CHAPTER – IV
MARKETING PRACTICES OF CELLULAR PHONE COMPANIES

4.1 INTRODUCTION

The current millennium has unfolded new business rules, the most significant of them being that past history or experience in a given market is no indicator of future success. Today marketers have pulled out almost every weapon from their armoury to retain and expand their brand’s share in the customer’s mind. Change is not like yesterday and tomorrow will be different from today; continuing today’s strategy is risky and turning to a new strategy. The three developments – globalization, technological advances and deregulation – spell endless opportunities.

4.2 MARKETING PRACTICES

An organization’s competitiveness is greatly determined by its ability to respond within a time frame determined by market forces and not by its own complexities. In the present day environment, knowledge management has become the most crucial armour for competitive survival. Today’s customer expects the marketer to concentrate on the end of value chain rather than spreading resources across the chain. The present age is characterized by mass customization rather than standardization. Marketing people are involved in 10 types of entities such as Goods, Services, Experiences, Events, Persons, Places, Properties, Organizations, Information and Ideas. Philip Kotler terms it as entrepreneurial formulated and intrapreneurial marketing. Entrepreneurial marketing is often characterized by
high risk-taking and innovative ways to reach out to the consumer. Formulated are research centric and meticulously planned efforts. ‘Intrapreneural’ involves firms passing their managers into the market to live with their customers and conceptualize new ways to improve the customer’s life style\(^1\) when a construction firm, dealer, housing, finance firm, interior designer, furnisher, media communication service provider and internet site a meta market is created.\(^2\)

All market variables could be categorized into two factors such as methods and tools. The concept of marketing mix involves a deliberate and careful choice of organization’s product, price, promotion, place, people, physical evidence, and process strategies and policies. “Marketing mix is a term generally used to denote a particular combination of marketing variables which are controllable by an enterprise and which are used to appeal to a particular market segment.”\(^3\) The marketer can increase the value of the customer offering in several ways. i) Raise benefits, ii) Reduce costs, iii) Raise benefits and reduce costs iv) Raise benefits by more than the costs and v) Lower benefits by less than the reduction in costs. Competition represents only one force in environment in which the marketer operates. Marketing mix decisions must be made for influencing the trade channels as well as the final consumers. The company can change its price, sales force size and advertising expenditure in the short run. It can develop new products and

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modify its distribution channels only in the long run. The marketing mix adopted by the cellular companies is shown in diagrammatic form in Fig.4.1.

### Fig.4.1
**Marketing Mix Adopted by the Cellular Companies**

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<th>Marketing Mix</th>
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### 4.3 PRODUCT

It is necessary to appreciate that the most crucial element in the marketing mix is the 'product'. Most of the time new ventures or product fail not because of their quality but because they fail to live up to the customer’s expectation. The product is a bundle of satisfaction that a customer buys. The product structure is given in Appendix-III. It represents a solution to a consumer’s problems. As competition intensifies, markets open up,
telecommunication and information networks improve and exposure of Indian families improve, firms will have to reexamine their product concept.

Cellular phones today have become essential accessory for the rural and urban Indian consumer. It is soon going to be same in rural India as India adds almost 1.5 million subscribers each year to its mobile phone users. Cellular phone service (Prepaid and Postpaid) and value added services today has become a commodity as almost all service providers offer the same features, benefits and packages on the basis of price. The mobile subscriber base is growing at a scorching pace in India. India is now the 5th country in the world to have crossed the 100 million mark in subscriber base and has in the last two months become the fastest growing mobile market in the world. Current analysis helps clients beat the competition by providing continuous, in-depth competitive intelligence.

4.3.1 Prepaid:

In this system subscribers are allowed to pay in advance for mobile services. Phone cards-Prepaid was established in 1997 to market prepaid phone cards, and other telecom products via the internet, offering retail and wholesale sales. Their goal at that time was and still is to offer customers superior service, choice, selection and quality in this fast changing market place. A wide choice of product, constantly review the products offer and if any of products are constantly a problem for customers that product is removed from market and new products are added. The prepaid cellular

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phone may save more money in the long run. Customers won't be under contract and customers don't have to pay a monthly package fee for having the service. The structure of the Indian mobility market shows that 80 percent are under the pre-paid segment which completely dominates the present Indian mobility market.

There is no contract to sign, no long-term commitment, and no monthly bill to worry about and better cost control. Every one knows exactly how much they spend. No hidden fees. No credit checks needed. Perfect for the credit challenged since monthly billed plans require credit approval. Great if the usage varies from month to month. No security deposits. Some monthly plans may require a deposit. Topping up the account is easy and can do it in many ways, at any time, by going on-line, by phone, bank machine or with a prepaid card.

4.3.2 Postpaid:

This is a system allowing subscribers to pay for mobile service after its usage. A postpaid mobile connection is like any other telephone connection, where everyone gets a SIM Card, uses it and pays the monthly bill based on rentals, plan charges and usage charges, etc.

4.3.3 Value Added Services (VAS):

Cellular mobile services were one of the first areas opened up to private competition. The whole country was divided into the 4 metropolitan cities and 19 telecom circles which were roughly analogous with the states of India. In India GSM and CDMA technology cellular service providers are
available – namely Aircel, BSNL, Airtel, Hutch, Reliance and Tata Indicom. The operators are offering various types of services based upon the customer need. The Internet service is also provided which has various information channels.

