CHAPTER -1:
AN OVERVIEW OF TELECOM SECTOR & CONSTRUCTION OF CONCEPTUAL FRAMEWORK
Chapter - 1: An Overview of Telecom Sector and Construction Conceptual Framework

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1.1: AN OVERVIEW OF TELECOM SECTOR

Globalization, liberalization and privatization are the three most spoken words in today’s world. These initiatives paved way for all-round reforms, especially in developing economies, like India. These countries realized that development of effective and efficient means of communications and information technology is important to push them onto the path of development. The growth of the telecom sector in India during post-liberalization has been phenomenal. This research aims to throw light on the factors that contributed to growth in the segment and presents an insight on the present status of the industry.

1.1.1: GLOBAL TELECOM INDUSTRY: AN OVERVIEW

With the awareness spreading around the world on the Information and Communications Technology (ICT), in the later part of the 20th century countries, especially the developing ones, began to realize the importance of an efficient telecommunication network for the development of the economy.

At the dawn of the 21st century, the developing countries started to make full use of the technology revolution taking place around the world, with many countries liberalizing the existing stringent policies and regulations. To improve information and telecommunication technology, 189 countries of the UN met at the Fifty-Fifty General Assembly on September 2000. A millennium declaration was made, according to which the countries reaffirmed their commitment to improve the living conditions of poor and downtrodden in the world by adopting intense poverty programmes. One of the targets of this declaration was adherent to “In
co-operation with the private sector make available the benefits of new technologies, especially information and communication”. The indicators that were to be used for monitoring the progress were:

- Telephone line and cellular subscribers, per 100 units of population.
- Personal computers in use for 100 units of population.
- Internet user per 100 units of population.

Even before the declaration, many developing countries had started liberalizing their internal policies to enable efficiency as to affordability as and reach ability of telecommunication system. By 1995, most of the low income developing countries of the world, made their economies global, by liberalizing the domestic licensing and important policies on the whole, to facilitate inflow of foreign capital into the infrastructure sector, especially in the telecommunication sector. This resulted in a telecom revaluation, with countries adopting liberalization initiates, experiencing a ‘never-before’ growth in the telephone network, including the penetration levels. Developing countries today account for 49% of the total telephone network in the world. While in East Asia (including China) the total teledensity grew at a rapid pace to reach 27.4 in 2002 the teledensity grew at a slower pace in south Asia (Including India), to reach 4.5 in 2002. This is due to imperfections in government regulatory and licensing policies in the ‘90s in most of the South Asian countries. While there was imbalanced development in ICT among the developing countries in individual growth in telecom, country-wise also showed a partial development, where the development in other segments apart from cellular was snail-paced. This was due to
phenomenal growth in the cellular segment, whose major contribution was toward urban telephony.

By the end of 2006, the telecommunication industry had experienced continuous growth, as well as rapid progress in policy and technology development, resulting in an increasingly competitive and networked world. It is true and encouraging that overall, the digital divide has been reduced and continues to shrink. ITU statistics show that over the last 10 years, the digital divide between the developing and the developed countries has been narrowing in terms of fixed telephone lines, mobile subscribers and Internet users. In contrast to the slow fixed line growth, phenomenal growth rates in the mobile sector particularly, have been able to reduce the gap that separates the developed from the developing countries from 27 in 1996, to 4 in 2006. The fixed line gap has been reduced from 11 to 4 during the same period.

1.1.2: Technology

Global system for Mobile communication (GSM around 80-85 % market share) Code Division Multiple Access (CDMA, AROUND 10-15 % market share are two prevalent mobile communication technologies. Both technologies have to solve the same problem: to divide the finite Radio Frequency spectrum among multiple users. India primarily follows the GSM mobile system, in the 900MHz and 1800MHz band. The 900MHz band has greater transmission characteristics, thereby enabling lower capex cost for expansion of coverage area, as the number of towers and the base stations required would be lesser than in the 1800MHz band.
TDMA (Time Division Multiple Accesses—underlying technology used in GSM's G) does it by chopping up the channel into sequential time slices. Each user of the channel takes turns to transmit and receive signals. In reality, only one person is actually using the channel at a specific moment. This is analogous to time-sharing on a large computer server.

CDMA (Code Division Multiple Access—underlying technology used in GSM's 3G and IS-95's 2G) on the other hand, uses a special type of digital modulation called spread spectrum which spreads the voice data over a very wide channel in pseudorandom fashion. The receiver undoes the randomization to collect the bits together and produce the sound. For comparison, imagine a cocktail party, where couples are talking to each other in a single room. The room represents the available bandwidth. In GSM, a speaker takes turns talking to a listener. The speaker talks for a short time and then stops to let another pair talk. There is never more than one speaker talking in the room, no one has to worry about two conversations mixing. In CDMA, any speaker can talk at any time; however each uses a different language. Each listener can only understand the language of his or her partner. As more and more couples talk, the background noise (representing the noise floor) gets louder, but because of the difference in languages, conversations do not mix.

Advantages of 2G GSM

- GSM is mature and has a more stable network with robust features.
- Less signal deterioration inside buildings.
- Talk time is generally higher in GSM phones due to the pulse nature of transmission.
The availability of Subscriber Identity Modules allows users to switch networks and handsets at will.

GSM covers virtually all parts of the world so international roaming is not a problem. The much bigger number of subscribers globally creates a better network effect for GSM handset makers, carriers and end users.

**Advantages of CDMA**

- Capacity is CDMA's biggest asset. It can accommodate more users per MHz of bandwidth than any other technology.
- CDMA has no built-in limit to the number of concurrent users.
- CDMA consumes less power and covers large areas so cell size in CDMA is larger.
- CDMA is able to produce a reasonable call with lower signal (cell phone reception) levels. CDMA uses “soft handoff”, reducing the likelihood of dropped calls.
- CDMA’s variable rate voice coders reduce the rate being transmitted when speaker is not talking, which allows the channel to be packed more efficiently.

**Disadvantages of 2G GSM**

- Pulse nature of TDMA transmission used in 2G interferes with some electronics, especially certain audio amplifiers. 3G uses W-CDMA now.
- Intellectual property is concentrated among a few industry participants, creating barriers to entry for new entrants and limiting competition among phone manufacturers.
• GSM has a fixed maximum cell site range of 35 km, which is imposed by technical limitations.

Disadvantages of CDMA

• Most technologies are patented and must be licensed from Qualcomm.
• Breathing of base stations, where coverage area shrinks under load. As the number of subscribers using a particular site goes up, the range of that site goes down.
• CDMA may not perform well in hilly terrain because CDMA towers interfere with themselves; they are normally installed on much shorter towers.
• CDMA covers a smaller portion of the world, and CDMA phones are generally unable to roam internationally.
• Manufacturers are often hesitant to release CDMA devices due to the smaller market, so features are sometimes late in coming to CDMA devices.
• The phones are not portable across providers

(Source; www.itu.int.)
1.2: GROWTH AND DEVELOPMENT OF TELECOM SECTOR IN INDIA
1.2.1: AN OVERVIEW TRANSITION OF INDIAN TELECOM INDUSTRY

The history of the Indian Telecom sector goes way back to 1851, when the first operational landlines were laid by The British Government in Calcutta. With independence, all foreign telecommunication companies were nationalized to form Post, Telephone and Telegraph, a monopoly run by the Government of India.

The Indian Telecom Sector, like most other infrastructure sectors is controlled by the state. The Department of Telecommunications (DoT), reporting to the Ministry of Communications (MoC) is the key body for policy issues and regulation, apart from being a basic service provider to rest of country. By an act of Parliament, the Telecom Regulatory Authority of India (TRAI) was formed to be the regulatory agency.

