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ABSTRACT

The case examines the emergence of BSNL as the leading company in the Indian telecom industry in early 21st century.It explores in detail the changes taking place in the industry through the early 1990s – primarily the entry of private players and the emergence of cellular telephony.The case takes a look at the circumstances that led BSNL to enter the cellular and WLL segment.Detailed information is provided about the reasons behind the rapid growth of its cellular serices.The case also discusses the criticisms leveled against BSNL's services and strategies,and the initiatives taken by the company to address them.Finally, it discusses the threats facing BSNL I light of the changing regulatory and competitive.

This report gives a brief about the telecommunication and Understand the evolving nature of the Indian telecom industry market in the early 21st century and study the role of the state-owned erstwhile monopoly player BSNL and their services

INTRODUCTION

The telecom industry is one of the fastest growing industries in India. India has nearly 200 million telephone lines making it the third largest network in the world . With a growth rate of 45%, Indian telecom industry has the highest growth rate in the world.

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.

 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.

In 1990s, telecommunications sector benefited from the general opening up of the economy. Also, 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. National Telecom Policy (NTP) 1994 was the first attempt to give a comprehensive roadmap for the Indian telecommunications sector. In 1997, Telecom Regulatory Authority of India (TRAI) was created. TRAI was formed to act as a regulator to facilitate the growth of the telecom sector.

Telecommunication sector in India can be divided into two segments:

- Fixed Service Provider (FSPs),
- Cellular Services.

   Fixed line services consist of basic services, national or domestic long distance and international long distance services. The state operators (BSNL and MTNL), account for almost 90 per cent of revenues from basic services. Private sector services are presently available in selective urban areas, and collectively account for less than 5 per cent of subscriptions. However, private services focus on the business/corporate sector, and offer reliable,

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high- end services, such as leased lines, ISDN, closed user group and videoconferencing.

Cellular services can be further divided into two categories: Global System for Mobile Communications (GSM) and Code Division Multiple Access (CDMA). The GSM sector is dominated by Airtel, Vodfone-Hutch, and Idea Cellular, while the CDMA sector is dominated by Reliance and Tata Indicom. Opening up of international and domestic long distance telephony services are the major growth drivers for cellular industry. Cellular operators get substantial revenue from these services, and compensate them for reduction in tariffs on airtime, which along with rental was the main source of revenue. The reduction in tariffs for airtime, national long distance, international long distance, and handset prices has driven demand.

SERVICE PROVIDERS IN TELECOMMUNICATION

Some of the service providers in telecommunication in India are

- Airtel
- Vodafone
- BSNL
- Idea
- Relaince

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GSM Market Share: May 2009			
Company	April Subscriber Base	May Subscriber Base	% Market Share
Bharti Airtel	96735306	99549208	32.48%
Vodafone Essar	71541888	74080707	24.17%
BSNL	47723603	48177185	15.72%
IDEA	44174241	45478276	14.84%
Aircel	19585299	20685711	6.75%
Reliance Telecom	11965376	11965376	3.90%
MTNL	4222229	4260265	1.39%
Loop (BPL)	2204676	2256862	0.74%
All India	298152618	306453590	100.00%

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BHARAT SANCHAR NIGAM LIMITED (BSNL)

Bharat Sanchar Nigam Limited (known as BSNL, India Communications Corporation Limited) is a public sector communications company in India. It is the India's largest telecommunication company with 24% market share as on March 31, 2008. Its headquarters are at Bharat Sanchar

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Bhawan, Harish Chandra Mathur Lane, Janpath, New Delhi. It has the status of Mini-ratna - a status assigned to reputed Public Sector companies in India. BSNL is India's oldest and largest Communication Service Provider (CSP). Currently BSNL has a customer base of 72.34 million (Basic & Mobile telephony). It has footprints throughout India except for the metropolitan cities of Mumbai and New Delhi which are managed by MTNL.

HISTORY OF BSNL

Type   :   Telecommunication provider

Availability   :   All over india

Founded   :   19th century

Slogan   :   Connecting India

Revenue   :   339.49$ Billion

Owner   :   Government of India

MAIN SERVICES PROVIDED BY BSNL

BSNL Provides almost every telecome service,how ever following are the main telecome services being provided by BSNL in India.

- *Universal Telecome Services* :- Fixed wireline services and wireless in local loop(WLL) using CDMA Technology called B-fone and Tarang respectively.BSNL is a dominal operator in fixed line. As on December 31,2007 , BSNL had 81% market share of fixed line.