Mobile value-added services (VAS) are those services that are not part of the basic voice offer and are availed off separately by the end user. They are used as a tool for differentiation and allow the mobile operators to develop another stream of revenue. The nature of value added services change over time. A VAS may become commoditized and becomes so common place and widely used that it no longer provides meaningful differentiation on a relative basis. All VAS share the same characteristics: not a form of basic service but rather adds value total service offering; stands alone in terms of profitability and/or stimulates incremental demand for core service(s); sometimes stand alone operationally; does not cannibalize basic service unless clearly favourable; an add-on to basic service, and as such, can be sold at a premium price; provide an operational and/or administrative synergy between or among other services – not merely for diversification.

The service type is those value-added services that stand alone from an operational perspective. These types of services need not be coupled with other services. Many non-voice services fall into this category. They are often provided as an optional service along with voice services, but they could be offered and used by themselves without the voice service. For example, SMS could be offered and used as a service without voice calling
and arguably more numerous and important type of VAS, adds value to existing services. While it seems implicit in the definition of value-added, this is an important principle that makes value-added services stand apart from other services. This is where the role of VAS (Value Added Services) comes into focus.

Operators are facing cut-throat competition and with the call rates in India being one of the cheapest in the world, the margins are very low. As average revenue per user decrease from voice drops and voice becomes commoditized, Telco’s are increasingly looking at data as an additional revenue stream. The end users have also embraced VAS and it contributes between 5-10 per cent of the revenues of different Telco’s. Thus Mobile VAS has become an important element in the growth of mobile telephony in India. Therefore they are looking at VAS as the next wave for growth. It has become the flywheel of telecom growth and a large chunk of revenue for operators is likely to come from VAS services in the years to come. But it is not only effort from operators which is driving the growth of VAS, there are other factors contributing to it. The growth of VAS in India has been helped both by macro level environmental factors and specific market initiatives to develop this category.

The mobile VAS industry income in India is estimated at Rs.2850 crore at the end of 2006 and is estimated to grow at 60 per cent to touch Rs.4560 crores at the end of 2007. This space is currently completely dominated by entertainment services and comprises of P2P SMS - Rs.1140
crore; Ringtones (including CRBT) - Rs.1026 crore; P2P & A2P- Rs.428 crore; Games & Data- Rs.171 crore; Others (MMS etc) – Rs.86 crore.

4.3.4 List of Services Presently Available in the Market:

News and Updates provide brief information about News relating to National, International, Business, Technology, Political, Government (State and Central), etc to the subscriber. Astrology denotes that Daily forecast, live astrology, Tarot, Vasastu, Fengshui tips, Rahukal and Shubhkal. Entertainment service provides that Thought for the day, Horoscope, Numerology, Movies, Music, Jokes, dating, Games, Sudoku, Chatting and Television Programme and Schedule. Sports are giving news about Cricket and Grand Prix updates. Finance relates to financial position, Stock markets, ATM, Mobile banking, Commodity Price and mandi rates. Travel Tunes and Downloads provide Train schedule, Railway bookings, Flight status and Taxi Fare. Mail, Messaging and More provides Caller Tunes, SMS tones, Ring tones, Logos, Picture messages, Themes and Wallpapers. Call Management Services offering Yahoo@messenger, MSN, Rediff@indiatimes, Mail on Phones, SMS, SMS chat, Vernacular SMS. Dial in Services are Voicemail, Enhanced voice mail, Missed call alerts, Call waiting, Call forwarding, Call conferencing, CLIP, National and International Roaming, Dial a book, Boughnetlive astrology, Pizza, Dial a song, Ask me and Airlines. Bill information detail is supplied in proper manner to subscribers in form of Itemised bill, Vernacular bill, Duplicate bill and Payment Services and centres. Devotional services are also given by the service.

 provider such as Thirumala service, Blide on SMS, Gurbani and Bhaktisagar. **Personal** details are to be stored and used with mobile service, i.e. Address book, Appointments, Reminder, Mail alert, Mobile answer phone. Additionally service providers offer various services to subscribers namely **Roam Free** Police, Fire, Hospital, Chemist, Ambulance, Blood banks, Mechanic, Health help, Buddy services, Courier, Dictionary, Emergency STD/ISD codes and calls, Weather condition on world, City guide and Telephone directory.

**4.3.5 Call Management Services:**

This type of service cannot stand alone as a service. Instead, it adds value to a core service by allowing the subscriber to manage incoming and/or outgoing calls. For example, value-added service interactions occur when the subscriber receives a call. Many call management services allow the subscriber to establish when, where, and under what circumstances they may be reached by calling parties. This provides value to the core service - voice communications - by way of increased control and flexibility.

Depending on the specific commercial situation, this value-added service could be offered as either a premium service (at a premium price) or be bundled with other the core service offering. The benefit of bundling would be to provide a differentiated core service and/or to increase the use of the core service. **Call Barring (Outgoing/Incoming)** allows the subscribers to prevent unauthorised users from making or receiving calls on mobile. This is especially useful while in travel and want to avoid unnecessary calls. **Call Divert** transfers all incoming calls to the personal voice-mail or a
designated mail-box when the subscribers are unavailable. Calls can also be
diverted to an alternative number. Call Hold allows putting an active call on
hold while one answers a new call or switch between calls. It is not applicable
for Video Calls. Call Waiting will notify an incoming call when someone is on
the line and not applicable for Video Calls. Phonebook Manager managing
one's contacts is a breeze with Phone book Manager. This convenient service
lets backup and/or update contacts saved in the SIM card to our system.

Multi-Party (6-Party) Call gives the convenience of talking to several people
at the same time. Voicemail allows callers to leave voice messages in your
personal mailbox when you miss a call. Local Direct Call (LDC) avoids heavy
international call rates when subscribers contact visiting friends on their
foreign mobile number.

