How Price Competition Affects Product Quality and Customer Perception: The Case of Bharti Airtel Ltd

Aarushi Capoor and Shubhi Dhamaniya
School of Business and Management
(BBA), CHRIST (Deemed to be University) Pune Lavasa

Abstract

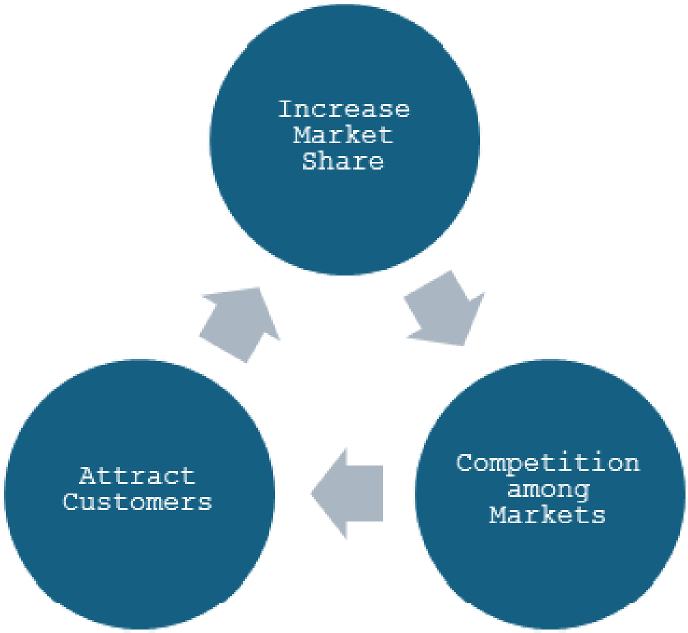
The telecom industry experiences price wars when companies utilize rate decreases to boost market share while initiating competition and weakening profitability. The industry believes lower service prices attract customers who eventually enhance corporate productivity levels. Due to these price wars, Bharti Airtel Limited has experienced severe competitive impacts on its market position and rivals as well as the business landscape because of the marketplace changes. The marketplace entry of Reliance Jio with free and low-cost data services pressured Airtel and other established players to match these prices to protect their market position. The reduction in pricing allowed service quality to deteriorate which resulted in dissatisfied customers with their ongoing perception of the product. This case study examines how competitive price reductions influenced BAL's customer perception of service quality.

Keywords: *Price War, Telecommunications Industry, Product Quality, Bharti Airtel Limited, SWOT Analysis, Market Competition, Customer Service*

Introduction

Sunil Bharti Mittal launched Bharti Airtel Limited through a founding vision to connect telecommunication services with millions of Indian citizens in 1995. A tiny mobile phone operator developed into a prominent telecom brand that Leads the Indian market with top-class reliability and service excellence [1]. Over time, the company has expanded its operations to include broadband, digital television, enterprise solutions, as well as digital banking services, which allowed it to grow further in strength. Airtel currently operates in 17 countries, with its headquarters in New Delhi, and has become an iconic name associated with connectivity and digital empowerment.

Airtel's mission to drive digital inclusion is reflected in its investments in advanced technology and extensive network rollouts. These initiatives have helped the company not only stay relevant in India’s highly competitive telecom industry but also emerge as a world-wide leader. Offering affordable and quality connectivity, Airtel was among the first in India to introduce prepaid plans and has since maintained an efficient 4G network while working towards nationwide 5G adoption [2].



India’s telecom market is one of the most competitive in the world, marked by fierce price wars as companies strive to win the loyalty of price-sensitive customers[3]. With customers who are constantly switching providers in search of the best deal, there is a need for a balance between affordability and quality. This is an especially difficult task because all telecom providers must make significant price reductions without sacrificing service quality—a problem with which Bharti Airtel is well acquainted.

A price war began in 2016 when Reliance Jio entered the telecommunications market by implementing free voice calling resulting in massive reductions of data prices. Through its successful approach, Jio acquired millions of customers instantly while bringing all market competitors to reconsider their strategies. Due to this, Airtel suffered significant damage through the loss of its customer base and destabilized its financial stability. However, they succeed in maintaining its market standing by keeping high-end customers and users who prioritize quality above all else.

