

“A study on (below the line) promotion strategies of telecom industry in western (Up) circle (India) with special reference to Reliance Communications”

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Abstract

Over the past two decades, India has grown rapidly from a “command and control” economy to a market-based economy. India is now closely integrated with the global economy and is considered one of the pillars of global economic growth. The process of liberalization started in the mid-1980s and gathered momentum in the 1990s, with the further opening of the economy and the creation of regulatory institutions to march toward fully competitive markets. As a result of liberalization, India’s GDP has been rising by more than 7% annually in the past decade, compared with 3.5% annually from 1950 to 1980.

Indian telecom industry is back on the growth mode after disconnecting several inactive users. Interestingly, after witnessing a fall for the eight consecutive months (between July 2012 and February 2013) the net monthly wireless additions registered an upswing in March 2013.

According to the data of Telecom Regulatory Authority of India (TRAI), total net monthly wireless additions rose by 6.14 millions in March 2013 on monthly basis. Even, experts believe that now operators have attained some sort of stability and net subscriber addition is expected to grow in the coming months. Applying the principles of cost leadership, differentiation and strategic focus along with the related ones of building entry barriers, erecting economics of scale, developing marketing competitors Reliance Communications has attained global levels of competitiveness adopting a single unique route to attain competitive status. This paper is an attempt to understand the promotion strategies practiced by Reliance Communications. The study is conducted in Western (UP) region of India. The statistical tools used are chi-square, one way ANOVA, and the finding is the promotion of the products (goods and services) offered by Reliance Communications has a significant impact in increasing sales.

Key Words: Telecom, Promotion Strategy, Reliance Communications, etc.

1.1 Introduction

In July 2012, it was for the first time when the net mobile subscriber additions declined by 20.61 million to 913.49 million as against a figure of 934.04 million in June 2012. The biggest hit was taken by Reliance Communications with subscriber base ebbing by 20.49 million. In less than a decade, the mobile phone has been transformed from being a luxury that few could own into one of the essentials of an average Indian’s existence. The easy access to mobile services is the outcome of positive regulatory changes, intense competition among multiple operators, low-priced handsets, low tariffs and significant investments in telecom infrastructure and networks.

FY2013 may be remembered as the ‘lost year’ in the history of Indian telecom. The momentum gained over the years was arrested with a series of policy actions. Alleged corruption and mishandling of 2G license allocations in 2008 led to judiciary intervention, paving the way for opening the third front in the fierce battle between government and the telecom operators, taking their clashes to courtrooms. A sector that contributed couple of percentage points to India’s GDP growth through unprecedented rise in teledensity, is baffled with ambiguity in policies, hindering the much needed investment in the sector as visible from 95% YoY decline in FDI during April 2012 to January 2013 period. A goose that laid golden eggs deserves to be nurtured well rather than making it a victim of greed and infighting. The expansion of India’s telecom industry has led to an “all-inclusive growth” of the Indian economy in terms of GDP (gross domestic product) growth, employment and government revenues, among others.

1.2 Research methodology

The study used the quantitative research approach. Data was collected through self-administered questionnaires in a survey. Close-ended (5 Point Likert's scale) questions were mostly used. Data was collected from three types of respondents; 76 distributors, 700 retailers and 76 employees of RCOM. The simple random sampling method was used to choose 700 retailers, from the population of 12000 retailers of RCOM in Western (U.P) circle. The analysis employed the use of statistical procedures and tests to interpret and draw conclusions from the data collected. The Chi-square test, ANOVA and post-hoc have been used for the study. This study confines itself to one that of CDMA Cellular Pre-paid Services and handsets, and all future references to the term "RCOM" can be taken in this context. The study has been conducted in 5 Districts of Western (UP) Circle i.e. Meerut, Bulandshahr, Muzaffarnagar, Baghpat, Bijnore

