Chapter 3 – Review of Literature

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3.1 Introduction

A review of existing literature was performed to support the study undertaken in this thesis. In this chapter significant theoretical and empirical developments related to marketing strategies and relevant to the cellular industry have been highlighted. In order to study the practices followed in marketing strategies, an attempt has been made to analyze the current trends, which further determines the availability, expectations and gaps limiting the realizations of those expectations. Due to the small amount of targeted research on the marketing strategies of cellular operators, research from related fields is useful in understanding the narrower topic. This chapter presents a review of the literature of various researches and articles relating to marketing strategies, buying behaviour and Cellular Mobile Industry.

3.2 Review of Literature

According to Foxall the term ‘consumer’ in the marketing context refers two things. First of all it refers to the act of purchase itself and secondly it also includes the patterns of aggregate buying. Pattern of aggregate buying includes pre-purchase and post-purchase actions taken by the consumer. Pre-purchase activity includes growing awareness among the consumers, creating need and a collection and search for information about the products. There is a growing awareness about brands too. Post-purchase activities are also important to understand. It includes use of products, analysis of its utility satisfaction analysis of the costumers. (Foxall, 1987).

Blackwell tries to analyse consumer behaviour. According to him understanding consumer behaviour is difficult. There are various activities which help to understand consumer behaviour. These activities includes acquisition of products and services, using those products and services and disposing these products and services (Blackwell, 2001).

According to the Keller, brand plays an important role in differentiating various goods and services in the market. In the competitive market it is necessary to distinguish between the
products. Keller rightly said that the ‘Brand’ is a name which is in the mind of consumer. Brand can be understood by a noticeable name or symbol. Brand can differentiate the goods and services from the competitors (Keller, 1998).

According to Berry, it is found that consumers’ emotions are one of the major determinants which affect buying behavior of the consumer (Berry, 1998).

According to Murphy ‘Brand’ can be an everlasting and lucrative asset as long as it is maintained in a good manner that can continue satisfying consumers’ needs. Although successful brands can be totally different in nature, they share something in common, for instances well-priced products and consistent quality (Murphy).

According to Bello ‘Brand Equity’ refers to a set of assets and liabilities associated with a brand. It includes its symbol and name. Brand helps in charging higher values for the products or services. Brand equity may lose its importance if it will not be managed properly. Brand will lose its value if the company provides poor quality of goods, poor support services, poor after sales services etc. It may affect the sales of the product (Bello, 1995).

One of major determinants of brand equity is ‘Brand Awareness’. Brand Awareness means to create a picture about the brand in the mind of the consumer so that they will recall and recognize the brand. (Aaker, 1991).

Endorsement of products by the celebrities creates a reasonable impact on consumers. Celebrity endorsement is one of the influential factors in modern marketing. It is evident by the author that the celebrity endorsements do result in sales hike (Qurat-Ul-Ain Zafar).

According to Theodore there is a need of facilitating and supporting services to provide consumer satisfaction. In the competitive edge there is acute need of customer satisfaction among the companies (Theodore Taylor, 1985).

According to Magrath in traditional marketing 4Ps are considered as important elements of marketing i.e. product, price, place and promotion. On the other hand in service marketing three factors are considered important in marketing which are participant, equipment and
customer service management. Product is either finished product or services which company provides to its customers. Cost of the product to the end consumers who want to take product is called as price. Distribution is the process to make the product available at the target market. Promotion means the activities undertaken by the producer to communicate consumers about the product and convincing them to buy the product. (MaGrath, 1986).

Narver and Slater talks about that market orientation consists of three behavioural components; customer orientation, competitors orientation, and inter-functional coordination, and two decision criteria - long-term focus and profitability. Their study found that practicing a market orientation had a positive effect on business profitability. Market orientation, i.e. customer orientation, competitor orientation, and inter-functional coordination, include all the activities involved in creating superior value for the buyers in the target market (Narver, 1990).

MacMillan and McGrath stated that most profitable strategies are built on differentiation offering customers something they value that competitors do not have. A company has the opportunity to differentiate itself at every point where it comes in contact with its customers from the moment customers realize that they need a product or service to the time when they no longer want it and decide to dispose it off. So, if companies open up their creative thinking to their customers’ entire experience with a product or service what they call consumption chain they can uncover opportunities to position their offerings in ways that they, and their competitors would never have thought possible. The first step is, therefore, to understand consumer’s complete experience with a product. Then to analyse customer’s experience. Lastly there is a need to consider a right mix with company’s skills. (MacMillan, 1997).

Ling and Yttri examined the use of phones and their attitudes among the multiple populations. In the paper they gave empirical evidence that the phone is an indicator of social class. According to them phone is a means which teens express their belongingness about social groups. They coined a term ‘hyper-coordination’. (Ling and Yttri, 1992).

