

## **SALES PROMOTION IN TELECOM INDUSTRY OF INDIA**

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### **ABSTRACT**

Indian telecommunication industry is poised for growth. Tele-Communication sector in particular has a great opportunity with alignment of Indian economy to globalised markets. With the widespread use of sales promotions-short term activities which provide material inducements to consumers and trade it becomes imperative for managers to understand such practices and understand challenges. In spite of the widespread use of sales promotion activities in India very few studies were found examining sales promotion practices in telecom sector. This study investigates sales promotion activities of telecommunication companies on various dimensions. It presents major findings and provides insights on consumer behaviour. This is descriptive study, because it includes knowing the behavior of customers towards sales promotion. Survey is related to telecom companies like Airtel, Reliance telecom, Vodafone, BSNL and Idea cellular in reference to Agra City. The paper concludes that the usage of sales promotion activities has a direct impact on behavior, motivates a consumer to buy now rather than in future, enhances value of an offer temporarily till the promotion period, encourages switching, reinforce or reward loyalty etc.

**KEYWORDS:** Telecommunication, Sales Promotions, Consumer Behaviour

### **INTRODUCTION**

Today the Indian telecommunications network with over 375 millions subscriber is second largest network in the world after China. India is also the fastest growing telecom market in the world with an addition of 9-10 million monthly subscribers. The major reasons that have fuelled this growth are low tariff coupled with falling handset prices. India has emerged as a major base for the telecom industry worldwide, thus Indian telecom sector has come a long way in achieving its dream of providing affordable and effective communication facilities to Indian citizen.

Indian telecom sector like any other industrial sector in the country has gone through many phases of growth and diversification. Day by day both the public players and private players are putting in their resources and efforts to improve the telecommunication technology so as to give the maximum to their customer. However the recent regulatory developments are seem to be negative for the telecom companies as it will increase the number operators per circle which intensify competition. Telecom companies today focus on rapid product innovation, building consumers and retailer's relationships and supply chain improvement in order to improve performance.

Sales promotion is the process of communication with individuals, groups and organizations to directly or indirectly facilitate exchange of goods and services by proper informing and persuading one or several audiences or market segments to accept the proposed products. The sales promotion is to identify some specific marketing need that then can be met with the corporate products and the proper promotional activity.



**Figure 1**

Sales promotion process involves an elaborate plan to assure that the money spent on promotion is worth the effort and the subsequent results.

The sender is the company that decides to create a sales promotion message. The receiver is the target market or any other audience to which the sales promotion message is directed.

The whole sales promotion process involves the following steps:

- **Encoding:** The promotional message is put and delivered to the target audience in the form of symbols. These symbols usually are time bound and show some benefit to the target market (Neslin, 46).
- **Decoding:** The promotional message in the encoded form is received by the potential customer and is interpreted according to their frames of reference. One should understand that the same “sales promotion message might be interpreted differently by different people” (Hopkins, 186).
- **Response:** After the message is decoded the customer/potential customer forms his/her opinion on the given matter. Response is usually represented by the desire to buy/not to buy a given product/service.
- **Feedback:** After the sales promotion has been initiated the company then collects feedback in the form of increased/decreased sales, customer calls, online orders etc.

Sales promotion then falls into two different categories that are “aimed to lure the customers to increase volume of purchases” (Mundy, 150):

- **Trial Promotion:** This type of promotion is aimed at motivating customers to use our corporate products or services for the first time.
- **Loyalty:** This type of promotion is aimed at increasing the chances of a given customer using the product more than once.

A major challenge confronting the telecom market is targeting retailers with relevant promotions to induce them to buy more. A telecom company faces challenges in:

- Effective promotion planning
- Accurate monitoring of trade funds and promotion
- Measuring the effectiveness of promotions on sales

Sales promotion is created to target all or some of the following groups:

- Target Market of the product/service.
- Part of Target Market.
- Different stakeholders of the organization who might also be the target market for our goods/services (Benun, 130).

**Tools / Techniques Used in Sales Promotion**

Sales promotion tend to be thought of as being all promotions apart from advertising, personal selling, and public relations, for example the BOGOF promotion, or Buy One Get One Free. Others include couponing, money-off promotion, competitions, free accessories (such as free hand free with a new mobile), introductory offers (such as buy digital TV and get free installation) and so on. Each sales promotion should be carefully costed and compared with next best alternative.