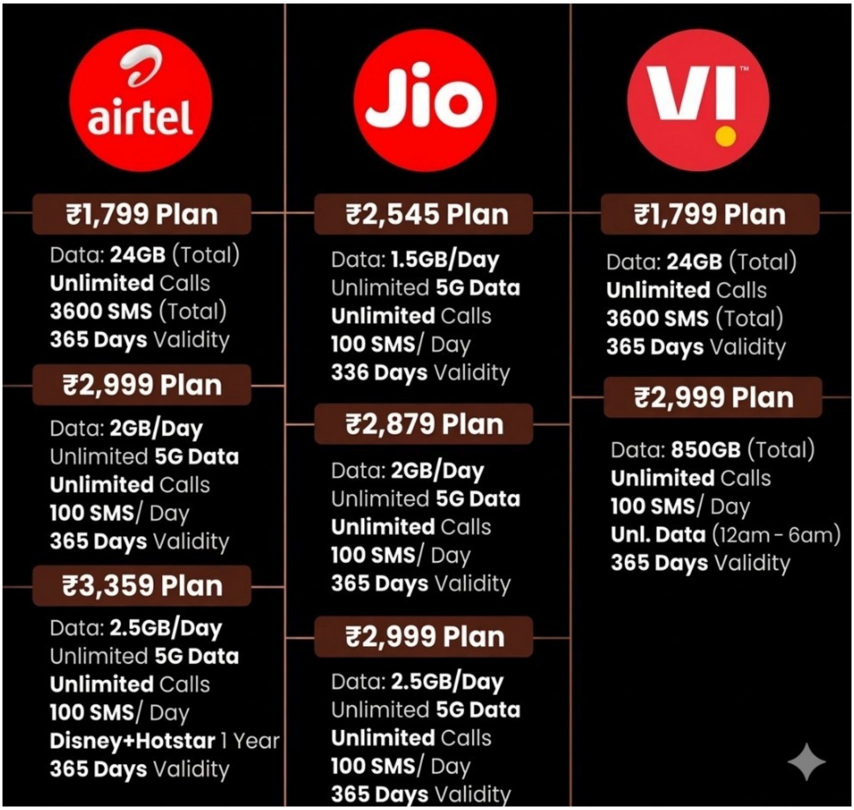
Jio increased public visibility by offering low-cost phone services, but Airtel instead chose to engage the segment of customers demanding reliable and high-quality service packages. But with Jio's disruptive pricing and rapid expansion, Airtel faced a dilemma: should it continue to focus on high-value customers or join the price war to retain a broader customer base? The risk was high, and choosing the wrong strategy could lead to a great loss of market share.

Airtel opted to bet on its strengths, which was not to compete with prices but to be known as quality-centric service providers. They invested heavily in the improvement of its 4G infrastructure and extended coverage to areas where its services were limited, thus ensuring that customers would get more reliable and fast services [4]. In addition, Airtel focused on enhancing customer services through proper complaints handling and rollout of innovative digital solutions that included value addition beyond mere connectivity. For example, the diverse digital services of Airtel-Xstream, Wynk Music, and Airtel Payments Bank enable this firm to keep working through a fully integrated digital experience and position itself above competitors who specialize mainly in low cost services.

Airtel's approach allowed it to capture a loyal, high-value customer base. This is evident in the average revenue per user. The ARPU of Airtel has steadily increased over the past years; its Current ARPU is around INR 200 as opposed to that of Jio, which has an ARPU of around INR 180, as of 2024 [5], which indicates the success of Airtel's strategy in attracting customers whose first preference is more reliability and quality service rather than the cheapest price.

The company's successful market performance shows that value-based competition produces better outcomes than price-based competition for Airtel because it allows them to defend their winning position and develop dedicated customer loyalty. Affordability precedes Airtel in its operating market because price accessibility remains the most essential factor. Present price sensitivity among Indian consumers requires the service providers to evaluate an ongoing equilibrium between premium strategies and market price fluctuations. Indian society is now widely adopting digital technology so the fast data requirement has become an urgent challenge across the nation. Airtel customers experience rapid and dependable services due to the introduction of online streaming and remote work capabilities. The company was also successful in establishing 5G early, giving them a first mover advantage in the telecom industry.

Airtel must constantly innovate through its India telecom market to maintain its leadership position in the intensively competitive sector, and must remain vigilant



because Jio and Vodafone- Idea continue their competition in the market. The company must build advancement strategies that strengthen its commitment to service quality while developing new methods to expand its customer segment. Airtel's success hinges on navigating this delicate balance—maintaining the loyalty of high-value customers without alienating the broader market that prioritizes affordability.

As Airtel looks ahead, more complex questions relate to how it will maintain price competitiveness without diluting quality. Should it continue to target high-value customers or reach the downmarket price-sensitive segments without diluting the brand? How does it get the best of both worlds in terms of customer satisfaction and profitability given that 5G is now the standard?

Since its launch in the Indian telecom market, Airtel has been epitomizing resilience and adaptability. More surprisingly, perhaps, is that the promise of quality has stayed ahead in this ever-evolving space as well. The strategic decisions the company takes in the next few years will shape not only the future course of the company but also define how it charts its course to a more balanced modelling with premium services in one of the world's most competing markets.

References

Bharti Airtel: History, Subsidiaries, and Share Price Analysis

https://enrichmoney.in/blog-article/bharti-airtel-history-subsidiaries-share-price

Inspiring the Next: Bharti Airtel Annual Report 2019-20

https://www.airtel.in/airtel-annual-report-2019-20/inspiring-the-next.php

Intensifying Competition in Telecom Sector in India

https://isid.org.in/wp-content/uploads/2022/09/DN1709.pdf

Airtel Revamps Home Broadband Strategy to Compete with Jio

https://www.financialexpress.com/life/technology-airtel-revamps-home-broadband-strategy-to-compete-with-jio-3741272

Jio, Airtel, Vodafone Idea's ARPU Increases Robustly in Q2 FY25

https://telecom.economictimes.indiatimes.com/news/industry/jio-airtel-vodafone-ideas-arpu-increases-robustly-on-quarter-in-q2-led-by-recent-tariff-hike-report/115439670