

The Indian telecom market has always been very competitive. {K2Splitter} The Indian telecom market has always been very competitive. In order to tackle such cut-throat competition, telecom operators have resorted to various strategies, one of them being collaborating with handset manufacturers to offer bundled plans.

In the past, under a typical bundled offering, an operator partnered with a handset manufacturer to provide a mobile phone along with a connection at a discounted rate and free voice calling benefits. However, of late, operators are offering a variety of discounted data packs and free subscription to certain applications on the purchase of new handsets from select vendors. Moreover, several operators have ventured into the mobile manufacturing space and are selling their self-branded handsets with their own voice and data plans.

Bundled offers present a win-win situation for all the stakeholders - handset vendors, telecom operators and customers. While such schemes attract customers to buy high-end phones at good prices, the bundled plans from operators ensure customer stickiness. Once buyers opt for a bundled handset, they normally stay with the operator even after termination of the mandatory loyalty period.

Bundled offers were instrumental in encouraging 3G uptake during its initial launch and now in order to leverage the potential of a burgeoning 4G market, operators have come up with a slew of schemes offering discounted 4G data packs along with new 4G-enabled handsets. This will help them to not only expand their subscriber base, but also to develop the overall ecosystem for 4G services in the country.

A look at some of the recently announced bundled offers by select operators...

### **Bharti Airtel**

Bharti Airtel offers several data-bundled schemes on the purchase of both premium as well as non-premium handsets. For instance, in the premium category, Airtel has partnered with Apple to sell the latter's recently launched iPhone 7 and iPhone 7 Plus smartphones. Under the partnership, Airtel is offering its Infinity post-paid plan customers 10 GB of free 3G/4G data per

month for a year, if they buy these handsets from the operators's retail stores or its website. In 2015 too, the operator had come out with its iPhone Infinity post-paid plan, giving customers 60 GB free 4G data for 12 months on the purchase of iPhone 6s and iPhone 6s Plus.

Meanwhile, under the non-premium category, the bundled offers introduced by Airtel cater mostly to prepaid subscribers. For instance, Airtel has recently introduced a new "15 GB data for the price of 1 GB" offer for Samsung Galaxy J Series smartphone users having prepaid connections. The offer gives users an additional 14 GB 3G/4G data on the recharge of an initial 1 GB data plan on select Samsung Galaxy J Series smartphones in both 3G and 4G circles. The price of the initial 1 GB mobile internet recharge, however, may differ according to the circle. In the non-4G telecom circles, users would get 1 GB of 3G data for daytime use and 14 GB data during night hours (from 12 a.m. to 6 a.m.).

Apart from Samsung, Airtel has also partnered with a host of manufacturers, including Gionee, Xiaomi, Lava, Micromax and Lenovo, for offering discounted data packs to its prepaid users. The validity of these bundled offers, which can be availed of in both 3G and 4G circles, varies from three to six months.

### **Vodafone India**

Like Airtel, Vodafone India has also been offering a slew of bundled offers in both premium as well as non-premium handset categories. In 2015, it partnered with Apple to provide bundled offers on the purchase of iPhone 6s and 6s Plus through Amazon or select Vodafone stores in Mumbai, Delhi, Kolkata and Bengaluru. Under the offering, Vodafone gave its existing and new customers the chance to avail of the Vodafone "RED 1,299 worry-free plan" free of cost for six months from the time of purchase of an iPhone 6s or iPhone 6s Plus. The plan included free 3 GB mobile data, 4,000 local and STD minutes, as well as 1,500 local and national SMSs.

Under the non-premium category, Vodafone has partnered with Vivo, Samsung, Lumia, Xolo and Micromax to offer data benefits on the purchase of smartphones of these vendors. However, unlike Airtel, Vodafone has introduced offers for both its prepaid and post-paid customers in the segment.

Vodafone also allows users to purchase smartphones from its own website, which come

bundled with the operator's network connection, and varying data and voice offers depending on the handset.

### **Idea Cellular**

Idea Cellular was the first operator in the country to manufacture 3G handsets and sell them with its bundled data offerings. The operator's smartphones, Magna L and Magna, came bundled with 16 GB 3G data for a nominal recharge amount.

In the past, Idea has also partnered with BlackBerry to offer data benefits to both prepaid and post-paid consumers. The operator, however, has not come up with such offers in the past two years, but is learnt to be in talks with China-based TCL Communication, which operates under the Alcatel Onetouch brand, to procure 4G-ready smartphones and is expected to offer bundled 4G data offers on the purchase of these handsets.

### **RJIL**

Before launching full-scale commercial operations in the country in September 2016, Reliance Jio Infocomm Limited (RJIL) offered a preview of its services on the purchase of Reliance Retail's LYF Series smartphones. These smartphones came bundled with free data and voice benefits for three months, along with free subscription to a series of the operator's in-house applications. Subsequently, RJIL bundled its preview offer with 20 more smartphone brands, including Samsung, Karbonn, Lava, Gionee and Micromax.

RJIL has recently entered into a partnership with Apple, under which it is offering 12 months of Jio Digital Services on the purchase of all iPhone models. Meanwhile, existing iPhone users are eligible to avail of RJIL's free welcome offer, which gives unlimited free data and voice calls till December 31, 2016. Users can then move on to a 12-month complimentary service with the Rs 1,499 plan. The offer, however, is only applicable on the purchase of devices from Reliance digital stores or through select Apple premium resellers and Apple-authorized resellers.

### **Conclusion**

By offering bundled schemes with handsets, telecom operators are increasing the scope of their core business, which was earlier limited to only providing services. Bundled offers help operators to increase their subscriber base and drive the uptake of data services.

A key emerging trend with regard to bundled schemes is that most operators are targeting post-paid customers in the premium handset category. The move could be driven by the fact that users of premium smartphones bring with them higher customer loyalty as they seldom switch operators. Moreover, the post-paid segment of an operator generally witnesses higher ARPU as compared to the prepaid segment. Meanwhile, in the non-premium segment, the principal aim of operators is to drive the uptake of data services and hence they mostly target prepaid users.

Meanwhile, the strategy of bundling offers with smartphones comes with its own set of challenges for telecom operators. These include getting into complicated arrangements with handset manufacturers, committing to handset volumes and keeping stock of cash flow requirements. Moreover, given the low post-paid subscriber base, low credit card penetration and difficulties involved in enforcing contracts in India, operators often find it difficult to structure viable bundling schemes.

Nonetheless, it is expected that bundling will gain momentum and coexist with the unbundled sales model. As per industry estimates, 20-25 per cent of smartphone sales are anticipated to take place through bundling schemes in the near future.

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