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The Indian Mobile Phone Industry: A Cost Analysis

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Abstract: *The Indian mobile phone firms came up with their unique pricing schemes after taking into account the market structure, customer traits, the nature of the services offered, and the organizational structure of the operators. They were able to maintain their presence in the market for a longer length of time as a result of these efforts. Those mobile phone firms who were unable to develop pricing strategies that were more effective than their competitors went out of business. On the other side, for the last 25 years, the businesses that have been able to survive, thrive, and expand are the ones who have evolved their own pricing strategy.*
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I. INTRODUCTION

The process by which the mobile firm chooses to charge customers for their services is one of the most significant duties the company must do. It comprises the choices on benchmarks that are to be made when calculating prices, higher and lower price limits, and pricing policies imposed by rivals in the market. Keeping this in mind, the compilation of data about costs has utmost significance.

Telecommunications firms have historically relied on cost-based pricing strategies, demand-based pricing strategies, and competition-based pricing strategies when setting their prices. However, the Indian mobile phone industry has utilized creative pricing techniques in light of the fact that cost, demand, and competition all need to be taken into consideration simultaneously when deciding on mobile prices. Out of these tactics, most well-known strategies are addressed in this work.

II. HISTORY

If we look at how much mobile phones have cost in India over the last 25 years, we can clearly understand the costing and management accounting concepts that lie behind those prices. It was 25 years ago that the very first communication was made via a mobile phone, which marked the beginning of a revolution in communication in India. In the last quarter of a century, the industry has been subject to a wide range of fluctuations. During these recent years, the mobile sector in India has been undergoing a period of rapid expansion at an astonishing rate.

In the beginning, mobile phones were much larger than they are now when compared to the standards of today. First to market as a 2G network was the worldwide system for mobile communications (GSM), which launched its services in the early 1990s. It is possible to see this as a pioneering step in the explosion of mobile data. The provision of internet connectivity via GPRS (General Packet Radio Service) and EDGE (Enhanced Data rates for GSM evolution) at greater download speeds was the first step that was taken. The evolution of mobile phone service in India began with GSM and 2G at the beginning of the trip. The telecom division of Nokia Company was a pioneer in the implementation of a 2G GSM network. In the early days of the mobile industry, popular options were the Nokia 5110 and the Motorola 3300. The introduction of Apple's iPhone marked the beginning of a revolution in touchscreen capabilities for smartphones. During this time, fantastically equipped camera phones began to appear on the market. Everything about the mobile world changed when phones were available that could connect to wireless networks via Bluetooth. On the other hand, BlackBerry phones developed their own distinctive personality and were well-known for their rock-solid integration of email. Mobile computing, networking, and application development all received a significant boost when Apple released its new iPhone with its enhanced capabilities. After some time had passed, the power structure of the mobile phone industry shifted, shifting away from service providers and toward device makers and customers. The technology that is supplied by 4G LTE has begun to bring significant performance increases in comparison to earlier mobile technologies by providing greater connection that is unrestricted by any kind of barrier. The most recent technology, known as 5G, delivers even greater network connection while also presenting users with new prospects and making it possible for users to develop ground-breaking solutions.

III. PRICING STRATEGIES ADOPTED BY MOBILE COMPANIES.

Pricing for mobile services typically consists of two components: fixed rates and variable charges that vary according to the user's actual mobile use. In this sort of approach, the subscriber is responsible for paying both fixed costs as well as marginal rates, which come in the form of variable fees and are determined by the quantity that is being utilized. As a direct consequence of this, the approach in question takes into consideration not just the average cost but also the marginal cost. It is clear that this plan is being implemented without taking into account important factors such as the income levels of customers, the elasticity of demand, and the prices that are being offered by other businesses. A further shortcoming of this approach is that all customers are subject to the same set prices, with no consideration given to how much data they really use. In most cases, this pricing plan is used for postpaid mobile connections; nevertheless, due to the restrictions of postpaid mobile service, the notion of prepaid service has gained popularity among customers. The pricing structure for mobile operating systems is notoriously difficult to understand. It takes into account both operational expenses and capital expenditures, both of which have to be distributed and divided across a set of predetermined cost centers. It is necessary to assign costs to the appropriate departments when those costs can be precisely traced to a particular division. It is necessary to establish a reasonable basis for allocating the common expenditures across all of the departments.