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* **Cell One**

* **BSNL Mobile**

* **Ex-cel**

* **Pre-Paid Mobile**

- *Cellular Mobile Telephone Services*:- Bsnl is a major provider of cellular mobile telephone services using GSM platform under brand name Cellone. Prepaid cellular services of Bsnl are known as Excel as on march31,2007 Bsnl had 17% share of mobile telephony in the country.

BSNL Broadband

BSNL has launched its broadband services under brand name "**BSNL BROADBAND**"on 14-01-05. This offers High Speed Internet Access with speed ranging from 256 Kbps to 8 Mbps. Ever since its inception BSNL is continuously expanding its broadband network in response to ever growing demand of broadband service throughout India

Present customer base is 3.56 million, with equipped capacity of 6.1 million. BSNL Broadband service is available in more than 3800 cities & 83000 villages.

The services provided are

* High Speed Internet Connectivity(up to 8 Mbps)

* Band width on Demand(planned)

* Virtual Private Network(VPN) service over broadband

* Dial VPN services to MPLS VPN customers

* IPTV services(at present available in 66 cities)

* Games on Demand Service

* Video tutoring service

* VOIP

* Video Surveillance service

* Entertainment portal.

Internet :- BSNL is providing internet as dialup connection(sancharnet) as prepaid,(Netone) as postpaid and ADSL-Broadband.Bsnl has around 50% market share broadband in india.bsnl has planned aggressive role out in broadband for current financial year.

Intelligent Network(IN):- BSNL is providing IN services like Tele-voting,Toll-free calling ,Premium calling etc..

BSNL Land line :- BSNL is the largest telecom operator in India and is known to everybody for basic Telephony Services for over 100 years. Presently the plain old,Countryside telephone service is being provided through 32,00 electronic exchanges, 326 Digital Trunk Automatic Exchange(TAX), Digitalized public switched telephone Network(PSTN) all interlinked by over 2.4 lakh km of optical fibre cable.

FINANCIAL OVERVIEW

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BSNL ended the financial year 2008-09 with a revenue of Rs 333.59 billion, down around 12% from the previous year's Rs 380.53 billion, according to a report in Mint.

The government-run telecom service provider earned a net profit of Rs 49 billion in fiscal 2009, up 38.58% from the previous year's Rs 30.09 billion. The paper did not provide any break up of the revenue but quoted an unnamed BSNL official saying that rhe revenues in the fiscal year gone by includes 12% of financial income.

On October 1st, 2000, BSNL was formed by converting service providing functions of erstwhile DOT to provide level playing field to private Telecos. Since then BSNL has emerged as the 7th largest Telecom Operating Company in the World. BSNL has played major role in spreading telephones to rural areas of the country at affordable rates. As per TRAI report "5.3 lakh villages have been provided access to telecom network through VPTs covering 87% of the villages. Most of the VPTs have been provided by BSNL. BSNL has provided 13.59 million (July 2005) rural DELs in the country". By this statement we can judge the important role played by BSNL right from its inception.

Income, Expenditure and Profit:-

Following Table shows Income, Expenditure and Profit figures of BSNL for the 5 year period since its inception.

S. No.	YEAR	INCOME (Rs. in Crores)	EXPENDITURE (Rs. in Crores)	PROFIT BEFORE TAX (Rs. In Crores)	PROFIT AFTER TAX (Rs. In Crores)

1	1.10.2000 to 31.3.2001	11699	10669	1030	747
2	2002	24681	20461	4220	6312
3	2003	25892	25078	8136	1444
4	2004	33918	27163	6755	5976
5	2005	36090	29401	6689	10183

Government has set ambitious targets for Telecom PSUs (MTNL and BSNL) for providing a total of 12.50 Crore telephones by December 2007 with a targeted market share of 50%. However overall market share of both PSUs, which, was more than 85 % at the time of BSNL formation, has declined to less than 37% as on date. In the financial year 2004-05, the revenue from 9,447,357 cellular subscribers (as on March 31, 2005) stands at 10.5% of the total revenue. Less than 1% revenue came from WLL services. We got 44.68 % income from Basic Telephone services while PCO business gave another 17.34 % of the income. Revenue from basic services during 2001-05 was Rs 23,080 Crore, Rs 21,545 Crore, Rs 23,954 Crore, and Rs 22,385 Crore. In the financial year 2004-05, the revenue from 35,859,482 basic subscribers (as on March 31, 2005) is 62% of the total revenue.