4.3.6 Location Sensitive Billing (LSB):

The Location Sensitive Billing (LSB) adds value to the core
service by location enabling the core service. Location sensitive billing can be
used in conjunction with post-paid, prepaid, and/or VPN based mobile
communications services to establish zones for which differentiated billing
treatment may be applied. For example, a "home zone", "work zone", and
"premium price zone" could be established to allow an operator to offer
differentiated service to its customers.

This is viewed as a value-added service to both the customer
and the mobile operator. The customer benefits from LSB through his ability
to use the mobile phone at preferred rates based on location. The wireless
carrier benefits from incremental revenues derived from additional usage and from premium charge zones where there is already high demand and perhaps overly-taxed system capacity. While the issue of potential cannibalization of existing service arises, customer behaviour and studies indicate a net benefit derived from overall increased usage and revenues.

Call management services and LSB also depict characteristic number six, operational synergy. Call management services add value in terms of providing the user options depending on location. For example, the user may want to receive certain calls at the home zone, but not at work, and perhaps receive only urgent calls when travelling or on vacation. LSB provides the additional synergistic benefit of location-based billing when the user is in those various locations.

4.3.7 Mobile Data Services:

Largely due to the current state of mobile communications evolution, many non-voice services can be considered to be value-added. However, the extent to which additional value-added services can be layered on top of mobile data services will determine the limit of their value. For example, many non-voice services will have even greater value through personalization. Two of the most significant ways to personalize wireless services are through location enabling them and making them personal profile driven. Mobile data services are utilized to obtain information, content, and to perform transactions. All of these activities are more meaningful if they are tailored to the individual. Location based services add value by way of putting
the data into a location context for the user. Personal profiles further enhance the value through personalization.

4.3.8 Roam Free:

It has a wide coverage and especially convenient for frequent travellers. This service enables at all over India and currently at various international destinations on the mobile. The company shall provide Toll free numbers as specified from time to time and twenty-four-hour dedicated customer care for the subscribers.

4.4 PRICING

Pricing is the manual or automatic process of applying prices to purchase and sales orders based on factors such as: a fixed amount, quantity break, promotion or sales campaign, specific vendor quota, price prevailing on entry, shipment or invoice date, combination of multiple orders or lines and many others. Automated systems require more setup and maintenance but may prevent pricing errors.

Pricing objectives or goals give direction to the whole pricing process. Determining the objective is the first step in pricing. When deciding on pricing objectives, it is necessary to consider the overall financial, marketing and strategic objectives of the company, the objectives of product or brand, consumer price elasticity and price points and the resources that are available. Pricing is for common objectives such as maximize long run profit and short run profit, increase sales volume and market share, obtain a target rate of return on investment and return on sales, stabilize market and stabilize
price that the marketing manager attempts to keep prices stable in marketplace and to compete on nonprice considerations, company growth, maintain price leadership, desensitize customers to price, discourage new entrants into the industry, encourage the exit of marginal firms from the industry, survival, match competitors’ prices, avoid government investigation or intervention, obtain or maintain the loyalty and enthusiasm of distributors and other sales personnel, enhance the image of the firm, brand or product, be perceived as “fair” by customers and potential customers, create interest and excitement about a product, discourage competitors from cutting prices, use price to make the product “visible”, build store traffic, help prepare for the sale of the business, social, ethical objective, get competitive advantage.

Price war is a term used in business to indicate a state of intense competitive rivalry accompanied by a multi-lateral series of price reductions. One competitor will lower its price, then others will lower their prices to match. If one of the reactors reduces his price below the original price cut, then a new round of reductions is initiated. In the short-term, price wars are good for consumers who are able to take advantage of lower prices. The lower prices reduce profit margins and can threaten survival. Discounts and allowances are reductions to a basic price. They could modify either the manufacturer's list price (determined by the manufacturer and often printed on the package), the retail price (set by the retailer and often attached to the product with a sticker), or the list price (which is quoted to a potential buyer, usually in written form). The market price (also called effective price) is the amount actually paid. The purpose of discounts is to increase short-term
sales, move out-of-date stock, reward valuable. The most common type discounts and allowances are handling in the market likely Cash discounts for prompt payment, Cash discounts for preferred payment method, Cumulative and Non-cumulative quantity discounts, Trade and seasonal discounts, forward dating, promotional and brokerage allowances.\(^6\)

### 4.4.1 Methodologies for Determining Telecom Tariffs:

Regulatory authorities have considered a number of criteria for telecom tariffs, incorporating several objectives. Prices are based either on costs or on demand, and could be determined at a fixed level or be allowed to be flexible (within or without a specified range). Often the cost concepts considered for cost-based pricing include a rate of return (or mark-up) together with costs, i.e., they focus on economic costs, which include a normal commercial return. It segregates on costs and mark-up to clearly identify two different elements of the cost-based pricing, namely the cost-concept and mark-up, as well as to compare the different types of methodologies for determining a mark-up.\(^7\)

### 4.4.2 Total Costs:

Total costs are equal to the sum of all fixed costs and variable costs; fixed costs are costs which do not vary with changes in output levels (or in the case of telecom, with changes in the number of calls or the volume of traffic on the network); variable costs are costs which change (or vary) with a change in the level of output. Direct costs, i.e. costs associated specifically

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and only with a particular service and can be assigned directly to the production of that service; fixed costs for running the operating facility; common costs are costs shared among various activities; and joint costs are costs which arise in a situation where production of more than one service takes place simultaneously and jointly.