Ministry of Communication:

All the operations of this sector come under the control of MoC. It is responsible for all major policy changes, planning, supervision, spectrum control, etc.

Department of Telecommunications:

DoT was formed in 1985 when the Department of Posts and Telecommunications was separated into Department of Posts and Department of Telecommunications. Till 1986, it was the only telecom service provider in India. It played a role beyond service provider by acting as a policy maker, planner, developer as well as an implementing body. In spite of being profitable, non-corporate entity status ensured that it did not
have to pay taxes. DoT depends on Government of India for its expansion plans and funding. Its pivotal role in the Indian telecom sector has got diluted after formation of TRAI- Telecom Regulatory Authority of India.

**Telecom Regulatory Authority of India:**

TRAI was founded to act as an independent regulatory body supervising telecom development in India. This became important, as DoT was a regulator and a player as well. Founded by an Act of Parliament, the main functions of the body was to finalize toll rates and settle disputes between players. An independent regulator is critical at the present situation as the sector witnesses competition. The operations of this sector are determined as under the Indian Telegraph Act of 1885 – A document buried in the sands of time. The next major policy document, which was produced, was the National Telecom Policy of 1994, a consequence of the ongoing process of liberalization.

**The Telecom Commission:**

The Telecom Commission was set up by the government of India vide Notification dated April 11, 1989 with administrative and financial powers of the government of India to deal with various aspects of Telecommunications. The Telecom Commission and the DoT are responsible for policy formulation, licensing, wireless spectrum management, administrative monitoring of PSUs, research and development and standardization or validation of equipment, etc. The multi-pronged strategies followed by the Telecom Commission have not only transformed the very structure of this sector, but also have motivated all the partners to contribute in accelerating the growth of the sector. The other entities in the
sector under the control of MoC are the two public sector telecom equipment manufacturers, namely Indian Telephone Industries (ITI) and Hindustan Teleprinters Ltd. (HTL). Both these companies are facing financial problems because of product obsolescence, poor management and over staffing. Telecommunications Consultants India Ltd. (TCIL), another PSU was founded in 1978 to undertake consultancy services in the field of telecom. (Source; www.dotindia.com.)

1.2.2: Objectives of the National Telecom Policy

The objectives of the NTP 1999 are as under:

- Access to telecommunications is of most importance for achievement of the country’s social and economic goals. Availability of affordable and effective communication for the citizens is at the core of the vision and goal of the telecom policy.
- Strive to provide a balance between the provision of universal service to all uncovered areas, including the rural areas, and the provision of high-level services capable of meeting the needs of the country’s economy.
- Encourage development of telecommunications facilities in remote, hilly and tribal areas of the country.
- Create a modern and efficient telecommunications infrastructure taking into account the convergence of IT, media, and telecom and consumer electronics and thereby propel India into coming an IT superpower.
- Convert PCOs, wherever justified, into Public Tele information centers having multimedia capability like ISDN services, remote
database access, government and community information systems, etc.

- Transform in a time bound manner, the telecommunications sector to a greater competitive environment in both urban and rural areas providing equal opportunities and level playing field for all players.
- Strengthen research and development efforts in the country and provide an importance to build world-class manufacturing capabilities.
- Achieve efficiency and transparency in spectrum management.
- Protect defense and security interests of the country.
- Enable Indian telecom companies to become truly global players.

1.2.3: Telecommunication Services

Today tariff for telecommunication services in India is one of the lowest in the world. The Indian consumer has immensely benefited from such lower tariffs which has also been a major factor for explosive growth in the sector.

Following is the list of services offered by both GSM and CDMA operators:

- Telephone services
- NSD/ISD services
- Computerized trunk services
- Pay phones
- National & international leased lines circuits
- Telex
- Telegraph services (manual & automatic)
- X-25 based Packer Switched Data Network (NET)
• Gateway Packet Switched Data Services (GPSS)
• Gateway Electronic Data Interchange Service (GEDIS)
• Gateway E-Mail and Store & Forward FAX Service (GEMS-400)
• Concert Packet Service (CPS)
• Satellite based remote area business message network
• Electronic Mail
• Voice
• Audio-text
• Radio paging
• Cellular mobile telephone
• Public mobile radio trunked service
• Video-text
• Video conferencing
• V-SAT
• Internet
• ISDN
• INMARSAT mobile service
• INMARSAT data service
• Home country direct service
• Intelligent Network (IN) services

1.2.4: TREND IN INDIAN TELECOM INDUSTRY

India has become one of the fastest growing mobile markets in the world. The mobile services were commercially launched in August 1995 in India. In the initial 5-6 years the average monthly subscribers additions were around 0.05 to 0.1 million only and the total mobile subscribers base in
December 2002 stood at 10.5 millions. However, after the number of proactive initiatives taken by regulator and licensor, the monthly mobile subscriber additions increased to around 2 million per month in the year 2003-04 and 2004-05. The total number of telephone subscribers has reached 202.74 million at the end of February 2007. The overall tele-density has increased to 18.26 in February 2007. The total wireless subscriber (GSM, CDMA & WLL (F)) base is 162.53 million. Whereas in the wire line segment with the minor reduction in subscriber base by 0.01 million lines in February 2007, the total wire line subscribers are 40.39 million.

On the lines of previous three years, the year 2005-06 also witnessed a phenomenal growth in the subscriber base for mobile services, and also increases in the subscriber base of Fixed including WLL (F) services as well as Internet services, thus building on the growth trend in subscriber base experienced since mid-1990s.

The mobile Industry crossed the 90.14 million subscriber mark at the end of the financial year in comparison to the subscriber base of 52.22 million at the end of March, 2005. It added 37.92 million subscribers in the financial year 2005-06 registering an annual growth rate of about 72.62%. The subscriber base of Fixed including WLL (F) services also grew from 46.19 million at the end of March, 2005 to 50.17 million at the end of March, 2006, registering a growth rate of about 8.62%. The Internet subscriber base in the country as of 31st March, 2006 stood at 6.93 million as compared to 5.55 million during the previous year, and registered an annual growth rate of about 25%. The teledensity at the end of March, 2006 reached to the mark of 14% as compared to 9.08% at the end of previous year recording an increase of 4.92%. This annual growth in teledensity is unprecedented and
this was largely due to steep increase in mobile subscriber base and the
various innovative tariff plans launched by the mobile service providers.
This growth in tele-density also becomes very significant in view of the fact
that overall increase in tele-density during the 50 years period from 1948 to
1998 on a much smaller population base was only 1.92%.

1.2.5: Indian Telecom industry (year 2009-10)

The total number of telephone connections reaches 413.85 million in
February 2009. With this growth, the overall tele-density has reached 35.65
in February 2009 as against 18.26 in February 2007. The total wireless
subscribers (GSM, CDMA & WLL (F)) base stood at 391.76 million at the
end of March 2009. In the wire line segment, the subscriber base has
increased to 37.96 million in the month of March 2009 as against 37.73
million subscribers in February 2009 registering an increase of 0.23 million.
The total number of telephone connections reaches 452.91 million at the end
of May 2009. With this growth, the overall teledensity has reached 38.88 at
the end of May 2009. The total wireless subscribers (GSM, CDMA & WLL
(F)) base stood at 415.25 million at the end of May 2009.

In the wire line segment, the subscriber base has decreased to 37.66 million
in the month of May 2009 as against 37.81 million subscribers in April
2009 registering a slight decrease of 0.15 million.