In the last 4 yrs, BSNL has received Rs 15,701 Crore as compensation for maintenance of VPT, ADC, and IUC, which is 85% of BSNL's cumulative Profit Before Tax of Rs 18,477 Crore during the same period. BSNL has received 100% reimbursement of license fee from 2001-02 to 2003-04. For 2004-05, the reimbursement of license fee is restricted to 2/3rd of license fee paid which will be further restricted to 1/3rd in 2005-06. Thereafter, reimbursement will be nil. In the last 4 yrs BSNL has received total license fee refund of Rs 8,665 Crore (BSNL paid Rs 15,498 Crore as license fees) as a compensation for providing telecom services in rural areas.

The total income of BSNL for the financial year 2004-05 is Rs 36,090 Crore and Profit Before Tax (PBT) is Rs 6,688 Crore which is almost equal to its IUC of Rs 6,035 Crore. BSNL will have to pay income tax on 70% of its profits and only

30% would be exempted. In the absence of such exemption from this year, BSNL will have to resort to borrowing resulting in substantial interest burden.

BSNL's expenses on staff have shot-up by 218.75% in the last four years from Rs 3,848 Crore in 2001-02 to Rs 8,418 Crore in 2004-05.

For the financial year 2004-05, expenses on staff are 28.63% of the total expenses. Similarly, the Administration and Operational costs have also increased by 199% from Rs 3,995 Crore in 2001-02 to Rs 7,951 Crore in 2004-05. For the financial year 2004-05, expenses on Administration and Operation are 27.05% of the total expenses. Together these two expenses are 55.68% of the total expenses in 2004-05

Revenues earned by BSNL in last 5 Years
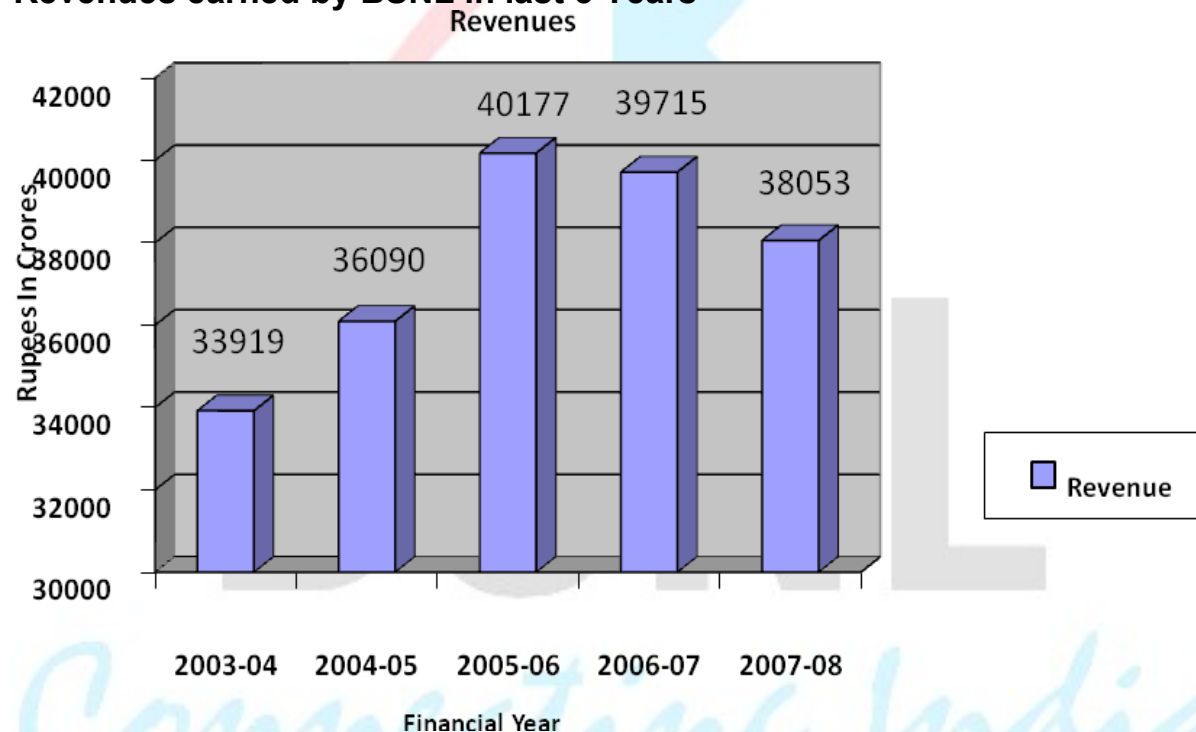
Gross Investment in Fixed Assests

The BSNL is making substancial investment year to year for its network expension and mordenisation. During the current financial year BSNL has made the gross investment of Rs 7180 crores($ 1.79 billion)in fixed assets.These investments have been financed by the internal accruals.

