BSNL has tied up with many companies like IOC, HCL, and NTPC etc. They are its MOU partners and provide synergistic effect through their distribution network. A discount as percentage of sales is paid to them.

VIII. Future Plans

BSNL has continued its growth story ever since its formation and further plans to increase its customer base in the future. BSNL has introduced/planned following services to continue to be a leading telecom company in India despite inevitable quality competition by the Private telecom service provides.

A. 3G Services

BSNL started 3G services in 290 cities and acquired more than 6 lakh customers. It also roll out 3G services in 760 cities across the country in 2010-11.

B. Broadband Services

The shift in demand from voice to data has revolutionized the very nature of the network. BSNL is poised to cash on this opportunity and has planned for extensive expansion of the Broadband services. The Broadband customer base of 3.56 Million customers

in March'2009 is planned to be increased to 16.00 million by March 2014. BSNL is also offering prepaid Broadband services. In addition to wireline broadband services, BSNL has also rolled out its WiMAX network in rural areas to take an initial lead and provide wireless broadband services in all rural blocks in the country during 2011-12. The Urban WiMax has already been deployed in Kerala & Punjab Circles and shall cover all the major cities in these circles. The WiMAX services will also extend to other states in 2011-12.

C. Value Added Services

BSNL is focussing on provision of value added services/features to attract high end customers and to double its revenues from VAS.

D. Fibre to Home (FTTH)

To meet the demand for high bandwidth services, BSNL is rolling out FTTH services (GPON & GE-PON) for the first time in the country, which is likely to generate substantial revenue in coming years.

E. Mobility in WLL

BSNL has provided full mobility on its WLL network since March 2010 [3].

BSNL has a Vision to be the leading telecom service provider in India with global presence; to be a customer focused organization with excellence in customer care, sales and marketing and to leverage technology to provide affordable and innovative telecom Services/products across customer segments. Its Mission is to generate value for all stakeholders-employees, shareholders, vendors & business associates, maximizing return on existing assets with sustained focus on profitability and to become the most trusted, preferred and admired telecom brand. To achieve the above objectives BSNL has charted out the strategy for rightsizing the manpower and providing greater customer satisfaction to overcome the challenge of customer retention in the competitive environment.

References

[1] TRAI, Annual Report 2010-11, [Online] Available: http://www.trai.gov.in

[2] [Online] Available: http://www.telecomnewsindia.com/2011/11/bsnl-market-share-drop-to-1317.html

[3] [Online] Available: http://www.bsnl.co.in/company/growth.htm

[4] DOT (2011), Outcome Budget, 2011-12, Ministry of Communication and Information Technology, Department of Telecommunications, India, [Online] Available: http://www.dot.gov.in/finstatus/Outcome_Budget_2011-12_.pdf

[5] BSNL (2012), [Online] Available: http://www.bsnl.co.in/about.htm

[6] Media News Bureau (2012), "Report: Tele density in India rises to 63%" [Online] Available: http://www.imediaconnection.in/article/893/Research/report-tele-density-in-india-rises-to-63-percent.html

[7] Saxena, Neeraj (2004), "True wireless future not far: ITU", [Online] Available: http://infotech.indiatimes.com

[8] Banerjee, Andy (2002), "Future of Telecom in India", [Online] Available: https://ssl.cpsr.org

[9] Satyam (2004), "Indian telecom must 'leapfrog' into future technologies" Bangalore, [Online] Available: www.zdnetindia.com

[10] Bhatnagar, Mohini (2005), "Marketing review", [Online] Available: www.domainb.com

[11] Thiagarajan, Krishnan. "BSNL-MTNL merger: The wrong number dialed". The Hindu, Sep 08, 2002.

[12] Khan Committee Report on DOT "A thrust towards competitive edge", New Delhi: DOT, 9/95.

[13] ITU News No-1/99 and 2/99, Geneva: ITU (International Telecommunications Union).

[14] D&B (2011), "India's Leading Infrastructural companies", [Online] Available: http://www.dnb.co.in/Leading_Infrastructure_companies2011/Telecom.asp

Er. Labh Singh is Senior General Manager at BSNL Punjab. He has done B.Sc. Engineering, MBA and Registered for Ph.D. at Punjabi University School of Management Studies. He is fellow member of Institute of Engineers, FIE, FIETE, LIMA, and IIPA. He has thirty years experience in Indian telecom industry. He is council member of several bodies International Conferences organised by IEI.

Dr. A.S Chawla is a Professor in School of Management Studies at Punjabi University, Patiala. Professor Chawla has been in the teaching profession for last 31 years. During this period he also worked for one and half years as Financial Advisor in Kenyan conglomerate and three and half years as Professor and Dean Business Faculty at KIST Kigali, Rwanda. He has been associated with Harvard Business School (USA) for Executive Education and coordinated the Program on Making Markets Work in East and South African region. He has been associated with Harvard Business School and participated in CPCL at Harvard Business School. He has also been involved with Wilkes University and Kutztown University for various collaborative activities. Professor Chawla has got to his credit 48 publications in reputed journals and has also published six books. Dr. Chawla has handled many projects including projects for USAID, World Bank and world vision and is involved with numerous public and private sector undertakings for training consultancy. He is also on the board of directors of two companies in India. He has visited several countries suggesting various policies on Indian telecom as member of several committees on behalf of the country. He is Registrar of Punjabi University, Patiala from 13th May 2011. He was Dean, College Development Council, Punjabi University, Patiala, Punjab, India.