

Bharti Airtel (B)

Bharti Airtel was one of the most profitable wireless telecommunications companies in the world even though it was based in India, one of the poorest countries on Earth. Despite the limited economic means of its customers and the lowest per-minute pricing in the telecom industry in 2005, Airtel created an innovative business model. Airtel had produced robust revenue growth and profitability since its founding in 1995, and achieved strong financial results in international performance indicators (see **Exhibit 1**). How did the company do it? What were the innovations that propelled Airtel to the dominant position in the fiercely competitive Indian wireless market?

“We have broken all the paradigms of telecom,” said Airtel Joint Managing Director and CEO Manoj Kohli. Airtel invented a new measure of success in the global telecom industry when it moved away from average revenue per user (ARPU) toward its low cost/high volume “minutes factory” model. At the same time, the company adopted an outsourcing strategy to transform itself into a lean marketing and supply chain management firm. Airtel saw these steps as necessary to becoming a low cost provider in the Indian cell phone industry. This departure from conventional wisdom in the industry could be traced to a 2002 executive gathering, where two major decisions were made. First, the Airtel management team pledged to pursue achieving the lowest per-minute cost in the industry and, second, the company decided to outsource all areas of the business that were not core competencies.

To pursue the lowest pricing, Airtel introduced a health indicators graph (see **Exhibit 2**) that was developed in-house as a component of the company’s performance dashboard. The graph plots three lines. The first line represents gross revenues; the second, operating expenses to gross revenue, or operating efficiency; and the third, revenue to capital expenditures, or capital productivity. The team adopted this new measure to replace the industry standard metric of ARPU and began to circulate it throughout the organization and externally to its suppliers and partners. In Kohli’s words, Airtel “has become agnostic of ARPU.” Going forward, it would focus on per-minute margins.

In making the decision to outsource Airtel’s non-core functions, the executive team first identified five areas that it considered fundamental to its success:

- Customer management
- People motivation
- Financial management

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