The number of telephone subscribers in India increased to 509.03 Million at
the end of Sept-09 from 494.07 Million in August-2009, thereby registering
a growth rate of 3.03%. With this, the overall Tele-density in India reaches
43.50. The set target of 500 million telephones by the end of 2010 has been
achieved by September 2009. Wireless subscriber base increased from
Wireless Teledensity (≥ 256 Kbps download)

Total Broadband subscriber base has increased from 7.83 million in December-09 to 8.03 million in January-2010, thereby showing a growth of 2.42%. Telecommunications is the transmission of data and information between computers using a communications link such as a standard
telephone line. Typically, a basic telecommunications system would consist of a computer or terminal on each end, communication equipment for sending and receiving data, and a communication channel connecting the two users. Appropriate communications software is also necessary to manage the transmission of data between computers. Some applications that rely on this communications technology include the following: Electronic mail (e-mail) is a message transmitted from one person to another through computerized channels. Both the sender and receiver must have access to on-line services if they are not connected to the same network.

E-mail is now one of the most frequently used types of telecommunication. Facsimile (fax) equipment transmits a digitized exact image of a document over telephone lines. At the receiving end, the fax machine converts the digitized data back into its original form.

Voice mail is similar to an answering machine in that it permits a caller to leave a voice message in a voice mailbox. Messages are digitized so the caller's message can be stored on a disk. Videoconferencing involves the use of computers, television cameras, and communications software and equipment. This equipment makes it possible to conduct electronic meetings while the participants are at different locations. The Internet is a continuously evolving global network of computer networks that facilitates access to information on thousands of topics. The Internet is utilized by millions of people daily.

Actually, telecommunications is not a new concept. It began in the mid-1800s with the telegraph, whereby sounds were translated manually into words; then the telephone, developed in 1876, transmitted voices; and then the teletypewriter, developed in the early 1900s, was able to transmit the
written word. Since the 1960s, telecommunications development has been rapid and wide reaching. The development of dial modem technology accelerated the rate during the 1980s. Facsimile transmission also enjoyed rapid growth during this time. The 1990s have seen the greatest advancement in telecommunications. It is predicted that computing performance will double every eighteen months. In addition, it has been estimated that the power of the computer has doubled thirty-two times since World War II (With row, 1997). The rate of advancement in computer technology shows no signs of slowing. To illustrate the computer's rapid growth, Ronald Brown, former U.S. secretary of commerce, reported that only fifty thousand computers existed in the world in 1975, whereas, by 1995, it was estimated that more than fifty thousand computers were sold every ten hours (U.S. Department of Commerce, 1995). Deregulation and new technology have created increased competition and widened the range of network services available throughout the world. This increase in telecommunication capabilities allows businesses to benefit from the information revolution in numerous ways, such as streamlining their inventories, increasing productivity, and identifying new markets.

(Source; www.trai.gov.in)

1.2.6: PROGRESS OF REFORMS

PRIVATE PARTICIPATION IN TELECOM

For the provision of basic services, the entire country was divided into 21 telecom circles, excluding Delhi and Mumbai (Singh et. al. 1999). With telecom markets opened to competition, DoT and MTNL were joined by private operators but not in all parts of the country. By mid-2001, all six of
the private operators in the basic segment had started operating. The number of village public telephones issued by private licensees by 2002. After a recent licensing exercise in ‘02, there exists competition in most service areas. However, the market is still dominated by the incumbent. In December 2002, the private sector provided approximately 10 million telephones in fixed, WLL (Wireless Local Loop) and cellular lines compared to 0.88 million cellular lines in March 1998 (DoT Annual Report, 2002). 72 per cent of the total private investment in telecom has been in cellular mobile services followed by 22 percent in basic services. After the recent changes, the stage is now set for greater competition in most service areas for cellular mobile over time, the rise in coverage of cellular mobile will imply increased competition even for the basic service market because of competition among basic and cellular mobile services.

TELEDENSITY AND VILLAGE PUBLIC PHONES (VPTS)

India's rapid population increase coupled with its progress in telecom provision has landed India's telephone network in the sixth position in the world and second in Asia (ITU). The much publicized statistic about telecom development in India is that in the last five years, the lines added for basic services is 1.5 times those added in the last five decades! The annual growth rate for basic services has been 22 percent and over 100 percent for internet and cellular services. As Dossani (2002) argues, the comparison of teledensity of India with other regions of the world should be made keeping in mind the affordability issues. Assuming households have a per capita income of $350 and are willing to spend 7 percent of that total income on communications, then only about 1.6 percent of households will
be able to afford $30 (for a $1000 investment per line). Teledensity has risen to 4.9 phones per 100 persons in India compared to the average 7.3 mainlines per 100 people around the world. The government has made efforts to connect villages through village public telephones (VPT) and Direct Exchange Lines (DEL). This coverage increased from 4.6 lakhs in March 2002 to 5.10 lakhs in December 2002 for VPT and from 90.1 lakhs in March to 106.6 lakhs in December 2002 for DELs. BSNL has been mainly responsible for providing VPTs; more than 84 percent of the villages were connected by 503610 VPTs with private sector also providing 7123 VPTs.

The overall telecom growth rate is likely to be high for some years, given the increase in demand as income levels rise and as the share of services in overall GDP increases. The growth rate will be even higher due to the price decrease resulting from a reduction in cost of providing telecom services. A noteworthy feature of the growth rate is the rapid rate at which the subscriber base for cellular mobile has increased in the last few years of the 1990s, which is not surprising in view of the relatively lower subscriber base for cellular mobile.

FOREIGN PARTICIPATION

India has opened its telecom sector to foreign investors up to 100 percent holding in manufacturing of telecom equipment, internet services, and infrastructure providers (e-mail and voice mail), 74 percent in radio-paging services, internet (international gateways) and 49 percent in national long distance, basic telephone, cellular mobile, and other value added services (FICCI, 2003). Since 1991, foreign direct investment (FDI) in the telecom sector is second only to power and oil - 858 FDI proposals were received.
during 1991-2002 totaling Rs. 56,279 crores (DoT Annual Report, 2002). Foreign investors have been active participants in telecom reforms even though there was some frustration due to initial dithering by the government. Until now, most of the FDI has come in the cellular mobile sector partly due to the fact that there have been more cellular mobile operators than fixed service operators. For instance, during the period 1991-2001, about 44 percent of the FDI was in cellular mobile and about 8 percent in basic service segment. This total FDI includes the categories of manufacturing and consultancy and holding companies.

TARIFF-SETTING

An essential ingredient of the transition from a protected market to competition is the alignment of tariffs to cost-recovery prices. In basic telecom for example, pricing of the kind that prevailed in India prior to the reforms, led to a high degree of cross-subsidization and introduced inefficient decision-making by both consumers and service-providers. Traditionally, DoT tariffs cross-subsidized the costs of access (as reflected by rentals) with domestic and international long distance usage charges (Singh et. al. 1999). Therefore, re-balancing of tariffs - reducing tariffs that are above costs and increasing those below costs - was an essential pre-condition to promoting competition among different service providers and efficiency in general. TRAI issued its first directive regarding tariff-setting following NTP 99 aimed at re-balancing tariffs and to user in an era of competitive service provision. Subsequently, it conducted periodic reviews and made changes in the tariff levels, if necessary. Re-balancing led to a reduction in cross-subsidization in the fixed service sector. Cost based
pricing, a major departure from the pre-reform scenario, also provides a basis for making subsidies more transparent and better targeted to specific social objectives.