Consumer shows distinct behavior before purchase, during purchase and after purchase that is called consumer behavior and that is important to know to make policy. Telecommunication operators’ market has a great potentiality because mobile phone in
Bangladesh has become as part of the country’s culture from upper class to lower class in connecting and making communication with the nearest ones or the associates through mobiles. Today consumers are more learned, demanding and well informed than previous. Now the consumers enjoy various types of cable channels and newspapers those are used to inform, to persuade and to remind consumers. Consumers are also influenced by family members, friends, colleagues, relatives and by groups (Md Ashadduzaman, 2011).

Riquelme conducted an experiment with 94 consumers to identify the amount of self-knowledge consumers have when choosing between mobile phone brands. The study was build upon six key attributes viz. telephone features, connection fee, access cost, mobile-to-mobile phone rates, call rates and free calls related to mobile phone purchasing respondents had to importance rate. The research shows that consumers with prior experience about a product can predict their choices relatively well but customers tended to overestimate the importance of features, call rates and free calls and underestimate the importance of a monthly access fee, mobile-to-mobile phones rates and the connection fee (Riquelme, 2001).

India is one of the largest youth markets in terms of mobile. Companies created market amongst the youth by introducing various modern services such as ringing tones, e-mail alerts, games and screensavers. As a result, more and more people in the under 30-age group are using wireless applications for organizing their lives better. On the other hand, older people haven't spent much time or money on mobile content. The primary reason behind this could be that most of the content on the ‘wireless web’ has been youth and entertainment-oriented. Then there are other reasons like - the buttons on the handset are small and reading the tiny screens can be a strain on the eyes (Macro, 2004).

Concerning the youth’s general knowledge of and interest in mobile services, the results point to six things: young people show a low demand for many mobile services, there is a demand for extended, established mobile services, like SMS, the interest in the new services vary, there is low interest in active information search, there is little knowledge of the enabling technology, and the understanding of the pricing is generally low. As concerns reasons for and against usage of mobile services, results point to four central aspects: many individuals could present clearly defined needs for certain services, many indicated an interest in "community
usage" of mobile services, they experienced the prices of mobile services to be a hinder for usage, and technology placed limitations on the usage (Per Andersson, 2002, Prahalad, 2000).

The mobile services market in India is the fastest growing market in the world. There are more than five Cellular Mobile Service Providers (CMSPs) in each circle; it is becoming difficult for them to retain their market share. The mobile services provided by all of them are having almost same features. The CMSPs are making all possible efforts to increase their market share. Most of them have outsourced their non-core business activities. Some of them have tied up with software firms to provide content and niche services. They are adopting competitive strategy to differentiate their services from others. In order to penetrate the market they are offering the lowest call tariffs in the world. The only way to earn profit is by the economy of scales. MTNL has positioned Trump its Prepaid brand as the most affordable mobile service in the market by providing Price Leadership in voice and data services. The competitive strategy of CMSPs is to get the maximum number of customers by reducing prices (Chaudhary B.B, 2007).

Vershinskaya in his study titled "Mobile Communication, Use of Mobile Phones as a Social Phenomenon – The Russian Experience" concluded that Social acceptance of mobile communication by Russian youth is high and growing. The mobile communication era is just evolving in Russia. High rates of penetration are characteristic only for big cities at present. The 89 regions are just taking off. A boom can be seen in the cities - Moscow and Saint Petersburg. The main trends in mobile communication development seem to be universal: young people are the most active users of mobile phones and make up the majority of users; mobile telephony was a luxury at first, but as it becomes less expensive, it is finding its place in the middle class and becomes a necessity (Vershinskaya Olga, 2002).

The Indian mobile industry has been successful in providing affordable telecom services, thereby empowering the common man, driving wider economic growth across the country and contributing to government finances. However, after a phase of robust growth over the recent past, the Indian telecom juggernaut appears to be slowing down. The number of net mobile connection additions in May 2011 was around 35% less as compared with March 2011. The slowdown in the telecommunication market is one of the important matters of concern among the economists. The journey of the telecom growth is still to go far ahead. the Considering that only
70% of the reported connections are active and 15% of subscribers use multiple SIMs. Still there are many people in India who have not yet own mobile services. There are many rural areas where mobile has not yet entered. This is evidenced by rural mobile teledensity of only 35% as compared with urban mobile teledensity of 156% in Jun 2011 (Mohammad Choudhary, 2011).

Selvaraj and Gaesan Malathi suggest that the existing customers are satisfied with the cellular services by creating more awareness, better coverage, connectivity and new schemes (Selvaraj S, 2005).