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Gross Investment in Fixed Assets
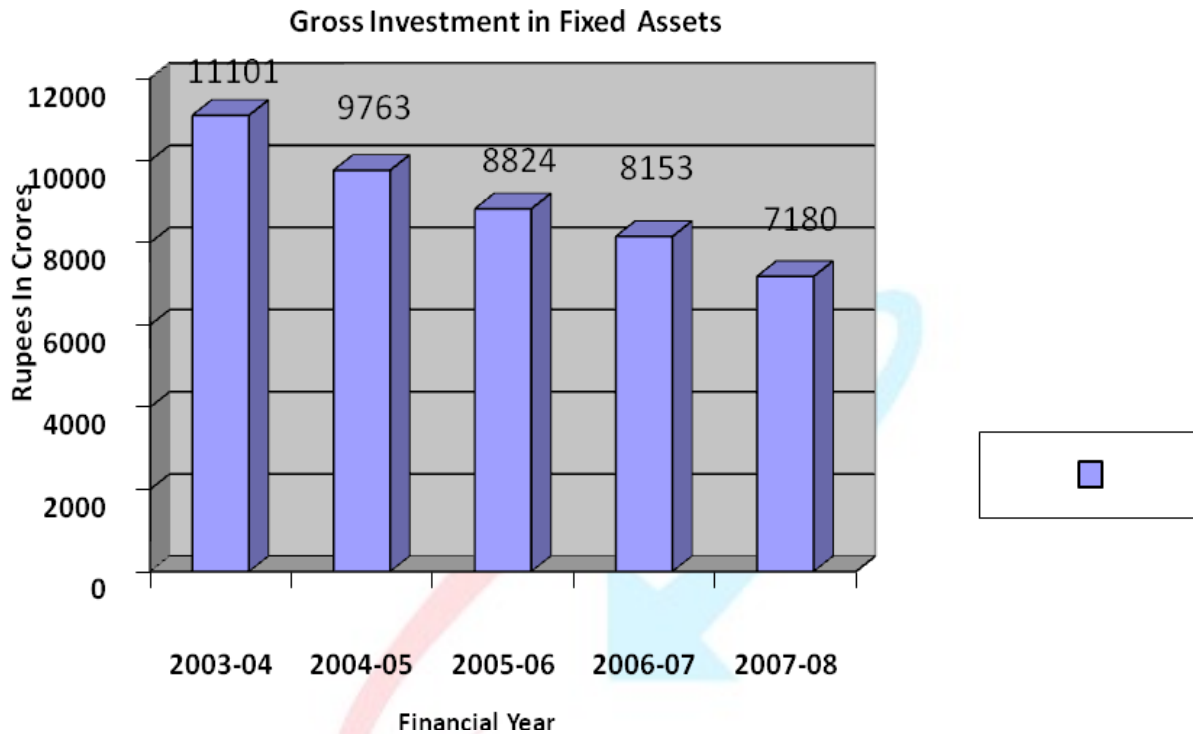
BSNL has gross fixed assets of over Rs124578 Crores($31.13 billion)