The different types of costs for certain telecom services, such as local calls, long-distance calls, and international calls when the output level of a service changes, variable costs specific to that service are incurred. Similarly, direct fixed costs specific to any particular service can be identified. The other costs are either joint costs or common costs, which are costs shared between two or more services. Costs are calculated on the basis of current prices for current estimates of the various cost-components an increasing emphasis on basing telecom prices on costs, particularly due to a focus on enhancing efficiency.

There is no universal agreement on which concept of cost – average variable cost, average total cost, long-run incremental cost, short run marginal cost, fully distributed cost, actual book cost – should be applied in specifying cost-based prices. The common costs should be allocated, and whether a variety of associated costs to supervise, maintain, market and account for production should be included. Operational costs are higher during the peak load period. Therefore, not only demand but costs also provide a basis for charging higher prices for the peak period and lower prices for the non-peak period. The price structure is given in Appendix-III.
4.4.3 Concept of Costs:

The three concepts of costs that have received much attention in the context of cost-based pricing are short-run marginal costs, long-run incremental (or marginal) costs, and fully-allocated costs. A number of methods have been used to calculate the marginal costs of telecom operations (i.e. econometric studies, engineering planning models, optimization models, and engineering-economics models), which require considerable data but do not necessarily provide reliable estimates of short run marginal costs.

Three different criteria have been used to determine mark-up on telecom costs. a) One focusses on demand price and aims at minimizing the loss in efficiency that would arise if the price deviates from marginal costs. b) Another is to use some uniform mark-up or thumb-rule for mark-up, such as a reasonable commercial return. c) The third is to consider two-part pricing, which would involve either pricing initial units of use at a higher (or lower) price in comparison to subsequent units, or levying an access or rental charge while pricing the use of the service at its marginal cost. This is followed by a description of some important characteristics of the Indian telecom situation which bear upon any consideration of a general change in the telecom tariff policy.

4.4.4 Telecom Tariffs in India:

Telecom tariffs in India include a deposit at the time of registration, a non-reimbursable fee for initial connection, bi-monthly rentals
whose amount depends on the capacity of the local network size, charges for local calls (in excess of free calls), charges for national and international calls, charges for manual trunk calls, and miscellaneous charges (including one year’s rental being kept as deposit). Two systems for charging tariffs are used in India, a flat rate and a measured rate. Under the former, the subscriber has to pay a fixed monthly rental irrespective of the number of calls made. In the latter, the subscriber is charged a lower rental plus a usage charge per call. A specified number of calls are allowed free. STD calls are metered and charged according to a specified formula based on the time when the call is made and the distance covered by the calls.

Indian telecom tariffs have normally focussed on revenue and social objectives, while incorporating certain cost considerations in the pricing methodology. Discounts are offered for certain categories of customers. The rental rates in India differ on the basis of the capacity of the subscriber’s exchange. Unsatisfied demand arises for two reasons. One, congestion in the network results in those currently connected to the network not being able to make all the calls they wish to make. Two, there is excess demand of those who have not yet got linked to the network but wish to do so. This is reflected by the waiting-list for connections. The social objectives might imply a low price for access or for calls made by certain users/geographical areas. The free calls could be considered as an additional rental subsidy. Certain Indian subscribers, however, do not make calls up to the free limit.
4.4.5 Interconnection:

Interconnection is crucial for communicating across networks, and makes it possible for the subscribers of two different operators to communicate with each other. Interconnection involves a linking up of one telecom operator to the infrastructure facilities of another. Interconnections can be considered in terms of network interconnection and access interconnection. The former takes place between operators possessing networks, and the latter between an operator with a network and another without one. Interconnection charges include charges for collecting and delivering calls, for installing, maintaining and operating the points of interconnect, payment for supplementary services (such as directory assistance, fault reporting, network maintenance, or inter-carrier billing), and for ancillary and other facilities (such as space in the equipment room).

4.4.6 Interconnection Charging Methods:

There are basically two methods for charging for interconnection. One is through sharing of revenues among the interconnected operators of telecom services. The second, which is more commonly used, is to establish interconnection charges on the basis of costs. (i) fixation of cost-based Interconnection Usage Charges (IUC), (ii) periodical review of that regime resulting in reduction of carriage charges, (iii) regime change with respect to Access Deficit Charges (ADC), (iv) reduction in the applicable licence fee payable by the operators on the Adjusted Gross Revenue (AGR), (v) the explosive growth of subscriber base and (vi) the resultant growth in minutes of usage.
4.4.7 Change in the Tariff Offerings:

One major change in the tariff offerings of mobile service providers in the recent past is the launch of micro prepaid cards which has lower denomination value thereby targeting the lower and marginal segment of users. Performance of this product in the market as has been analyzed with empirical evidence by Morgan Stanley Research\(^8\) reveals that the overall revenue realization per minute under these packages has risen by 34 per cent and their analysis further points to the fact that Earning Before Interest, Taxes, Depreciation and Amortization (EBITDA) margins on micro prepaid is higher by 19 per cent than the traditional prepaid package. The telecom service providers have been given forbearance for almost all tariff areas. In such segments, particularly, certain value added services which include ring tones, wallpapers, games, text based info services, voice based info services and caller ring back tones, tariffs have been considered. ‘It is because of coordinated pricing, restricted competition and collective failure of service providers that the market size of roaming has not been allowed to grow’.\(^9\)

Thus, pricing is a contract between the service provider and the subscriber and details the terms of usage including fare details like rate for activation, access charges and per minute usage. The price calculations include monthly rentals, security deposit, activation charges, plan charges, membership fee. Call charges depends upon Local, National, inter-circle and international distance and to the call made to PSTN or mobile from one

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network to another network, incoming call charges while roaming, service tax, usage of Value Added Services provided by the service provider such as SMS, MMS, browsing, etc. Roaming charges varied from one to another, distance to distance.