SERVICE QUALITY

One of the main reasons for encouraging private participation in the provision of infrastructure rests on its ability to provide superior quality of service. In India, as in many developing countries, low teledensity resulted in great emphasis being laid on rapid expansion often at the cost of quality of service. One of the benefits expected from the private sector's entry into telecom is an improvement in the quality of service to international standards. Armed with financial and technical resources, and greater incentive to make profits, private operators are expected to provide consumers value for their money. Telephone faults per 100 main lines came down to 10.32 and 19.14 in Mumbai and Delhi respectively in 2002-03 compared to 11.72 and 26.6 in 1997-98. Quality of service was identified as an important reform agenda and TRAI has devised QOS (Quality of Service) norms that are applicable across the board to all operators (Singh et. al. 99).

1.2.7: PRE REFORM PERIOD AND TELECOMMUNICATION IN INDIA

Before 1990's Telecommunication services in India were complete government Monopoly - the Department of Telecommunication (DoT). Government also retained the rights for manufacturing of Telecommunication equipments. MTNL and VSNL were created in the year
Early 1990's saw initial attempts to attract private investment. Telecommunication equipment manufacturing was delicensed in the year 1991. A notable revolution has occurred in the telecom sector. In the pre-reforms era, this was entirely in the hands of the central government and due to lack of competition, the call charges were quite high. Further, due to lack of funds with the government, the government could never meet the demand for telephones. In fact, a person seeking a telephone connection had to wait for years before he could get a telephone connection. The service rendered by the government monopoly was also very poor. Wrong billing, telephones lying dead for many days continuously due to slackness on the part of the telecom staff to attend to complaints, cross connections due to faulty / ill maintained telephone lines, obsolete instruments and machinery in the telephone department were the order of the day in the pre reforms era.

Today, there are many players in the telecom sector. The ultimate beneficiary has been the consumer. Prices of services in this sector have fallen drastically. Telephone connections are today affordable to everyone and are also easily available. Gone are the days, when one had to wait for years to get a telephone connection. The number of telephone connections which was only 2.15 million (fixed lines) in 1981 increased to 5.07 million (fixed lines) in 1991. as in 2003), there are 54.62 million telephone connections of which 41.33million are fixed line telephone connections, 12.69 million are cellular mobiles and the remaining 0.60 million are WLL telephones as in 2003. Wireless in Local Loop (WLL) telephones and cellular mobile telephones were unknown in India a few years ago. Cell phones charges have come down so much that today one can see even a common man going around with a cell phone in his hand. The private companies are giving various incentives to attract customers, a situation
which is entirely opposite to the conditions prevailing in the pre reforms era when one had to wait for years to get a telephone connection. The first step toward deregulation and beginning of liberalization and private sector participation was the announcement of National Telecom Policy 1994. NTP 1994, for the first time, allowed private/foreign players to enter the ‘basic’ and the new cellular mobile section. FDI up to 49% of total equity was also allowed in these sectors. The policy allowed one private service provider to compete in basic services with the incumbent DoT in each DoT internal circle. It allowed duopoly in cellular mobile services in each circle. As part of the implementation of the NTP 94, licenses were issued against license fees through a bidding process. This policy initiated the setting up of an independent regulator—the Telecom Regulatory Authority of India (TRAI), which was established in 1997. The main objective of TRAI is to provide an effective regulatory framework to ensure fair competition while, at the same time, protect the interest of the consumers. Liberalization and reforms in Telecom sector since early 1990's till date are briefed below:

1991-92:
2. Telecom Manufacturing Equipment license was delicensed in 1991.
3. Automatic foreign collaboration was permitted with 51 per cent equity by the collaborator.

1992-93:
Value added services were opened for private and foreign players on franchise or license basis. These included cellular mobile phones, radio paging, electronic mail, voice mail, audio text services, video text services, data services using VSAT’s, and video conferencing.
1994-95:
2. Foreign equity participation up to 49 per cent was allowed in basic telecom services, radio paging and cellular mobile. For value added services the foreign equity cap was fixed at 51 percent.
3. Eight cellular licenses for four metros were finalized.

1996-97:
1. TRAI was set up as an autonomous body to separate the regulatory functions from policy formulations and operational functions.
2. Coverage of the term "infrastructure" expanded to include telecom to enable the sector to avail of fiscal incentives such as tax holiday and concessional duties.
3. An agreement between Department of Telecommunication (DoT) and financial institutions to facilitate funding of cellular and basic telecom projects.
4. External Commercial Borrowing (ECB) limits on telecom projects made flexible with an increased share from 35 per cent to 50 per cent of total project cost.
5. Internet Policy was finalized.

1998-99:
FDI up to 49 per cent of total equity, subject to license, permitted in companies providing Global Mobile Personal Communication (GMPC) by satellite services.

1999-2000:
1. National Telecom Policy 1999 was announced which allowed multiple
fixed Services operators and opened long distance services to private operators.

2. TRAI reconstituted: clear distinction was made between the recommendatory and regulatory functions of the Authority.

3. DOT/MTNL was permitted to start cellular mobile telephone service.

4. To separate service providing functions from policy and licensing functions, Department of Telecom Services was set up.

5. A package for migration from fixed license fee to revenue sharing offered to exist cellular and basic service providers.

6. First phase of re-balancing of tariff structure started. STD and ISD charges were reduced by 23 per cent on an average.

7. Voice and data segment was opened to full competition and foreign ownership increased to 100 per cent from 49 per cent previously.

2000-01:

1. TRAI Act was amended. The Amendment clarified and strengthened the recommendatory power of TRAI, especially with respect to the need and timing of introduction of new services provider, and in terms of licenses to a services provider.

2. Department of Telecom Services and Department of Telecom operations corporatized by creating Bharat Sanchar Nigam Limited.

3. Domestic long distance services opened up without any restriction on the number of operators.

4. Second phase of tariff rationalization started with further reductions in the long distance STD rates by an average of 13 per cent for different distance slabs and ISD rates by 17 per cent.

5. Internet Service Providers were given approval for setting up of International Gateways for Internet using satellite as a medium in March
2000.
6. In August 2000, private players were allowed to set up international gateways via the submarine cable route.
7. The termination of monopoly of VSNL in International Long Distance services was antedated to March 31, 2002 from March 31, 2004.
2001-02:
1. Communication Convergence Bill, 2001 was introduced in August 2001.
2. Competition was introduced in all services segments. TRAI recommended opening up of market to full competition and introduction of new services in the telecom sector. The licensing terms and conditions for Cellular Mobile were simplified to encourage entry for operators in areas without effective competition.
3. Usage of Voice over Internet Protocol permitted for international telephony service.
4. The five-year tax holiday and 30 per cent deduction for the next five years available to the telecommunication sector till 31st March 2000 was reintroduced for the units commencing their operations on or before 31st March 2003. These concessions were also extended to internet services providers and broadband networks.
5. Thirteen ISP's were given clearance for commissioning of international gateways for Internet using satellite medium for 29 gateways.
7. National Long Distance Service was opened up for unrestricted entry with the announcement of guidelines for licensing NLD operators. Four companies were issued Letter of Intent (LOI) for National Long Distance Service of which three licenses have been signed.
8. The basic services were also opened up for competition. 33 Basic Service licenses (31 private and one each to MTNL and BSNL) were issued up to 31st December 2001.

9. Four cellular operators, one each in four metros and thirteen were permitted with 17 fresh licenses issued to private companies in September/October 2001. The cell phone providers were given freedom to provide, within their area of operation, all types of mobile services equipment, including circuit and/or package switches that meet the relevant International Telecommunication Union (ITU)/ Telecom Engineering Centre (TEC) standards.