1)Flat Rate Pricing Strategy:

In order to improve their market share, certain mobile phone carriers switched to a flat rate pricing structure. This tactic was effectively used by newly established mobile firms in order to recruit customers in order to take advantage of the flat rate benefit, which is available to customers regardless of how much they use their mobile phones. Because of how this method worked, the variable fees were kept to a minimum or possibly eliminated entirely. On the other hand, fixed rates were much higher than average, which guarantees consistent income for cell carriers. The most fundamental purpose of this system was to simplify the approach as much as possible while still providing the mobile users with as much autonomy as possible.

2) Discount Pricing Strategy:

Only a few mobile companies have been successful in attracting subscribers by using discount pricing strategies. In most cases, there were three different kinds of discounts offered. The first kind of discount was calculated according to the total number of times the service was used. The second kind of discount was for groups, such as a collection of pupils from the same school, members of the same family, or workers from the same company, etc. The most recent kind of discount was one that depended on the time of day when a mobile device was used. In other words, there were varying price points available at various times of the day as well as the week.

3) Bundling Pricing Strategy:

This tactic, in which a single fee was charged for many items and services, was the one that saw the greatest amount of adoption. There were two different strategies for bundling prices in the mobile telecommunications system: the pure bundle approach and the mixed bundle strategy. The subscriber was compelled to subscribe to all of the services at the same time in the case of the pure bundle approach, but in the case of the mixed strategy, the customer was given the choice of buying individual goods. The customer has a significant preference for the packaged products and services since they give a pricing advantage and come more highly recommended. In general, bundles were produced by mixing different types of products and services at points where the level of customer demand flexibility varied.

4)Skim Pricing Strategy:

The mobile businesses employed the skim pricing technique when they initially introduced value-added items to the market for the first time. Instead than concentrating on increasing the number of items sold, the goal was to maximize the amount of money made from each individual sale. It has been noticed that the lack of launch of new items and the absence of competition owing to the product cause mobile consumers to become price insensitive.

5)Penetration Pricing Strategy:

In spite of the narrowing of the profit margins, this technique was used in order to boost the amount of money brought in. Mobile firms that had a cost advantage, underused resources, and economies of scale advantage often adopted a pricing strategy called "penetration pricing." In certain instances, where there was not considerable competition in the market, just a small number of businesses decided to embrace it. Companies who had just entered the market used this approach with the goal of reaching a particular level of client base, which assisted them in remaining competitive. The mobile operators, who had previously established themselves in the industry's competitive landscape, decided to use this strategy in order to boost market effusiveness in a very short amount of time. In the early years of the mobile telecommunications business, only a select few nations used the pricing technique known as penetration pricing.

6)Cooperative Pricing Strategy:

Mobile businesses used this pricing model in at a time when all major operators had considerable market shares and the majority of enterprises were operating at or near their maximum capacity. Because an increase in capacity would have resulted in a significant rise in cost, only those businesses that were able to function at or very near to their maximum capacity took part in the study. A consistent market share was positioned as part of this approach, which allowed for pricing disparities and price positioning to be maintained. It is possible to see that this technique became more obvious when the number of businesses in the mobile market declined at one point in time. The mobile market in India is structured with a restricted number of companies, and it is also possible to observe that this structure exists.

IV. CONCLUSION

The relationship between the supply and demand for the services is created by the pricing that mobile phone providers charge for their products. It is a crucial factor in the consumer's decision-making process when it comes to making purchases. The tasks involved in selecting price goals are included under mobile pricing. It is difficult to clearly define the ideal approach or framework for the pricing strategy of mobile devices. There are several potential approaches. Companies, however, should take into consideration the fundamental pricing techniques, which include cost-based pricing methods, demand-based pricing methods, and competition-based pricing methods, while developing new and creative pricing strategies.

The Indian mobile phone firms came up with their unique pricing schemes after taking into account the market structure, customer traits, the nature of the services offered, and the organizational structure of the operators. They were able to maintain their presence in the market for a longer length of time as a result of these efforts. Those mobile phone firms who were unable to develop pricing strategies that were more effective than their competitors went out of business. On the other side, for the last 25 years, the businesses that have been able to survive, thrive, and expand are the ones who have evolved their own pricing strategy.

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