4.5 PROMOTION

The fast growing Indian market, increasing competition among brands and the maturing and standardization of goods and services puts a pressure on the marketer to be innovative in strategy. There have been substantial developments in media communication since the beginning of the 1990s. Our world is today characterized by intensive promotion wars fought in the media and retail shelves. Trial coupons, Discount coupons, contests, festival sales, etc. all try to grab the consumer’s mind, heart and wallet.

When a company develops a new product, changes an old one, or simply wants to increase sales of an existing goods or services it must transmit its selling messages to potential customers. The advertising of professional services has become more common in recent years with familiar personalities such as actress, actor, and cricket players. The billboards, bit notices of schemes, providing offers and discounts and attractive advertisements, promote their products with some familiar ambassador not only promotes cellular communication services, but also refers interested consumers to the yellow pages where they can find more messages. Well trained sales people can explain product benefits and provide consumers with individual guidance and a sales person demonstrates the use and benefits of
mobile communication service. The following list includes many of the tools used in sales promotion like Banners, Trial size Bottles and cans, Streamers, Free samples, Calendars, Catalogs, Point of purchase, Aisle displays, Contests, Demonstrations, Coupons, Trade shows, Trading stamps, Gimme hats, Tours, Free use of products, Cents off Packages, Packages with secondary uses, Toll free numbers and free songs and latest ring tones, Promotion allowance, Sales contests, Gifts, Trade shows, Meetings, Directories, Brouchers, Samples and Awards, Free talk time, No rentals schemes, Add on Card facilities with low tariff with the inter and intra circle lines.

The mobile communication plays a major role in the development of the country. Many executives like the Branch manager, Territory manager, Supervisor or Sales manager, turn out to be poor managers, though most of them have had an excellent track record in selling. Companies are planning about their development which is based on market analysis. That sales force involves organizing and motivating the sales team in such a way that they achieve and surpass the goal. It has been used to review the performance and assess the productivity of his brand and team. Direct marketing helps companies to focus their marketing efforts. Tele shopping, Home shopping channels, Catalogue marketing and online shopping are some of the tools that enable companies to cater to this core customer value. Direct marketing is to avoid intermediary conflict and reach out to the customer. Companies mostly use the direct marketing route. Direct marketing is the most effective way to customize the customer target markets.
It helps to customize both the offering and its delivery and also know the strengths and its ability to be measured, tested and customized.

The cellular companies have been promoting their business area, products and services with the effective research programme. The research depends upon the customer requirements, competitor’s position, coverage of products and services, changes of products and services and their satisfaction from the services. Promotional activities are compete in business with other competitors. These activities are changing day by day, and companies are offering different and attractive services to their customers. These changes are made with technological development. Companies are using so many tools for acquiring a market share such as advertisement about their rendered services, with attractive brand names, low cost schemes, affordable tariff structure, offering variety of value added services to the customers with nominal charges, such as Internet services, Multimedia Messaging Service, News regarding Market, Technology, Horoscope, etc., conducting contests for customers to exhibit their products, organizing so many campaigns and exhibitions, offering many more plans depending upon the customers usage and their financial position.

Cellular companies are offering so many offers to the customers for capturing market and stand in the same position. Special offer for all chargeable local calls made between 11 p.m. and 7 a.m. from Monday to Saturday and Special offer for all chargeable local calls across 24 hours on Sundays. Unlimited free local SMS is offered across Tamil Nadu for monthly
rental of Rs.25. One can choose any 2 Mobile Numbers anywhere in Tamil
Nadu and can make calls at just 10 paise/minute to the selected numbers with
Add on card facility. Recharge with RC 30 and call all TN Mobile at 49p/min.
those in the family with wider calling needs can avail the rate saver on Family
Plan and get free local mobile-to-mobile unlimited minutes and free local SMS
in a month after that 50 p/sms.

Moreover, avail lower call rates of 50p/min to local mobiles,
99p/min to local landlines and STD to all phones across India at Rs.2/min for
a monthly rental of Rs.99 per family member. Make STD calls to any phone at
half the rate, between 10 pm to 8 am on weekdays as well as Sundays that
for a monthly rental of just Rs.30. One can call any phone in India at Re 1/min
for a monthly fee of Rs.250; Make STD calls to any Hutch Phone in the
country at just Re.1. Subscribers can enjoy this rate at a monthly rental of
Rs.25. An add-on card for your existing postpaid connection and enjoy calls
at 10p/min between the two. This scheme is available for a monthly rental of
just Rs.99. Buy a Special Tariff Voucher worth Rs.30 and make 100 minutes
of free calls to local Hutch mobiles between 10 pm and 8 am every day. A
subscriber can enjoy one month of free caller tune subscription worth Rs.30
with every new prepaid activation. No free or discounted SMS will be available
to existing / new customers who subscribe to or have subscribed to SMS
promos / SMS packs / STVs, etc on occasions like New Year, Republic Day,
Valentine Day, Tamil New Year, Friendship Day, Independence Day,
Dassera, Diwali, New Year, Christmas, New Year Eve, Pongal Day, and
Ganesh Chaturthi. On these days, the normal SMS charges will be applicable between 00:00 Hrs to 24:00 Hrs.