10. Wireless in Local Loop (WLL) was introduced for providing telephone connection in urban, semi-urban and rural areas.

11. Disinvestment of PSU’s in the telecom sector was also undertaken during the year. In February 2002, the disinvestment of VSNL was completed by bringing down the government equity to 26 per cent and the management of the company was transferred to Tata Group, a strategic partner. During the year, HTL was also disinvested.

12. Government allowed CDMA technology to enter the Indian market.

13. Reliance, MTNL and Tata were issued licenses to provide the CDMA based services in the country.

14. TRAI recommended deregulating regulatory intervention in cellular tariffs, which meant that operators need no longer have prior approval of the regulator for implementing tariff plans except under certain conditions.

2002-03;

1. International long distance business opened for unrestricted entry.
3. TRAI finalized the System of Accounting Separation (SAS) providing
detailed accounting and financial system to be maintained by telecom service providers.

2003-04;

1. Unified Access Service Licenses regime for basic and cellular services was introduced in October 2003. This regime enabled services providers to offer fixed and mobile services under one license. Consequently 27 licenses out of 31 licenses converted to Unified Access Service Licenses.

2. Interconnection Usage Charge regime was introduced with the view of providing termination charge for cellular services and enable introduction of Calling Party Pays regime in voice telephony segment.

3. The Telecommunication Interconnection Usage Charges Regulation 2003 was introduced on 29th October 2003 which covered arrangements among service providers for payment of Interconnection Usage Charges for Telecommunication Services and covered Basic Service that includes WLL (M) services, Cellular Mobile Services, and Long Distance Services (STD/ISD) throughout the territory of India.

4. The Universal Service Obligation fund was introduced as a mechanism for transparent cross subsidization of universal access in telecom sector. The fund was to be collected through a 5 percent levy on the adjusted gross revenue of all telecom operators.

5. Broadcasting notified as Telecommunication services under Section 2(I)(k) of TRAI Act.

2004-05:

1. Budget 2004-05 proposed to lift the ceiling from the existing 49 percent to 74 per cent as an incentive to the cellular operators to fall in line with the new unified licensing norm.

2. 'Last Mile' linkages permitted in April 2004 within the local area for ISP's
for establishing their own last mile to their customers.

3. Indoor use of low power equipments in 2.4 GHz band de-licensed from August 2004.

4. Broadband Policy announced on 14th October 2004. In this policy, broadband had been defined as an "always-on" data connection supporting interactive services including internet access with minimum download speed of 256 kbps per subscriber.

5. The Telecommunications (Broadcasting and Cable Services) Interconnection Regulation 2004 was introduced on 10th December 2004.

6. BSNL and MTNL launched broadband services on 14th January 2005.

7. TRAI announced the reduction of Access Deficit Charge (ADC) by 41 percent on ISD calls and by 61 per cent on STD calls which were applicable from 1st February 2005.

2005-2006;

1. Budget 2005-2006 cleared a hike in FDI ceiling to 74 per cent from the earlier limit of 49 per-cent. 100 per cent FDI was permitted in the area of telecom equipment manufacturing and provision of IT enabled services.

2. Annual license fee for National Long Distance (NLD) as well as International Long Distance (ILD) licenses reduced to 6 per cent of Adjusted Gross Revenue (AGR) with effect from 1st January 2006.

3. BSNL and MTNL launched the 'One-India Plan' with effect from 1st March 2006 which enable the customers of BSNL and MTNL to call from one end of India to other at the cost of Rs. 1 per minute, any time of the day to phone.

4. TRAI fixed Ceiling Tariff for International Bandwidth, Ceiling Tariff for higher capacities reduced by about 70 per cent and for lower capacity by 35 percent.
5. Regulation on Quality of Service of Basic and Cellular Mobile Telephone Services 2005 introduced on 1st July 2005.
6. BSNL announced 33 per cent reduction in call charges for all the countries for international calls.

1.2.8: FUTURE GROWTH OPPORTUNITIES OF INDIAN TELECOM SECTOR

As per TRAI, two other associated aspects for market growth are availability of spectrum and availability of resources for network rollout and expansion. The government is currently looking into these two areas. The 79% hike in FDI has been cleared by the government to ensure continuous flow of investments to expand the reach of the mobile operators. To realize full market potential and achieve the forecasts, telecom operators have to work on a segmented approach and focus on the five key strategies given below:

- Mobile in the hand of every urban youth (age group 15 to 24 years).
- Mobile in the hand of every executive/businessman/skilled worker.
- Mobile in every household with income above Rs. 4000.
- Mobile penetration in every town/village, with a population of over 3,000.
- Mobile Phones affordable and available wherever mobile services available.

(Source: www.indiamba.com/Faculty/FC701/fc701.html)
1.2.9: GROWTH OF TELECOM SECTOR IN GUJRAT

However, it is not going to be easy and needs support in several areas:

- To ensure that every youth has a mobile, service providers have to offer services like SMS/MMS at low cost/free and ensure that the total mobile bill for the youth does not cross Rs.300-400 per month, which is the maximum this segment of customers can afford from their pocket money.

- In the same way, for executives/businessmen, to tap the full potential, it is essential that services like Closed User Group, National Closed User Groups, low STD/ISD rates, fixed cost for Network calling etc., are offered so that they can lap up the services and go mobile soon.

- To ensure that every household has a mobile connection, it is essential that the utility of mobile phones is increased through better STD and ISD rates vis-à-vis landline, friends and family offers, special rates to landlines etc., with easy/low deposit schemes to acquire these facilities.

- To ensure that the penetration targeted in towns and villages is achieved, service providers have to invest in network expansion and reach out on priority; to exploit the untapped potential in these markets.

- To expand the network to a large number of towns and villages by all the operators, network sharing should be allowed by BSNL and the government should allow 74% FDI in mobile companies for easy access to funds.
1.3: MARKETING STRATEGY
CONCEPTUAL FRAMEWORK
1.3.1: Introduction of Marketing

- Marketing is a core function within any organization as it is responsible for reflecting customer demand back into an organization and ensuring the organization delivers its customers what they want.
- Marketing uses market information to identify new ways of satisfying needs and creating value. Specific areas of include market segmentation strategies, market planning, consumer psychology and behavior, marketing research, new product development, branding strategies, channels of distribution, pricing strategies, customer relationship management, business-to-business marketing, and marketing in the region.
- The Marketing Discipline embraces multiple research methodologies and paradigms to examine consumer decision making, judgment and purchase behavior. It explores the influence of broad, macro-level variables like demographics, social class and family socialization processes, as well as the effects of marketing variables such as advertising, branding, and store layout.
- The Marketing Discipline emphasizes critical and analytical thinking and the practice of marketing as a discipline integrated with other elements of an organization. It gives you an understanding of consumer behavior and purchase decision-making, integrating theory and practice from many branches of the social sciences.

1.3.2: Marketing Strategy

- Marketing Strategy encompasses selecting and analysing of the target market/s and creating and maintaining an appropriate marketing mix that satisfies the target market and the organization.
Marketing Strategy articulates a plan for the organization’s resources and tactics to meet its objectives. Organisation must not pursue strategies that are not consistent with their objectives or that would stretch significantly their resources.

We can say that a product’s value is chosen, provided and communicated to the consumer. The upper management will choose the value for the product by segmenting the market, choosing the target market and positioning the product i.e. Marketing Strategy. Then the lower level management will provide and communicate the value to consumer, Tactical Marketing, using the four P’s (Place, Promotion, Product and Price).

1.3.3: Types of Marketing Strategies

Going through the Value Creation and Delivery Sequence process may not bring the main objectives. There are three types of marketing strategies put forward by Michael Porter that are important to consider whenever using the value creation and delivery sequence process. They are: Low-Cost Strategy, Differentiation Strategy, and Focus Strategy.