Gross Fixed Assets
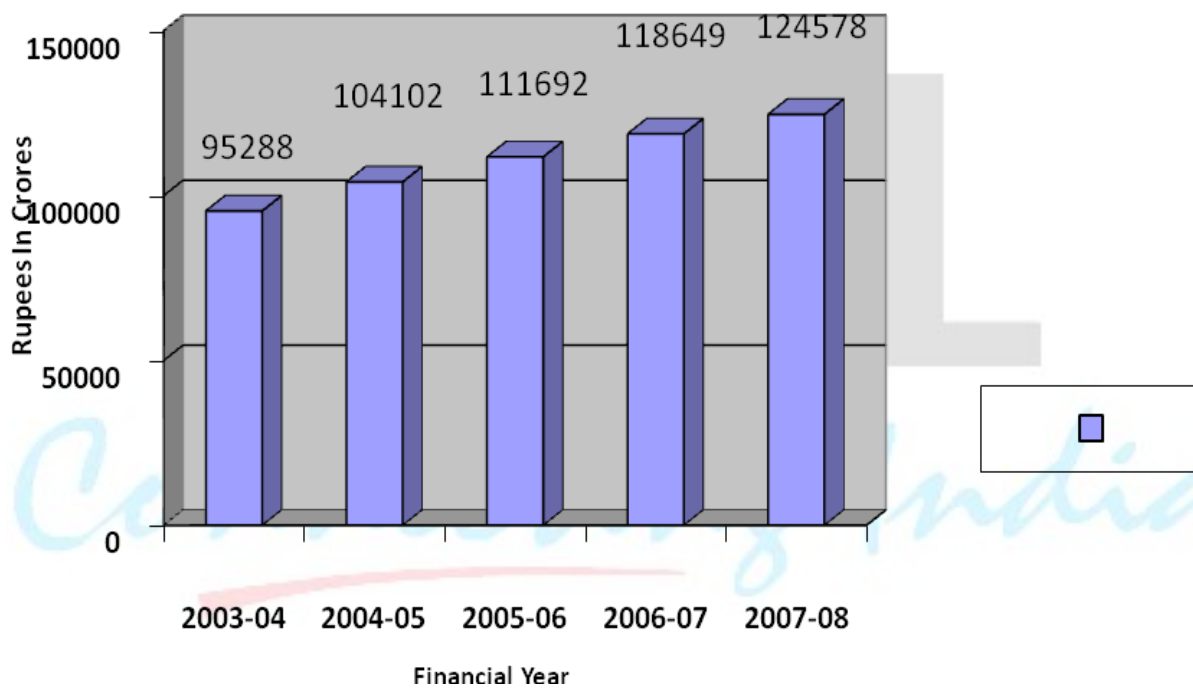
MARKETING STRATEGIES

Vision of the organization can only be translated into reality, if it is shared by one and all. The best way to implement is to involve them in formulation. But even if it is conceived by higher management then it has to be explained to each and every individual of the organization, otherwise it may remain as a showpiece.

Marketing vision of the BSNL has to be based on overall mission and vision of the organization. The mission of BSNL is

* To provide world class State-of-art technology telecom services on demand at affordable price.

* To provide world class telecom infrastructure to develop   country's economy.

Marketing Objective.

 The ultimate objective of any marketing activity is to satisfy the customers and today even a step ahead i.e. 'delighting' the customers, for which customers are offered something beyond their expectations from the service or the product. The objective being to acquire and retain the customers, who should continually feel that they are getting more value of the money, they are departing with.

 Marketing is the establishment, development, maintenance and optimization of long-term mutually valuable relationships between consumers and organisation. Successful Marketing focuses on understanding the needs and desires of the customers and is achieved by placing these needs at the heart of business by integrating them with the organisation strategy, people, technology and business processes. At its most basic, Marketing involves customers, organisations and relationships and the combination creates the need for the management.

 Marketing is about creating a competitive advantage by being the best at understanding, communicating, and delivering and developing existing customer relationships in addition to creating and keeping new customers. The concept of

the product life cycle is giving way to customer life cycle, focusing on developing products that anticipate the future needs of existing customers and creating services that extend the existing customer relationship beyond the mere transaction. The customer life cycle will focus on lengthening the life span of the customer with the organisation rather than the endurance of a particular product. Customers have changing needs as their life styles alter- the development and provision of products and/or services that continuously seek to satisfy those needs is good Marketing. The Marketing will focus greater attention on how to deliver customer satisfaction and organisation will begin to structure itself around customer segments and not product lines. A good Marketing Strategy will take the business vision and apply it to the customer base.

MARKETING PROCESS

We often talk of marketing & Sales and often use it interchangeably without understanding the difference in it. Marketing is everything we do to get and leverage a client relationship. Marketing process is broad and includes all of the following: -

* Discovering what product, service or idea customers want.

* Producing a product with the appropriate features and quality.

* Pricing the product correctly.

* Promoting the product; spreading the word about why customers should buy it.

* Selling and delivering the product into the hands of the customer.

Selling is one activity of the entire marketing process. Selling is the act of persuading or influencing a customer to buy (actually exchange something of value for) a product or service.

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CUSTOMER SATISFACTION

After four and half year of corporatisation of BSNL, a customer-focused approach among its employees is still not present. In this era of intense competition, it is very important for any service company to understand that merely acquiring customers is not sufficient because there is a direct link between customer retention over time and profitability & growth. Customer retention to a great extent depends on service quality and customer satisfaction. It also depends on the ability of the organization to encourage customers to complain and then recover when things go wrong. Complaints are natural part of any service activity as mistakes are an unavoidable feature of all human endeavor and thus also of service recovery. Service recovery is the process of putting things right after something goes wrong in the service delivery.

Importance of Customer Retention

Why are customers more profitable for service firms over a period of time? There are a number of reasons for this. To begin with, to acquire a customer a company incurs promotional costs like advertising, sales promotion etc. It is said that it costs five times more to attract a new customer than retaining one. The operating cost decreases when a customer stays. Services being rich in experience and credence qualities, it takes some time for customers to get accustomed to it and once they are used to the service and are satisfied with the service provider ,they tend to purchase more over a period of time.