Introduction of e-recharge from RIM, Airtel, and Tata Indicom Prepaid will help to recharge the prepaid with any amount. Customer needs to visit the Retailers offering e-recharge facility from Rs.10 to Rs.10,000, provide the MDN and pay the MRP of the required denomination. Unlimited Free local SMS (Chennai Circle & Tamil Nadu Circle). Free Incoming Calls while roaming in Chennai. Contest had subscribers answering questions with points varying between 5 and 150 depending on the difficulty level of the question. The highest scorer walked away with a Chevrolet AVEO, daily prizes included holiday packages to destinations in India. Giving every Indian the right to be unconditionally, completely free! Free to never run out of words, explore every opportunity, reach out to anyone, anywhere and express them. When one dials the number of an Airtel buddy, he no longer has to hear that boring old ‘tring tring.’ Instead, he can groove to the hottest new tracks on the music scene! One can also choose from a variety of songs in different languages from the panel on the left.

4.6 PLACE

A good distribution system gets the product to where the target market wants to purchase it, when the consumer wants to buy it and in good conditions. Distribution is a system of relationship among institutions involved in the process of facilitating exchange and consumption transactions. Since channel institutions such as manufacturers, wholesalers and retailers tend to form buying and selling relationship among themselves they may be viewed
as a system. Middlemen are used to facilitate the flow of goods and services, reduce the number of transactions and eliminate discrepancies of quantity and assortment. These include the physical flow of goods, plus promotion, title, communications, financing and payment and negotiation flows.

4.6.1 Distribution System:

Channel of distribution is a system of relationships among institutions involved in the process of facilitating exchange and consumption transactions. The system focusses on the process of changing ownership and the physical transfer of goods and services. Distribution decisions are critical in nature as they affect the viability of the firm and the product.

The Indian market considers the number of towns and cities: 3700, Number of metros: 4, Number of villages: 6, 30,000, Total length of Road: 33,19,644 km, Rail network: 62,915 km, Total length of Cement Road: 15, 17,077 km, Total number of telecom connections: 18.95 million, Number of accessible villages: 5,00,000. Increasingly, marketers realize that they were to make their brands available in the right size, at the right time and at the right price.

4.6.2 Objectives of Distribution System:

The objective of marketing channels is to identify the members of distribution channels, to understand why channels are necessary, to learn the basic channel systems, to appreciate the concepts of power and conflict within distribution channel, to learn the process for selecting a distribution

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channel and become aware of the different factors that influence channel selection. Channel institutions such as manufacturers, wholesalers and retailers tend to form buying and selling relationships among themselves. Middlemen are used to facilitate the flow of goods and services, reduce the number of transactions and eliminate discrepancies of quantity and assortment. The distribution channels are performed by development and discrimination of persuasive communication about the product. Searching out and communicating with the prospective clients, collecting necessary information for planning and facilitating exchange, and to identify the various assumptions associated with the risk in the channel work.

4.6.3 Importance of Distribution System:

The importance of the role played by the marketing managers in the distribution system need not be overstressed. It helps to avoid new competition and aids in protecting market share. Getting any distribution at all is the key to survival. It may wish to concentrate their efforts on production, feeling that they cannot do both production and distribution activities in a competitive manner. The quantity produced to achieve low cost has created a discrepancy of quantity. Creating a goods or service that perfectly matches the needs of the target market and charging an attractive price will all be for naught if the good or service is not made available where the consumer wants and expects to buy it. It can make the other tasks of marketing management a lot easier. A final reason that distribution is important to marketing managers is that a good distribution system enhances the introduction of a new product.
4.6.4 Assistance of Others in Distribution:

Distribution channels often require the assistance of others in order for the marketer to reach its target market. Several surrounding features can be directly influenced by channel members, such as customer service, delivery and availability. Consequently, for the marketer selecting a channel partner involves a value analysis in the same way customers make purchase decisions. Benefits offered by service provider, cost savings in specialization, reduce exchange time, customers want to conveniently shop for variety, resellers sell smaller quantities, create sales, offer financial support, provide information, loss of revenue, loss of communication control, loss of product importance. The distribution channel consists of many parties each seeking to meet their own business objectives. Clearly for the channel to work well, relationships between channel members must be strong with each member understanding and trusting others on whom they depend for product distribution to flow smoothly.\(^{11}\)

Involving more members in the distribution channel arrangement becomes tiresome. Sometimes it is referred to as “vertical marketing system”. This approach makes it more difficult for an individual member to make changes as to how products are distributed. However, the dependent approach provides much more stability and consistency since members are united in their goals. The dependent channel arrangement can be broken down into three types:

Corporate Arrangement: Under this arrangement a supplier operates its own distribution system in a manner that produces an integrated channel. This occurs most frequently in the retail industry where a supplier operates a chain of retail stores.

Contractual Arrangement: Under this arrangement a legal document obligates members to agree on how a product is distributed. Often times the agreement specifically spells out which activities each member is permitted to perform or not to perform.

Administrative Arrangement: In certain channel arrangements a single member may dominate the decisions that occur within the channel. These situations occur when one channel member has achieved a significant power position. This most likely occurs if a manufacturer has significant power due to brands in strong demand by target markets.

4.6.5 Levels of Distribution Coverage:

There are three main levels of distribution coverage – mass, selective and exclusive coverage.

Mass Coverage: The mass coverage (also known as intensive distribution) strategy attempts to distribute products widely in nearly all locations in which that type of product is sold. This level of distribution is only feasible for relatively low priced products that appeal to very large target markets (e.g. consumer convenience products).

Selective Coverage: Under selective coverage the marketer deliberately seeks to limit the locations in which this type of product is sold. The logic of this strategy is tied to the size and nature of the product’s target market.
Products with selective coverage appeal to smaller, more focused target markets (e.g. consumer shopping products) compared to the size of target markets for mass marketed products.