**Low-Cost Strategy**

A company or a SBU (Strategic Business Unit), typically large, seeks to satisfy a broad market by producing a standard product or service at a lower cost and then under pricing competitors. Such Strategy will aim at reducing the cost of producing the product or service and also cost along the supply chain of the product or service.

The advantages of such strategy are high profits, brand loyalty, economies of scale and reduction in competition in the Market. But its disadvantages are
that if there exists a strong competitor in the market then by going on such strategy the competitor might reply by reducing its price also and thus the product can be a failure.

**Differentiation Strategy**

Through this type of strategy, an organization creates a distinctive, perhaps unique, product through its unsurpassed quality, innovative design, or some other feature and as a result, can charge a higher than average price. It can be used to pursue either a broad or narrow target market. The advantages of differentiation strategy are the creation of brand loyalty and higher profit in the short-term and long-term. Its disadvantage is risk as great loss can be incurred if consumers do not like the product or service.

**Focus Strategy**

A firm or a SBU concentrates on part of a market and tries to satisfy it with either a very low-priced or highly distinctive product. The target market is set apart by some factors as geography or specialized needs.

The advantages of such strategy are brand loyalty and high profits in long term (short-term) for Low-priced product (highly distinctive product). The disadvantages are high competition and new trend in consumer’s taste may influence negatively on the sales.
Diagram showing the application of Low-Cost, Differentiation and Focus Strategy on a Target market.

Marketing strategies based on market dominance

Firms are classified based on their market share or dominance of an industry. Typically there are four types of market dominance strategies.

- Leader
- Challenger
- Follower
- Niches
Innovation strategies

This deal with the firm’s new product development and model innovation. It asks whether the company is on the cutting edge of technology and business innovation. There are three types.

- Pioneers
- Close follower
- Late follower

Warfare strategies

This scheme draws parallels between marketing strategies and military strategies. There are many types of marketing warfare strategies; they can be grouped into;

- Offensive marketing strategy
- Defensive marketing strategy
- Flanking marketing strategy
- Guerrilla marketing strategy

1.3.4: Market segmentation

For a proper market strategy, the right segmentation is very important in order to identify the right target market and positioning. Now a day a company cannot serve all customers in a market, there are numerous customers and each of them does not have the same requirement. More it is too costly and require too much of resources.
Nowadays mass marketing is very difficult due to many competitions, a large number of consumers, limited resources and numerous communication and distribution channel such as television, radio, internet marketing and kiosk marketing. Thus companies have turn to Micro marketing based on niche, region and individual and market segment.

Before starting segmentation of the market, we must range the consumers in a way that will be easy to target. In a market, no consumers have the same preference. There are 3 preferences that are involved in the market:

- Homogenous preferences, where all consumers tend to have roughly the same needs.
- Diffused preference, whereby all consumers are scattered in terms of their preference having different and non-similar needs.
- Clustered preference, which means the market might revel different clusters called natural market segments. For doing the right segmentation, we must take into account.
- Homogenous preference as it is easy to target and consumer behavior can also be determined.

**Assessing viable Market Segment**

Segmentation is the process of dividing a market into subgroups of customers who have almost identical means and wants. Can consumer’s behavior be analyzed? Are the segments accessible? Do the segments differ? Can profits be made? Is there fair competition? All these questions arise when deciding on segmenting the market.
For Market segments to be viable they must be:

- Measurable: Characteristics and needs of consumers can be measurable.
- Accessible: If company has the necessary resources.
- Substantial: The segment should be large enough so that profit can still be made in the long run.
- Differentiable: Each Segment should differ in terms of responsiveness to any marketing mix elements like price.
- Actionable: There should be fair competition and effective programs can be formulated for attracting and serving the market.

Finally the market has a fair competitive trend as well as very influential in attracting customers through advertising campaign.

Segmentation of the consumer market can be done through:

- Geographic
- Psychographic
- Behavioral
- Demographic

**Geographic segmentation** deals with segmenting the market in respect of nations, regions, city, density and neighborhood.

**Psychographic Segmentation**, the market is segmented on the basis of lifestyle, personality, and values. Lifestyles segmentation is partly based whether consumers are time or money constrained. Personality segmentation consists of the characteristics of the consumer, such as
being extrovert or introvert, authoritarian, ambitious and brand personality. Marketers can also segment the market through core values, such as beliefs, attitude and behavior.

**Behavioral Segmentation** the market is based on consumer knowledge, attitude toward use of or response to a product. Behavioral variables are occasions, benefits, user status, usage rate, loyalty status, buyer readiness stage and attitude. Occasions can be used to distinguish consumers when they develop a need, purchase or use of a product. Benefits segmentation deals with segmenting market as per what benefit consumers seek. User status also can be used by determining the type of user consumers on that market, are like non-users, ex-user, potential user, first time user and regular user.

**Demographic Segmentation**, the market is segmented on the basis of variables like Age and Life-stage, family life cycle, gender, income, occupation, education, religion, race, generation, nationality and social class. Age and life-Stage segmentation deals with segmenting the market by age group like people less than 14. Family life cycle segmentation provide for the market to be segmented into segments that are related to the change in pattern of consumption as a person passes the life cycle like adolescent to young adult or bachelor to married person. Gender segmentation in to segment the market in term of sex whether male or female. Income, education and Occupation segmentation deals with the segmentation of the market by the salary earned, level of education and work of the customers. Religion, race, generation, nationality, and social class segmentation segments the market into group of customers having specific social background.
For the new product, segmentation’s bases that would be relevant for segmentation would be Age and life-stage, lifestyle and Benefits segmentations as noted through the questionnaire. Customers’ pattern of consumption differ by age like an adolescent will a product depending on the amount the latter gets form his/her parent while a young adult working would not depend on his/her parent to buy a product.

**Segmentation Process**

Now having known the bases for segmenting the market for the new product, we will now move to the segmentation process of the market. The process of segmentation involves a number of activities and steps and also it is very time consuming. But the overall result can be very rewarding to an organization. Robert J Best puts forward the segmentation process, which is very helpful for marketers to assess the right segment/s for their product.

**Needs based Segmentation**

In Needs-Based Segment, we group customers that are demanding the services into segment based on their similar needs and benefits. For the new product, since segmentation will be based on Age and Life-Stage, Lifestyle and Benefits segmentation, we will have sixty segments of the market for telecom services. It shows relevant segments in the market using the parameters of Age and life-stage, Lifestyle and Benefits Segmentation.

Segment Attractiveness- Segment attractiveness is to determine the segments that are our potential ones in term of market growth, competitive intensity and market access. Through the questionnaire, it was
found that our potential users are those between 18-25 and 26-41 years old. The age group <18 have much competition and accessibility to such segments may be very difficult. The other age group greater than 60 has a low market growth and here also accessibility to such segments is though.

**Segment profitability**

Segment Profitability deals with analyzing of each segment’s profitability. The attractive segments as discussed above are very promising in term of profitability. Since consumers in those segments are demanding a product that has high quality and a good features, a rise in sales of such product can be already predicted.

**Segment Positioning**

Segment positioning deals with creating a ‘Value Proposition’ and product-price positioning strategy based on the segment’s unique customer needs and characteristics. The attractive segments discussed above can be said that these segments’ consumers are ready to pay more for a high quality. Thus based on this, our price will determine the value of quality the consumer is seeking.