As they remain satisfied with a service provider, they spread a positive word of mouth, which is very effective in case of services for attracting new customers. Longer the customer stays with an organization, more the organization knows about him, which enables it to offer customized services which make it difficult for the customer to defect. This may even provide opportunities to the organization to charge price premium by offering individualized services which may be difficult for the competitors to offer.

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Considering the importance of retaining customers in service business, Reichheld & Sasser coined a term 'Zero Defection'. They highlighted that companies can boost profits by almost 100% by retaining just 5% more of their customers. Further, it is also very important to understand the life time value of a customer. For example, if an average customer of BSNL pays Rs. 500 per month and stays with the company for 20 years., his average lifetime value will be Rs. 500x 12x 20=Rs. 1,20,000. Further, if by a positive word of mouth, he brings just one more customer to the organization, his value to the organization doubles. Therefore, it is important for all the employees in the organization to understand the life time value of their customers. Once they understand it, they will treat the customer accordingly and will focus on building relationship with the very people who keep them in business.

Reasons for customer Switching

The reasons for customer switching can be identified as following:

* Pricing (High price, unfair pricing, deceptive pricing)

* Inconvenience (Wait for service, wait for appointment)

* Core service failure (Service mistakes, Billing errors)

* Service encounter failure (Uncaring, impolite, unresponsive behaviour)

* Response to service failure (Negative response, no response, reluctant response)

* Competition (Found better service)

* Ethical problem (Cheating, Unsafe)

* Involuntary switching (customer moved, provider closed)

An important aspect of the above is that six out of the eight service switching factors are controllable from a service organization's point of view.

Strategies for Customer Retention

(A) Complaint Management System

Any worthwhile complaints management system has to have following basic features:

Visibility: Customer should know where to complain.

Accessibility: Customer should know how to complain. As a rule of thumb, the more formal the system for lodging complaints, the less accessible it is to customers.

Responsiveness: Complaints need to be dealt quickly. The quicker the complaints are dealt with, the higher the customer satisfaction.

Customer-focused approach: A service provider who adopts customer-focused approach, invites complaints and indicates commitment of resolving complaints by its words and actions in all fairness.

Accountability: Someone in the organization has to take responsibility for complaint handling.

Continuous Improvement: This is about looking at the root causes and fixing them

 A good complaint management system must ensure that that complainant is kept informed, the staff understands the complaint processes, complaints are taken seriously and employees are empowered to deal with situations.

(B) Service Recovery Strategies

 Consider the following incident regarding an airlines (British Airways). "An aircraft door was left open in a rainstorm before take off and a passenger near the door unfortunately got showered. The flight attendant not only did everything that was routine- offered to have the customer's garments cleaned and made sure that a customer relations representative contacted the customer later to demonstrate that

they genuinely cared- but also made special gesture by offering the passenger a complimentary choice of certain tax free goods."

It is very important for service companies to have service recovery strategies which can be applied in case of service failure. The following steps are useful in an effective service recovery system.

Measure the costs of effective service recovery. It should include the indirect cost also, when a customer departs unhappily.Break customer silence and listen closely for complaints.

(C) Managing Customer Waiting

Sometimes, it is not possible to match demand & capacity, and hence waiting by customers becomes inevitable. While reducing waiting time is important for a marketer, it is equally if not more, important to reduce the customer's perceived waiting time. If a customer's perceived waiting time is less, he will be more satisfied with the service.

Various ways of managing customer waiting are as follows:

The organization should analyze its operational processes in order to identify and remove inefficiencies or bottlenecks, if any.In case waiting cannot be avoided, a reservation system can be used.

Since unoccupied time feels longer than occupied time, keep customer occupied by installing distractions that entertain and physically involve them. For example, TV sets, magazines reading material can be provided in waiting area.

Provide 'waiting duration information' i.e. information about the expected length of wait and/or 'queuing information' i.e. a customer's position in queue with continuous update.

If unexpected delays occur, explanation should be given to the customer. This helps in reducing uncertainty and customer irritation. The key is to impress upon the customer that he has not been forgotten. Simple things like providing a glass of water or a cup of tea to the waiting customer can do wonders.

Keep resources not serving customer out of sight. This can be done by keeping idle employees out of view and conducting activities that do not involve customer interactions out of customer's sight.

Try to reduce pre-service waiting time by transferring some of the pre-service waiting to the service encounter phase.

A smiling service person who knows his job well can be very helpful in overcoming many negative effects of waiting. Therefore, training and incentive/ rewards for providing good service should be made.