**Exclusive Coverage:** Some high-end products target very narrow markets that have a relatively small number of customers. These customers are often characterized as “discriminating” in their taste for products and seek to satisfy some of their needs with high-quality, though expensive products. Additionally, many buyers of high-end products require a high level of customer service from the channel member from whom they purchase.

**4.6.6 Distribution Methods:**

Marketers’ choice of distribution design comes down to selecting between direct or indirect methods.

**Direct Marketing Systems:** With this system the customer places the order either through information gained from non-personal contact with the marketer, such as by visiting the marketer’s website or ordering from the marketer’s catalogue, or through personal communication with a customer representative who is not a salesperson, such as through toll-free telephone ordering.

**Direct Retail Systems:** This type of system exists when a product marketer also operates his own retail outlets. It is a well known phenomenon. Starbucks would fall into this category.

**Personal Selling Systems:** The key to this direct distribution system is that a person whose main responsibility involves creating and managing sales (e.g., salesperson) is involved in the distribution process, generally by persuading
the buyer to place an order. While the order itself may not be handled by the salesperson (e.g., buyer physically places the order online or by phone) the salesperson plays a role in generating the sales.

**Assisted Marketing Systems:** Under the assisted marketing system, the marketer relies on others to help communicate the marketer's products but handles distribution directly to the customer.

**Single-Party Selling System:** Under this system the marketer engages another party who then sells and distributes directly to the final customer. This is most likely to occur when the product is sold through large store-based retail chains or through online retailers, in which case it is often referred to as a trade selling system.

**Multiple-Party Selling System:** This indirect distribution system has the product passing through two or more distributors before reaching the final customer. The most likely scenario is when a wholesaler purchases from the manufacturer and sells the product to retailers.

**4.6.7 Cellular Companies' Distribution System:**

The cellular companies distribute their services to the customers in two levels in the manner shown in Fig.4.2. The service provider and the final customer are part of every channel. They will use the number of intermediary levels to designate the length of a channel. The service providers are supplied their services like new SIM card supply, Recharge coupons and Replacement card through the channel as shown below:
Fig. 4.2

Cellular Companies Distribution System

LEVEL – I

SERVICE PROVIDER

DISTRIBUTOR / DEALER

WHOLESALE

RETAILER

CUSTOMER

LEVEL – II

SERVICE PROVIDER

DEALER

DEALER

DEALER

DEALER

DEALER

DEALER

A

B

C

D

E

F

RETAILERS

CUSTOMERS

CUSTOMERS

CUSTOMERS

Note: Level-I distribution is not preferred by the operators.

Source: Annual Hand Book of Department of Telecommunication, 2005-06.
4.6.8 Number of Dealers:

For new connection, customer submits his proof of identity, proof of residence along with application giving required details. All the service providers are charging a sum for replacement card issued through the company branch office and the customer has to give the details about existing SIM i.e. date of purchase, date of last recharge, balance amount, SIM number, etc. The starter packs, all kinds of recharge coupons and replacement SIM cards are to be issued in the manner prescribed above. The number of dealers in the distribution of mobile cards in Tamil Nadu is presented below in Table 4.1.

Table – 4.1

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Name of the Service Provider</th>
<th>Prepaid</th>
<th>Postpaid</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>BSNL</td>
<td>31</td>
<td>153</td>
</tr>
<tr>
<td>2.</td>
<td>AIRTEL</td>
<td>754</td>
<td>75</td>
</tr>
<tr>
<td>3.</td>
<td>AIRCEL</td>
<td>658</td>
<td>Direct</td>
</tr>
<tr>
<td>4.</td>
<td>HUTCH</td>
<td>285</td>
<td>125</td>
</tr>
<tr>
<td>5.</td>
<td>RELIANCE</td>
<td>285</td>
<td>Direct</td>
</tr>
<tr>
<td>6.</td>
<td>TATA INDICOM</td>
<td>487</td>
<td>103</td>
</tr>
</tbody>
</table>

Source: Websites of All Companies.

4.6.9 Distribution System of BSNL:

Today, BSNL is the largest Public Sector Undertaking of India with an authorized share capital of $ 3600 million and net worth of $ 13.85 billion. It has a network of over 45 million lines covering 5000 towns with over 35 million telephone connections. As on 31st January 2007, the BSNL has a
The total number of connections of 2,54,44,271 covering 6034 district headquarters, 1,89,632 villages, 49,948 km national highways, 44,235 km State highways and 19,632 km railway route. The World Class services offered by the BSNL includes Basic Telephone services, Internet, ISDN, Inet, Intelligent network, Leased Lines and Datacom, Wireless Local Loop, Fixed Telephone Lines.

4.6.10 Airtel Distribution:

Bharti Airtel offers GSM mobile services in all the 23-telecom circles of India and was the first private telecom service provider to connect all states of India. Bharti provides a range of telecom services, which include Cellular, Basic, Internet and the company recently introduced National Long Distance. Bharti also manufactures and exports telephone terminals and cordless phones, apart from being the largest manufacturer of telephone instruments in India.

4.6.11 Aircel Distribution:

Aircel provides the widest coverage and strongest signal across Tamil Nadu with a coverage of over 800 towns and 11,000 villages, Chennai with over 400 base stations. It has extended the service depending upon the customer base and tower capacity. It’s only operated within TamilNadu inclusive of Chennai and Aircel has made an agreement with other telecom service providers for roaming. Aircel has identified 10 telecom circles to provide wireless telephony. Aircel takes the people straight into the future with its ultra-modern and high speed GPRS / EDGE network.