**1.3.5: Marketing-Mix Strategy**

Marketing mix is originating from the single P (price) of microeconomic theory (Chong, 2003). McCarthy (1964) offered the “marketing mix”, often referred to as the “4Ps”, as a means of translating marketing planning into practice (Bennett, 1997). Marketing mix is not a scientific theory, but merely a conceptual framework that identifies the principal decision making
managers make in configuring their offerings to suit consumers’ needs. The tools can be used to develop both long-term strategies and short-term tactical programmes (Palmer, 2004). The proportions in the marketing mix can be altered in the same way and differ from the product to product (Hodder Education, n.d). The marketing mix management paradigm has dominated marketing thought, research and practice (Grönroos, 1994), and “as a creator of differentiation” (Van Waterschoot, n.d) since it was introduced in 1940s. Kent (1986) refers to the 4Ps of the marketing mix as “the holy quadruple…of the marketing faith…written in tablets of stone”. Marketing mix has been extremely influential in informing the development of both marketing theory and practice (Möller, 2006). The main reasons the marketing mix is a powerful concept are it makes marketing seem easy to handle, allows the separation of marketing from other activities of the firm and the delegation of marketing tasks to specialists; and – The components of the marketing mix can change a firm’s competitive position (Grönroos, 1994). The marketing mix concept also has two important benefits. First, it is an important tool used to enable one to see that the marketing manager’s job is, in a large part, a matter of trading off the benefits of one’s competitive strengths in the marketing mix against the benefits of others. The second benefit of the marketing mix is that it helps to reveal another dimension of the marketing manager’s job. All managers have to allocate available resources among various demands, and the marketing manager will in turn allocate these available resources among the various competitive devices of the marketing mix. In doing so, this will help to instill the marketing philosophy in the organization (Low and Tan, 1995). However, Möller (2006) highlighted that the shortcomings of the 4Ps marketing mix
framework, as the pillars of the traditional marketing management have frequently become the target of intense criticism.

**History and Implementation of Marketing Mix**

**Borden (1965)**\(^{12}\) claims to be the first to have used the term “marketing mix” and that it was suggested to him by Culliton’s (1948)\(^{13}\) description of a business executive as “mixer of ingredients”. An executive is “a mixer of ingredients, who sometimes follows a recipe as he goes along, sometimes adapts a recipe to the ingredients immediately available, and sometimes experiments with or invents ingredients no one else has tried” (Culliton, 1948)\(^{14}\). The early marketing concept in a similar way to the notion of the marketing mix, based on the idea of action parameters presented in 1930s by Stackelberg (1939)\(^{15}\). Rasmussen (1955)\(^{16}\) then developed what became known as parameter theory. He proposes that the four determinants of competition and sales are price, quality, service and advertising. Mickwitz (1959)\(^{17}\) applies this theory to the Product Life Cycle Concept. Borden’s original marketing mix had a set of 12 elements namely: product planning; pricing; branding; channels of distribution; personal selling; advertising; promotions; packaging; display; servicing; physical handling; and fact finding and analysis. Frey (1961)\(^{18}\) suggests that marketing variables should be divided into two parts: the offering (product, packaging, brand, price and service) and the methods and tools (distribution channels, personal selling, advertising, sales promotion and publicity). On the other hand, Lazer and Kelly (1962)\(^{19}\) and Lazer, Culley and Staudt (1973)\(^{20}\) suggested three elements of marketing mix: the goods and services mix, the distribution mix and the communication mix. McCarthy (1964)\(^{21}\) refined Borden’s (1965) idea further and defined the
marketing mix as a combination of all of the factors at a marketing manager’s command to satisfy the target market. He regrouped Borden’s 12 elements to four elements or 4Ps, namely product, price, promotion, and place at a marketing manager’s command to satisfy the target market. Especially in 1980s onward, number of researchers proposes new ‘P’ into the marketing mix. Judd (1987) proposes a fifth P (people). Booms and Bitner (1980) add 3 Ps (participants, physical evidence and process) to the original 4 Ps to apply the marketing mix concept to service. Kotler (1986) adds political power and public opinion formation to the Ps concept. Baumgartner (1991) suggests the concept of 15 Ps. MaGrath (1986) suggests the addition of 3 Ps (personnel, physical facilities and process management). Vignalis and Davis (1994) suggest the addition of S (service) to the marketing mix. Goldsmith (1999) suggests that there should be 8 Ps (product, price, place, promotion, participants, physical evidence, process and personalization). Möller (2006) presents an up-to-date picture of the current standing in the debate around the Mix as marketing paradigm and predominant marketing management tool by reviewing academic views from five marketing management sub-disciplines (consumer marketing, relationship marketing, services marketing, retail marketing and industrial marketing) and an emerging marketing (E-Commerce). Most of researchers and writers reviewed in these domains express serious doubts as to the role of the Mix as marketing management tool in its original form, proposing alternative approaches, which is adding new parameters to the original Mix or replacing it with alternative frameworks altogether.
The concept of 4Ps has been criticized

Development of marketing mix has received considerable academic and industry attention. Numerous modifications to the 4Ps framework have been proposed, the most concerted criticism has come from the services marketing area (Rafiq and Ahmed, 1995). The introductory marketing texts suggest that all parts of the marketing mix (4Ps) are equally important, since a deficiency in any one can mean failure (Kellerman, Gordon and Hekmat, 1995). Number of studies of industrial marketers and purchasers indicated that the marketing mix components differ significantly in importance (Jackson, Burdick and Keith, 1985). Two surveys focused on determination of key marketing policies and procedures common to successful manufacturing firms (Jackson, Burdick and Keith, 1985). Udell (1964) determined that these key policies and procedures included those related to product efforts and sales efforts. This followed in order by promotion, price, and place. In a replication of this survey, Robicheaux (1976) found that key marketing policies had changed significantly. Pricing was considered the most important marketing activity in Robicheaux’s survey, although it ranked only sixth in Udell’s survey. Udell (1968) found that sales efforts were rated as most important, followed by product efforts, pricing, and distribution. LaLonde (1977) found product related criteria to be most important, followed by distribution, price, and promotion. Perreault and Russ (1976) found that product quality was considered most important, followed by distribution service and price. McDaniel and Hise, (1984) found that chief executive officers judge two of the 4 Ps, pricing and product to be somewhat more important than the other two place (physical distribution) and promotion.
Kurtz and Boone (1987) found that on the average, business persons ranked the 4 Ps to be of most importance in the following order: price, product, distribution, and promotion. Thus, it appears from these studies that business executives do not really view the 4 Ps as being equally important, but consider the price and product components to be the most important (Kellerman, Gordon and Hekmat, 1995).

The concept of 4Ps has been criticized as being a production-oriented definition of marketing, and not a customer-oriented (Popovic, 2006). It’s referred to as a marketing management perspective. Lauterborn (1990) claims that each of these variables should also be seen from a consumer’s perspective. This transformation is accomplished by converting product into customer solution, price into cost to the customer, place into convenience, and promotion into communication, or the 4C’s. Möller (2006) highlighted 3-4 key criticisms against the Marketing Mix framework: The Mix does not consider customer behavior but is internally oriented. The Mix regards customers as passive; it does not allow interaction and cannot capture relationships. The Mix is void of theoretical content; it works primarily as a simplistic device focusing the attention of management. The Mix does not offer help for personification of marketing activities. A review of another article, “Revision: Reviewing the Marketing Mix” (Fakeideas, 2008) found that: The mix does not take into consideration the unique elements of services marketing. Product is stated in the singular but most companies do not sell a product in isolation. Marketers sell product lines, or brands, all interconnected in the mind of the consumer. The mix does not mention relationship building which has become a major marketing focus, or the experiences that consumers buy.
The conceptualization of the mix has implied marketers are the central element. This is not the case. Marketing is meant to be ‘customer-focused management’. Even, a study by Rafiq and Ahmed (1995) found that there is a high degree of dissatisfaction with the 4Ps, however, 4Ps is thought to be most relevant for introductory marketing and consumer marketing. The result also suggests that the 7Ps framework has already achieved a high degree of acceptance as a generic marketing mix among our sample of respondents.