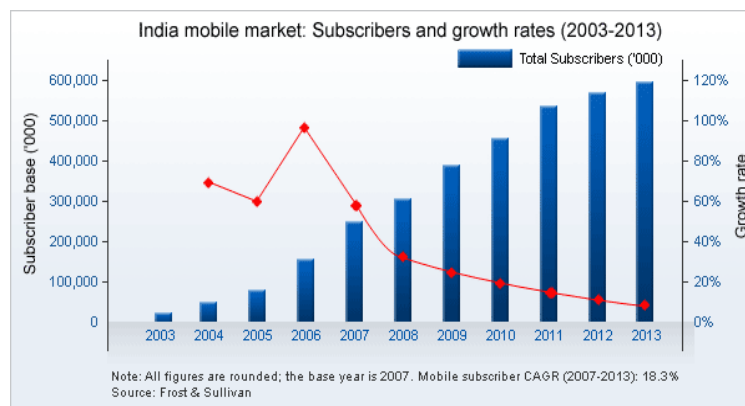


Figure 1: India mobile market and growth rates

1.3 Reliance Communications in brief

RCOM Limited is the flagship Company of Reliance Anil Dhirubhai Ambani Group, India's third largest business house. RCOM is India's foremost and truly integrated telecommunications service provider. The Company, with a customer base of 109 million including over 2.5 million individual overseas retail customers, ranks among the Top 4 Telecom companies in the world by number of customers in a single country. RCOM corporate clientele includes 2,100 Indian and multinational corporations, and over 800 global, regional and domestic carriers. RCOM has established a pan-India, next generation, integrated (Wireless and Wireline), services by consumers or trade convergent (voice, data and video) digital network that is capable of supporting best-of-class services spanning the entire communications value chain, covering over 24,000 towns and 600,000 villages.

1.4 Review of literature

Sales Promotion is a key ingredient consists in marketing campaigns, consist of a collection of incentive tools, mostly short term designed to stimulate quicker or grate purchase of particular products or service by consumers or the trade.(Philip Kotler 2009). Sales Promotion are marketing and communication activities, that change the price/ value of the product, or service perceived by the target, thereby (1) generating immediate sales, and (2) altering long term brand value. (Shultz, Robinson, and Petrison, 1998)

The term" sales promotion" has been used to represent at least three different concepts: (1) the entire marketing mix, (2) marketing communications (Anderson, 1982),(3) a catch-all for all communication instruments that do not fit in the advertising, personal selling or public relation subcategories(Van Waterschoot and Van den Bulte,1992). According to Low & Mohr (2000) manufacturers continue to spend a large amount from their communication budget on sales promotion.

They allocate around 75 percent of their marketing communication budgets to sales promotion.(Hellman, 2005) In order to develop a successful sales promotion strategy a clear definition of the targeted market must be

included. It is important to note that the character of sales promotion has been changing slightly over time, with the arising of relationship marketing. Sales promotion, like other traditional forms of marketing activities, have been about mass offer (Mitchell, H., 2000)

1.5 Hypothesis of the study

H 1A: The Sales Promotional tools by used by Reliance Communications are effective in boosting sales

- H 1A1 The Customer schemes offered by RCOM are effective in boosting sales
- H 1A2 The Road shows used by RCOM are effective in boosting sales

H1A3 The Event Sponsoring used by RCOM is effective in boosting sales

- H1A4 The Distributor's/Retailer's Schemes used by RCOM are effective in boosting sales
- H 1A5 The Attractive Margins used by RCOM are effective in boosting sales
- H 1A6 The Association with other brands used by RCOM is effective in boosting sales
- H1A7 The Group Schemes used by RCOM are effective in boosting sales.
- H1A8 The Discount Offers used by RCOM are effective in boosting sales.

Table 1: Goodness of fit' test statistics on (below the line) sales promotion variables

Promotion Variables 'Below the Line'	Distributors		Retailers		Company Personnel	
	χ^2	(p-value)	χ^2	(p-value)	χ^2	(p-value)
Customer Schemes	43.87	0.0001	132.3	0.0001	33.57	0.0001
Road Shows	27.55	0.0001	240.44	0.0001	20.39	0.0001
Event Sponsoring	24.53	0.0001	210.77	0.0001	14.71	0.0053
Distributor's Retailer's Schemes	17.42	0.0016	140.9	0.0001	16.01	0.003
Attractive Margins	18.61	0.0009	174.01	0.0001	17.04	0.0019
Associating with Other Brands	6.89	0.061	218.21	0.0001	25.81	0.0001
Group Schemes	8.34	0.04	128.33	0.0001	16.00	0.003
Discount Offers	22.55	0.136	214.47	0.0001	26.60	0.0001

The Goodness of Fit chi-square tests whether the proportions of responses within each question are significantly different from a uniform distribution. The significance level where $p < 0.05$ is used for interpretation. It compares the observed data to the expected data under the assumption of a uniform distribution and calculates the Chi - Square value and its associated p value. It is evident that the majority of the Distributors agreed /strongly agreed that the promotional tools used by RCOM are significant to influence sales. Table 1.1 reflects that this result is statistically very significant since $p < 0.05$ even $p < 0.001$, except in Associating with other Brands and Group Schemes where the results are not significant.