4.6.12 Hutch Distribution:

Hutch established its presence in India in 1994 by acquiring the cellular licence for Mumbai. It now has operations in 16 circles accounting for 70% of India’s mobile customer base with about 18.4 million customers; it is one of the most reputed telecom companies. The BPL Mobile Cellular Limited is one of the most reputed telecom companies in India. The Essar Group is one of India’s largest corporate houses with interests spanning the manufacturing and service sectors like Steel, Oil and Gas, Power, Telecom and BPO, Shipping and Logistics and Engineering and Constructions.

4.6.13 Reliance Distribution:

Reliance Communications has a reliable, high-capacity, integrated (both wireless and wire line) and convergent (voice, data and video) digital network. It is capable of delivering a range of services spanning the entire infocomm (information and communication) value chain, including infrastructure and services — for enterprises as well as individuals, applications, and consulting. Its network and town coverage includes 80,000 kms of optic fibre backbone, wireless network covering over 4,500 cities and about 3 lakh villages, and 15,000 Base Transceiver Stations (BTSs) across the country. Reliance is offering Mobile services, Fixed Line Phone, Fixed Wireless Terminal, Reliance Landline, Reliance Net connect, Reliance Mobile world, Audio Conferencing, Video Conferencing, Broad band internet, Leased Line, VPN, IPLC, Mobile office, GSM Services, Data center, etc.
4.6.14 Tata Teleservices:

Tata Teleservices operates in 21 circles, i.e., Andhra Pradesh, Chennai, Gujarat, Karnataka, Delhi, Maharashtra, Mumbai, Tamil Nadu, Orissa, Bihar, Rajasthan, Punjab, Haryana, Himachal Pradesh, Uttar Pradesh (E), Uttar Pradesh (W), Kerala, Kolkata, Madhya Pradesh and West Bengal. The company has a customer base of over 3.5 million spread over 1,000 towns. Tata Indicom offers a range of products and services to Mobile, Wireless phones, Land line phones, Internet and Broad band, Net telephony and Calling cards.

4.7 PEOPLE

People as the fifth element in the service marketing mix apply not only to service personnel, but also recognizes the role that other people, the customers, play in service delivery. People constitute an important dimension in the management of services in their role both as performers of services and as customers. The inseparable nature of services means that the human element forms an intrinsic part of the service package. The role of employees in service organizations is critical in maintaining quality standards. Sometimes, the role of the customer is an important part of the service itself. Management of people with the organization is a key task.

In cellular service, providing of value added service is a difficult task for the company and in the case of customers it is difficult to receive the same due to its high charges. Even though the company manages a large
number of populations, it is not able to offer its all services to all customers. The following Table 4.2 shows the cellular in millions and the tele density.

**Table – 4.2**  
*Number of Cellular and Tele Density*

<table>
<thead>
<tr>
<th>Year Ending 31&lt;sup&gt;st&lt;/sup&gt; March</th>
<th>Cellular (in Million)</th>
<th>Tele Density – No. of Telephones per 100 population</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>1.20</td>
<td>2.32</td>
</tr>
<tr>
<td>2000</td>
<td>1.88</td>
<td>2.86</td>
</tr>
<tr>
<td>2001</td>
<td>3.58</td>
<td>3.58</td>
</tr>
<tr>
<td>2002</td>
<td>5.58</td>
<td>4.49</td>
</tr>
<tr>
<td>2003</td>
<td>8.12</td>
<td>5.42</td>
</tr>
<tr>
<td>2004</td>
<td>12.45</td>
<td>6.54</td>
</tr>
<tr>
<td>2005</td>
<td>18.12</td>
<td>7.89</td>
</tr>
<tr>
<td>2006</td>
<td>26.41</td>
<td>9.53</td>
</tr>
<tr>
<td>2007</td>
<td>37.13</td>
<td>11.50</td>
</tr>
<tr>
<td>2008*</td>
<td>34.03</td>
<td>12.41</td>
</tr>
<tr>
<td>2009*</td>
<td>45.94</td>
<td>14.81</td>
</tr>
<tr>
<td>2010*</td>
<td>62.02</td>
<td>17.78</td>
</tr>
</tbody>
</table>

Projected  
Source: Department of Telecom, BSNL.

**4.8 PHYSICAL EVIDENCE**

Physical evidence gives satisfaction to the mobile customers. It provides customers with a means of evaluating the service and includes facilitating goods, décor and comfort. For example, cellular company’s image plays an important role in terms of physical evidence and this can be developed through value added services and roaming facilities. Corporate identity takes corporate image a stage further by building a distinctive and recognizable physical identity for the organization. Branding, house style and décor, logos and staff uniforms are typical example of the physical means which can be used as physical evidence.
4.9 PROCESS

This is given much attention by the services sector in recent times. The principles by which service delivery processes can be designed, implemented and monitored are influenced by the following specific characteristics of services: a) Customer participation in the process, b) Location of service delivery, c) The service itself, d) High-contact or low-contact service, e) Degree of standardization, and f) Complexity of the service. Processes are often designed around how charts or blueprints setting a standard sequence of actions, must take place in order for the service to be implemented.

4.10 SUMMARY

This chapter provides information about marketing practices adopted by the cellular companies. It provides details on the basis of marketing mix, viz. product, price, promotion, place (distribution), people, physical evidence and process. In product, the details about the prepaid, postpaid and value added services (VAS) are given. The methodologies determining telecom tariffs are studied in ‘pricing’. The offers made by the companies are provided in ‘promotion’. In the marketing mix, i.e. place (i.e. distribution), the distribution system of all GSM and CDMA technology cellular companies are provided. The details of other marketing mix such as ‘people’, ‘physical evidence’ and ‘process’ are also provided.

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