FORCES BEHIND MARKET INTEGRATION

- Improved Communications:
- Greater Revenue
- Lower Cost of Goods/Services Sold
- Protection of Domestic Market
- Attack in competitors Home Market

Factors Which Influence the Marketing Mix Decisions

According to Bearden (2001), there are certain environmental factors that influence the marketing mix decisions and those are ;

- Social Environment
- Cultural Environment
- Economic Environment
- Political-Legal Environment
- Technological Environment
- Competitive Environment
- Institutional Environment
1.3.6: Development of Conceptual Model

From the above study of different factors and forces, we concluded, there are different variables which are affecting the businesses and the marketing mix decisions of a company, when it goes in more expanded and integrated market. After this effect, company has to change its marketing mix strategies due to market expansion. With the help of above explanations and model, a new model is developed by us in which certain above mentioned factors and variables are included and their impact on marketing strategies of a company are shown. The development of a new model is based on our findings. This topic of regionalization is studied and discussed in literature very well but to the extent of our study, we couldn’t find a single model which indicates the impact of an open market on the marketing mix strategies of the company. Regionalization concept is studied and discussed in detail but on the economical and country level and not on the level of a firm and its marketing behavior. There are a lot of fragmented models by different authors which show the regional markets and company’s behavior towards them and their overall business strategies but our model shows only those variables which force the companies to rethink about its marketing mix decisions which ultimately have an impact on the regional strategies of a company. Now how the marketing mix decisions of a company is affected by different variables is shown in the model below.
Explanation of Conceptual Model

In the model we see three parts. One consists of different variables which are the result of open borders due to regionalization. We can call these variables the opportunities created due to regionalization. The other part which is influenced by these variables is the marketing mix decision of the company. When company observe the opportunities definitely it has to rethink about its marketing mix decisions to get really fruits of these opportunities so company think about its marketing mix decisions. When company changes its marketing mix decisions, according to the new market environment to get more benefits, this factor effects the marketing mix strategies of the company which are mentioned in the third part of the conceptual model.
Explanation of Variables Mentioned In the Conceptual Model

Variables and factors which we found during our study and mentioned in the conceptual model, these are actually those opportunities which are the result of open borders due to market integration and expansion. These variables have an impact on the marketing mix decisions of the company which drive its marketing strategies.

Economic integration creates large mass markets for the marketer. Many national markets, to small to bother with individually, take on new dimensions and significance when combined with markets from cooperating countries. Large market are particularly important to businesses accustomed to mass production and mass distribution because of the economies of scale and marketing efficiencies that can be achieved. In highly competitive markets, the benefits derived from enhanced efficiencies are often passed along as lower prices that lead to increased purchasing power.

Removal of trade barriers is like a market enlargement, as separate national markets move towards integration in a regional market. This allows firms to benefit from greater scale and attracts investment projects for which market size is important, including foreign direct investment. Removing barriers also forces firms from different member countries into closer competition with each other and this factor can be a threat for the companies but possibly inducing them to make efficiency improvements.

Easy and cheap communication technology improves the speed with which
information and knowledge can be accessed and transferred, so the world becomes smaller. This does not mean that we are close to the complete standardization of marketing strategies, programs and processes (Doole & Lowe 2001). A rapid development in communication made the companies possible to develop their business activities in overseas markets more easy and profitable.

The companies, going to operate across the borders has to face certain problems like delays at borders, form-filling, recertification of products etc. Even if there are no duties, border formalities themselves create barriers and can be quite wasteful but now, due to more open market and integration, certain procedures are implemented to avoid certain legal hindrances which can directly or indirectly affect the marketing activities of the company (Trade Blocs, World Bank Report, 2000).

Many countries are too small to support, separately activities that are subject to large economies of scale. This might be because insufficient quantities of specialized inputs are available, or because markets are too small to generate the sales necessary to cover costs. Regional cooperation offers one route to overcome the disadvantages of smallness, by pooling resources or combining markets. Note that the disadvantage of smallness can also be overcome through unilateral trade liberalization and fair operating environment (Trade Blocs, World Bank Report,’00). Competition and economies of scale effects arise as separate national markets become more integrated in a single unified, market. The large market permits economies of scale to be achieved and brings producers in member countries into closer contact-and competition-with each other. Entrenched monopoly positions are eroded, promoting efficiency gains within firms. A trade bloc combines markets, making it possible to
reduced monopoly power as firms from different countries are brought into more intense competition. This can yield three types of gain. Firms are induced to cut prices and to expand sales, benefiting consumers as the monopolistic distortion is reduced. The second source of gain arises as market enlargement allows firms to exploit economies of scale more fully. In a market of a given size there is a tradeoff between scale economies and competition- if firm are larger, then there are fewer of them and the market is less competitive. Enlarging the market shifts this tradeoff, as it becomes possible to have both larger firms and more competition. The third source of gains comes from possible reductions in internal inefficiencies that firms are induced to make. If the RIA increases the intensity of competition, it may induce firms to eliminate internal inefficiencies and raises productivity levels (Doole, 2001). Technology is converging in and between industries with similar processes and ideas are being used, for example, in telecommunications, information technology hardware and software, entertainment and consumer electronics, so that new product and services cross the traditional boundaries between the industry sectors. New technology are adopted around the world at every grater speeds and in many industries this is being driven by a small number of global players that have the market power to customers to make wider application of the ideas more cost effective. In this way the globalization of technology is contributing very significantly to the competitive advantage of the MNEs who are able to market it in a number of industry sectors because they have developed effective distribution channels and international promotion (Trade Blocs, World Bank Report, 2000). As EU developed a single internal market, it became necessary for the firms
operating in area to join the market as it was the need of time. So we see, as companies cross the national boundaries, they become global customers as well as local market saturation also forces the companies to experience the taste of foreign market (Ball, 2002).50

1.3.7: Marketing Mix Decisions of Company (4 P’s)

A marketing mix is the overall marketing offer to appeal to the target market. It consists of decision in four basic areas: product (development of a product, service, or idea to exchange), pricing (what to charge for the exchange), and integrated marketing communications (how to communicate with the target market about the possible exchange), and distribution (how to get the product, service, or idea to the target market to consummate the exchange), (Bearden, 2001).51

Marketing Mix Strategies of Company

According to our model, marketing mix strategies are influenced by the company’s marketing mix decisions while marketing mix decisions are influenced by the regional market environment, demand and size and cultural differences of the country. It means due to regionalization, company thinks about its marketing mix and then adopts the standardization or other strategies which can be based on different factors like demand, competition and cost factor. In practice firms adopt a combination of standardization and adaptation of the various elements of the marketing management programs and processes by globalizing some elements and localizing others. In broad terms it is possible to categories a firm’s strategic development as multi-domestic,
global or regional, a third alternative strategy in which separate, but largely standardized marketing strategies are implemented in different regions of the world (Doole & Lowe, 2001)\textsuperscript{52}.

- **Standardized marketing strategy:** Where a firm develops and implements the same product, price, distribution, and promotion strategies in all markets.
- **Customized marketing strategy:** Where a firm develops and implements a different marketing mix for each target market.
REFERENCES:


