

Airtel, Jio and Vodafone Idea in India continue to make large, but infrequent, price increases

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Jio announced mobile plan price increases of 12.5–25.1% on 27 June 2024. Airtel and Vodafone Idea made similar announcements the next day. This the first time that the three main mobile network operators (MNOs) in India have raised their prices since December 2021.¹

Most consumers will have little option but to accept the higher prices due to the limited number of alternative operators. The price increases will cause some SIM consolidation (some consumers will discard additional SIMs and retain only their primary mobile connection) and migration to cheaper plans with smaller data allowances, but this will only partly offset the increase in consumer spending.

We therefore expect that mobile ARPU in India will grow by over 10% year-on-year in both 2024 and 2025. Consumers' growing reliance on mobile data will also play a role in this growth.

Jio and Airtel increased the prices of their most popular prepaid plans by 25.1% and 20.9%, respectively

Jio and Airtel offer similarly structured prepaid and contract plans that bundle data, unlimited voice calls, SMS messages and value-added services (VAS) such as video and music streaming. Their contract plans also offer customers the option to add extra SIMs at a discounted rate. However, over 90% of mobile connections in India are prepaid, and prepaid ARPU is the main driver of overall mobile ARPU.

Details of the price increases for the MNOs' most popular prepaid plans can be found in Figure 1, but a summary of the changes to all plans is as follows.

- Jio has raised its prices by 12.5–25.1%; the average price increase for a given plan is 19.8%.
- Airtel has raised its prices by 11.2–20.9%; the average price increase for a given plan is 16.7%.
- The new prices are around 10% higher than those introduced in the last round of price increases in December 2021. The average annual inflation rate has been 4.9% during this time, so the latest price rises are significantly above inflation.

Figure 1: Details of the price increases for Jio's and Airtel's most popular prepaid plans

Operator	Plan	Previous price	New price	Price Increase
Jio	1GB per day for 28 days	INR209	INR249	19.1%
Airtel		INR265	INR299	12.8%

¹ This article will focus primarily on Jio and Airtel because they together account for more than 76% of connections as of 1Q 2024 and have pan-India 5G coverage.

Operator	Plan	Previous price	New price	Price Increase
Jio	1.5GB per day for 28 days	INR239	INR299	25.1%
Airtel		INR299	INR349	16.7%
Jio	1.5GB per day for 56 days	INR479	INR579	20.9%
Airtel		INR479	INR579	20.9%
Jio	2GB per day for 56 days	INR533	INR629	18.0%
Airtel		INR549	INR649	18.2%

Source: operator reporting

Jio and Airtel have increased the price of their 5G services

Jio and Airtel launched 5G services in October 2022 and allowed existing customers to access 5G services at no additional cost. This resulted in a significant take-up of 5G services (224.5 million connections by 1Q 2024), but it had a minimal impact on ARPU.

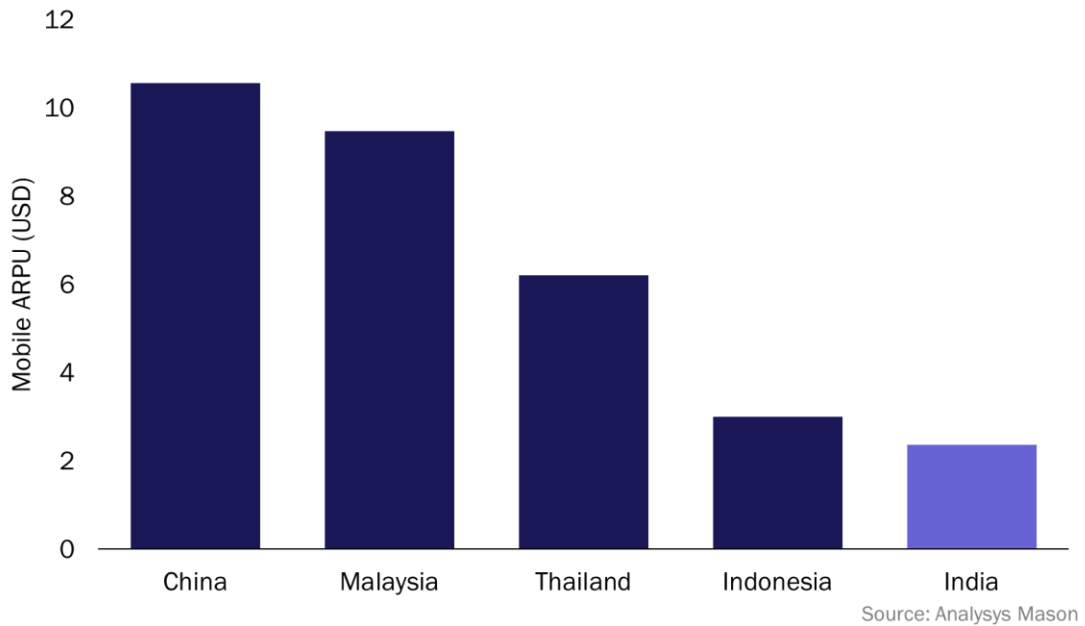
As part of the price increases, the MNOs removed the access to 5G from some of the cheaper tariffs. Customers must now take a plan with a daily data allowance of at least 2GB of data to receive access to 5G. Jio customers must therefore now spend at least INR349 (USD4.2) to access 5G services (compared to a previous minimum spend of INR239 (USD2.8)). Airtel customers have to spend at least INR409 (USD4.9) to access 5G services.

This monetisation strategy will lead to an increase in mobile ARPU, even though some consumers will discard their additional SIMs and retain only their primary mobile connection. Most of the customers that have already switched to 5G have high incomes and can afford 5G smartphones. As such, a large proportion of existing 5G users will accept the new prices to continue with 5G services.

Mobile ARPU growth and recouping 5G roll-out costs are the drivers of the price increases

Mobile ARPU in India is currently one of the lowest in emerging Asia-Pacific (Figure 2). Gopal Vittal, CEO of Airtel, said, during the FY2023/2024 investor call (prior to the price increases), “We are already at just over INR200 ARPU. I think the right level of ARPU even at INR300 would still be one of the lowest in the world so there is substantial repair to be had in the industry.”

Figure 2: Mobile ARPU, selected countries in emerging Asia-Pacific with similar levels of mobile market development, 1Q 2024



Jio, Airtel and Vodafone Idea together accounted for 94.9% of connections in 1Q 2024 and have the widest 4G/5G coverage in India. State-owned BSNL is the only major MNO to not increase its prices, but its 4G coverage is very fragmented. The growing adoption of digital payment services, social media and video streaming services means that few consumers will want to revert to 3G services from BSNL. As such, most consumers will accept the new prices, thereby resulting in an 11% year-on-year increase in ARPU in India to INR208.5 (USD2.5) in 2024.