M-Commerce has made a revolutionary change in the modern business world. Through m-commerce they increase the span of business. Trading in stock exchange bank transaction, placing orders etc., has made the mobile telephony an inevitable weapon in the present competitive environment. Dealings in stock exchange transitions such as buying and selling of securities, analysis of the current stock exchange situations in stock exchange markers etc., are faster through mobile telephone. Banking sector have widened their facilities, this has led the customers to operate his accounts through mobile phones. They can transfer money from one account to another and can easily find out the balances with his account. This has led to the development of mobile banking. The mobility gives by the mobile phone services provides help to the businessman to deal with more than two customers. Not only the businessman but also the layman needs reliable and faster information in the global scenario. Globalisation means to open the door to anyone, for anything. This trend has a two-fold effect (Arumugaswamy, 2005).

Rajkumar Paulrajan and Harish Rajkumar conducted a research study with an objective to understand the Indian consumers’ perception choice in selecting cellular mobile telecommunication service providers. Consumers' perception is widely varied in accordance with the Communication quality, call service, facilities, price, customer care and service provider's attributes. A structured questionnaire was developed to collect the required primary data from the consumers. Collected data were analysed, reliability and factor analysis were carried out. The outcome of this research shows a comprehensively integrated framework to understand the relationships among several dimensions. The study shows communication and price were most influential and most preferential factors in selecting telecommunication service provider.
However, product quality and availability has a significant impact on consumer perception choice in selecting cellular mobile service provider (Rajkumar Paulraj, 2011).

Mobile value-added service is one of the important services which mobile operators provide all over the world. This is one of the services which help in improving the profit. The service also helps in retention of the subscribers. However, value-added services have yet to take off in India. As the Indian market matures, operators will need to leverage value-added services to stay ahead of the curve (Balakrishna V, 2010).

The story of VAS services however, has been different. There was tremendous enthusiasm about mobile data and value-added services during the late 1990’s and early 2000’s. The whole premise of developing 3G standards was that there would be significant demand for mobile data. Even though 3G services turned out to be an instant hit in some Asian countries such as S. Korea and Japan, the response to the data services by most western countries were lukewarm. The mobile industry was long in search for a very compelling application (‘killer App’) that would substantially increase the adoption rate of wireless data. However, over the years it was clear that all the applications that were thought to be the ‘killer app’ did not have the effect that was expected of them (PTI, 2004).

There are almost all telecom operators in India introduced Lifetime mobile connection plans. Minister of Communications and Information Technology Shri. Milind Deora has said. “The service providers have been prescribing certain condition of minimum recharge/usage as part of the lifetime validity plans. The subscribers in such plans are entitled to enjoy incoming facility subject to fulfilment of the conditions specified in the tariff plans.”. The Minister was informing this to the Lok Sabha in his reply to a written question. He was replying on the question related with lifetime prepaid cards validity. He said that the validity of the card is upto the period of the licence which is possessed by the mobile operator (PTI, 2012).

In the vast majority of countries we looked at for this report, we observed that the average customer spent less on wireless voice services than they did three years ago. In 2010, customers spent on average 25% less for voice communications than they did in 2007. Part of this decline is due to a real drop in prices, and part of it is due to an increase in secondary and
even tertiary phones that consumers buy from different operators, splitting their spending among several operators. South Africa is the only country where spending on wireless voice increased. The reason is that wireless voice usage increased faster than the price per minute declined. As a result, wireless voice spending increased by 1%. In percentage terms, voice spending fell the most in India with a 57% decline. Voice spending in India fell to make wireless affordable outside the big cities. While average income in India is $1265 per year, the average person in rural India earns significantly less. Without the decline in voice prices in India that lead to a decline in voice spend, wireless would have remained a luxury for the Indian upper class, rather than something the average Indian or even a farmer in rural India can use and afford (Report, 2011).

Mukherji explained that the Congress led United Progressive Alliance (UPA) government took many important decision regarding the telecommunication. There were three important decisions taken by the government between November 2005 and February 2006. These decisions helped in increasing foreign investment in India’s telecommunications sector. This decision reduced the favour of domestic operators and helped in creating competitive telecom market in India. This is one of the important political and economical reform undertaken by the government. There were many such foreign investment friendly regulations introduced by the government. This shows the intention of the political economy that the ruling party was willing to support (Mukherji Rahul, 2006).

3.3 Conclusion

The above review of literature indicates that there was a severe lack of studies specifically on consumer behavior of cellular operators. The survey of related studies revealed that the earlier researches have been confined to quality of service, innovations in service, consumer awareness, investment patterns etc. There has been very limited research worldwide in the area of consumer behavior cellular operators. The existing gap in the research justifies the rationale of the study at hand. The present study has been conducted so as to reduce the existing gap in research in this important industry.