ACHIEVEMENTS

BSNL India's largest telecom service provider,has broken all th past records by providing 10 lakhs cellular connections in December alone,there by adding an unprecedented number of customers to its cellular subscriber base.BSNL has achieved the landmark of providing more than 14 million mobile cellular connections all over the country.

In South Zone,BSNL provided more than 4.77 lakh connections.Out of this, more than 2lakh connections were provided in the state of kerala, 1.25 lakh connections in the state of Tamil Nadu, and over 75 thousand connections each in state of Andhra and Karnataka.

In North Zone also,2.58 lakh connections were provided during December 200. More than 1.2 lakh connetions have been provided in the state of Uttar Pradesh and approximately 1 Lakh connections in the state of Rajasthan. Now, connections are available 'On Demand' in North Zone.BSNL has 65% of market share in the stte of J&K.

In the East Zone,BSNL provided 2.68 lakh connections during December 2005.Of these,over 1 lakh connections have been provided in the state of West Bengal and

62,000 in the state of Bihar.In the North Eastern states,BSNL has a market share of about 70%.

FORECASTING

BSNL PRESENT & FUTURE

Since its corporatisation in october 2000,BSNL has been actively providing connections in both urban and rural areas and the efficiency of the company has drastically improved from the days when one had to wait for years to get a phone connections to now when one can get a connection in even hours.Pre-activated mobile connections are available at many places across india.BSNL has also unveiled very cost effective broadband internet access plans(data one) targeted at homes and small business.at present bsnl enjoy's around 45% of market share of isp services

YEAR OF BROADBAND 2007 : 2007 has been declared as "year of broadband" in india and bsnl is in the process of providing 5 million broadband connectivity by the end of 2007.bsnl upgraded the exisiting dataone(broadband)connections for a speed of up to 2mbps without any extra cost.this 2mbps broadband services is being provided by BSNL at a cost of $11.7 per months

TRIPLE PLAY(TELECOMMUNICATIONS) : BSNL is planning to increase its customer base to 108 million customers by 2010.with the frantic activity in the communication sector in india,the target appears achievable,however due to intense competation in indian telecom sector in recent past BSNL growth has slow down.bsnl is pioneer of rural telephony in india.bsnl has recently bagged 80% of us $ 580 million rural telephony project of government of india.

GROWTH OF BSNL

The country's second largest telecom operator, the state-owned BSNL during March registered the highest growth in its monthly subscriber additions in the past two years. Breaking its consistently moderate growth of over 3% each month, the

state-run telco recorded a GSM subscriber growth rate of 5.67% during the month of March. In another boost to its telecom growth, BSNL also saw a growth in its wireline segment, which had been registering a decline for successive quarters.

BSNL's subscriber growth had been suffering due to lack of capacity expansion, which was choking its growth figures. BSNL added 2.5 million mobile users in March to its subscriber base, taking its total subscriber base to over 46 million. Its market share too increased marginally to over 16% from the almost flat 15% that it had been recording in the past months.

Proportion of Communication Services in GDP is increasing at faster rate, as it is evident from the following Table.

Service Sector Share in GDP

	Share % in GDP (2002 -03)	Growth 2002 -03
Construction	5.4	7.3
Trade	14.0	4.5
Hotels & Restaurants	1.1	4.0
Railway	1.1	5.7
Other Transport	4.3	6.0
Storage	0.1	-7.8
Communications	3.5	22.0
Banking & Insurance	6.9	11.6
Real Estate, Business / Legal Services	6.1	5.9
Defence	5.9	5.3
Other Community & social Services	7.8	6.2
Total Service Sector	56.1	7.2

From above Table it is clear that growth rate (22%) of communication services in GDP is highest and proportion and importance of communication services is continuously increasing. It is considered as growth engine for overall economic growth. Graph given below indicates the exponential growth of Telecommunication infrastructure in India. As of now total telephones (Basic + Mobile) of all operators put together has crossed 15 Crores. In the month of

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August-2006 there was addition of 58 lacs of new Mobile subscriber. Such is a growth of Telecommunication in India, even now surpassing to the growth in China.