Table 1.2 One- way ANOVA on (Below the Line) sales promotion tool variables between the distribution channels of RCOM

Variables	Distributors	Retailers	Company Personnel
Customer Schemes	301	2331	273
Road Shows	239	2119	233
Event Sponsoring	265	2508	241
Distributors/Retailers Schemes	233	2361	235
Attractive Margins	261	2467	240
Associating with Other Brands	235	2145	231
Group Schemes	216	1961	204
Discount Offers	266	2446	238

Table 1.3 Data Summary

Sales Promotion Tool Variables	Samples			
	1	2	3	Total
N	8	8	8	24
$\sum X$	2016	18338	1895	22249
Mean	252	2292.25	236.87	927.041
$\sum X^2$	512994	42303658	451345	4326799
Variance	708.85	38339.642	352.41	984445.5
Std.Dev.	26.624	195.8051	18.77	992.192
Std.Err.	9.4131	69.2276	6.637	202.530

Table 1.4 ANOVA summary

Source	SS	Df	MS	F	P
Treatment [between groups]	2.2E+07	2	1118322	851.49	<.0001
Error	275806	21	13133.63		
Total	2.3E+07	23			

Table 1.3 & 1.4 exhibits that there are significant differences between the Distributor Retailer and Company Personnel for the 'Below the Line' Promotion Tool variables.

Table 1.5: Multiple comparisons of (Below the Line) sales promotional tools variables with distribution channels of RCOM confidence intervals and statistical significance

Comparison	Mean1 - Mean2	95% CI of difference	T	Significant? (P <0.05?)
1: Distributor Vs. Retailer	- 2040.25	- 2189.31 to - 1891.19	35.606	Yes
2: Retailer Vs. Company Personnel	+2055.37	+1906.31 to + 2204.43	35.870	Yes
3: Distributor Vs. Company Personnel	+ 15.12	-133.94 to + 164.18	0.264	No

The table 1.5 depicts results of Post-Hoc Test. It was carried out to test the significant differences for pricing variables amongst Distribution channel of RCOM in Western U.P circle. Differences are significant between Retailers and Distributors, and Retailers and Company Personnel. There combinations of differences were found to be non-significant among Distributor and Company personnel, reflecting that both have almost similar opinion towards the Promotion strategies of RCOM. And there were very less differences in their responses towards "Below the Line" Promotional Tools used by RCOM.

a. Limitations of the study

Like other study, even this one is not without limitations. Some of them are listed below:

1. Since the scope of the study was limited to 5 districts of Western (U.P) only. This study can be replicated in other circles of India, for cross study and contexts for greater generalizability.
2. The study is confined to urban and sub-urban areas only and the rural areas are not taken into consideration for the research.
3. The study is restricted to CDMA handsets and prepaid services only.
4. The study has not taken Broadband, Fixed Wireline and DTH, & related offerings into consideration for understanding the telecom services in Western (U.P) Circle.
5. The study is mainly based on Random Sampling Method instead of Census Method.
6. Respondents were not offered, the option to answer open-ended questions throughout the questionnaire, so analyzing and interpretation of data beyond statistical analysis was not possible.
7. The questionnaire is made in English Only. Although the researcher hired well-trained investigators, but they often reported difficulty in communicating the desired meaning of a question, word or definition to the retailers.
8. Respondents often resisted completing the questionnaire, citing time constraints. Although the motivation of respondents were taken care of in form of token gifts.

1.7 Findings of the study

Promotion possesses a significant key role in determining profitability and market success. Brand building, through 'Above the Line' medium and mass media are the effective advertising strategies followed as

promotional tools. As sales promotion strategies, the schemes, tariff plans, event sponsoring, special package for the corporate world/ group schemes, and co-promotion are given importance by Reliance Communications in this competitive stage of the cell phone services. In the distribution process, in-depth retailing and high-reach strategies are entertained to make the services successful in the near future.

1.8 Scope of further research

A study on the impact of innovative advertising strategies i.e. tele marketing, mobile advertising on the market such and online marketing & advertising can also be worked upon with similar objectives.

1.9 Conclusion

Most of the promotional strategies revolved around capturing the market share with the help of sound information flow through distributors and retailers. Attractive Schemes, Special Season Offers, Group Schemes, and innovative advertisement a campaign is used by Reliance Communications as tools to push back the competition and increase their market share. The expenses incurred by Reliance Communications for the Distributors participating In Sales Promotion activities through regular Promotional Schemes, Road Shows, Event Sponsoring, are only if these activities are meant for company promotion and not specifically for distributors.

Always aggressive in its approach, the Reliance Communication brand has been creating maximum stir over the last few years, by launching a series of campaigns in the tenure. Most of its initiatives like the Mobile TV, RIL India calling card, internet on the move and One India Plan (launched by RCL even before BSNL) went a long way in changing traditional market paradigms. Be it the impudent promotions through TV Advertisements, and radio Advertisements bold marketing campaigns or strong below the line activities, Reliance Communications has constantly stormed the telecom market of Western (U.P) circle with its forceful streak. However Internet advertisements have a wider scope in near future in Western (U.P) circle.

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