In such a volatile scenario, knowing about the performance of a company becomes very important. Financial performance is a bed rock for overall performance and future growth of any company. Keeping this view in mind I have tried to put some relevant facts through this article.
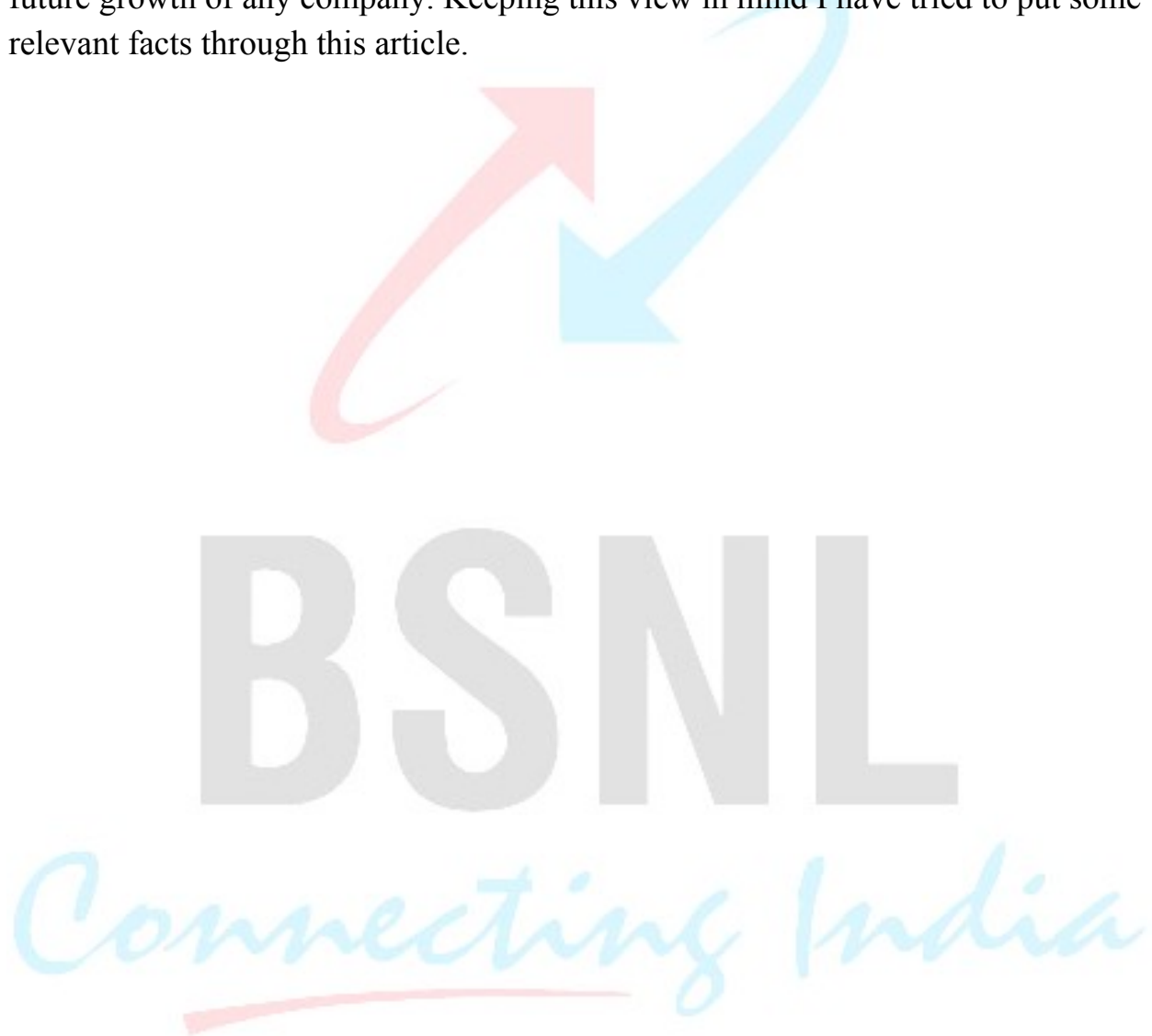
Year [End of March]	Fixed line including WLL(F)	Mobile (GSM+WLL(M)	Total	Annual Growth of BSNL(%)
1997	14.54	0.34	14.88	--
1998	17.80	0.88	18.68	25.54
1999	21.61	1.20	22.81	22.11
2000	26.65	1.9	28.55	25.16
2001	32.71	3.58	36.29	27.11
2002	38.33	6.54	44.87	23.64
2003	41.48	13	54.48	21.42
2004	42.84	33.69	76.53	40.47
2005	46.19	52.22	98.41	28.59
2006	50.18	90.14	140.32	42.59
2007	48.87	157.96	206.83	47.40
2008	43.95	256.2	300.15	45.12
July-08	43.35	291.50	334.85	--

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CONCLUSION

India is a second largest emerging economy of world.The ambitious service users state of the art to attain global excellence and leadership in business.Entry of BSNL In telecom sector has brought services at affordable cost to the common man.**All services of BSNL object to provide better communication to million across india**.Customer have reposed tremendous faith in BSNL and it has enrolled over 30 lakh customer