- Free samples
- Premiums or Bonus offer
- Exchange schemes
- Price-off offer
- Coupons
- Fairs and Exhibitions
- Trading stamp
- Scratch and win offer
- Money Back offer

**Table 1: Importance of Sales Promotion**

For Manufacturers	For Consumers
<ul style="list-style-type: none"> <li>• Increases the volume of sales</li> <li>• Helps to introduce new products in the market</li> <li>• Enables quick disposal of existing stocks</li> </ul>	<ul style="list-style-type: none"> <li>• Goods are available cheaper rate</li> <li>• Financial benefits to the customers</li> <li>• Generates awareness about new brands</li> <li>• Stabilizes the volume of sales</li> <li>• Creates confidence in the mind of customers regarding quality</li> <li>• Raise standard of living</li> </ul>

The main area of the study is to study the sales promotion on telecom industry in India and its impact on customers. The Researcher conducted a survey to know the impact of sales promotion of telecom industry on customer. This is descriptive study, because it includes knowing the behavior of customers towards sales promotion. Survey is related to telecom companies like Airtel, Reliance telecom, Hutch (Vodafone), BSNL and Idea cellular in reference to Agra City.

**Issues Related to Sales Promotion: Theoretical Background**

- Sales Promotion usually is timed by the companies and the sales promotion results are viewed over a much shorter period of time than the corporate advertising. Sales promotion changes and contributions indeed can be identified much easily as compared to traditional advertising and quantified with figures and data (Magee, 2010).
- The Long-Term Impact of Loyalty Programs on Consumer Purchase Behavior and Loyalty Liu, Yuping, (2007).

Using longitudinal data from a convenience store franchise, the study found out that consumers who were heavy buyers at the beginning of a loyalty program were most likely to claim their qualified rewards, but the program did not prompt them to change their purchase behavior. In contrast, consumers whose initial patronage levels were low or moderate gradually purchased more and became more loyal to the firm. For light buyers, the loyalty program broadened their relationship with the firm into other business areas. Thus there is a need to consider patronage to decide rewards for loyalty programmes.

- The old studies emphasized that retailers' success in international markets was contingent upon their knowledge of culturally-defined values, norms and behaviour that influence consumer decision making and impact acceptance of products and services. The study examined consumers' store patronage and purchase behaviour, acceptance of brands, perceptions of retailers' products and services, and perceptions of the impact of foreign retailers on local communities. It found out that the perceptions differed regarding quality, fashionability, product assortment, extent and quality of customer service, convenience of location, payment options, national brands and store layout.
- Consumers' acceptance of brands was a function of age, household income, apparel product country of manufacture and price, Hyllegard, Karen; Eckman, Molly; Descals, Alejandro Molla; Borja, Miguel Angel Gomez (2005).
- In order to increase the brand awareness one is able to use things like direct mail, PR, or various sponsorship campaigns. Advertising, not promotion, that "builds awareness and imagery of the company's products and services, let alone the needed brand values" (Neslin, 44). Nevertheless, sales promotion appears to provide more results as compared to advertising to smaller businesses just because promotional activity can be much better targeted than advertising.
- In identifying the buyer-seller relationships for promotional support results indicated that monetary support was regarded as the most important promotional support. A positive and significant correlation was found between items the buyers perceived as important and the frequency of offerings of these items. Kincade, Doris H.; Woodard, Ginger A.; Park, Haesun (2002).
- Sales promotion is conducted to increase the volume of purchases, thus, as one can understand, the customers with brand insistence are not likely to switch to the product despite the sales promotion. The products with inferior quality after the sales promotion will be immediately refused by the market, because in my opinion nothing can kill a bad brand faster than sales promotion and advertising. Yet, assuming that the product possesses outstanding qualities and price, one should still conduct sales promotions to a degree so that the potential customers accumulate enough to develop a habit of buying and using the product (Mundy, 157).
- In the context of Loyalty Programmes on Repeat Purchase Behaviour it finds that loyalty programmes did not substantially change market structures. When all companies had loyalty programs, the market was characterized by an absence of change of the competitive situation. French market, Meyer-Waarden, Lars; Benavent, Christophe. (2006).
- As for the impact of sales promotion on Brand equity the relationship appears to be less direct. There can be a reserve relationship observed in the consumer-based brand equity perspective, i.e. as sales promotion increases the customer brand loyalty, it at the same time improves the consumer-based perspective of the brand equity.

Sales promotion by creating Brand equity thus creates some added value for a given product.

### **Sales Promotion in Telecom Sector of India**

The way Telecom firms sales promotion, given an approximate idea about Telecom trends. At the launch of the mobile service, it promoted as life style product.

- Airtel promote its services at the name of the brand ambassador “Sachin Tendulker” by focusing its photo on coupon cards and SIM. After the initial publicity passed away, Mr. A. R. Rahman gave his famous ring tune as its additional value promotion. All the other companies have variously tried other gimmicks to sell their connections.
- However the land scrape charged after Reliance came in the mobile services. With the launch of prepaid services on premium or bonus offers to promote and cover the target customer.
- The icing of the cake goes to Hutch (Vodafone). They apply the simple tool of free service coupons with every new sell purchase of LG handset; it was hit of all sorts.
- BSNL promote typically government mentality for awarding the contract to lowest in the tender process in this regard. BSNL apply fair and exhibition at local and state level and become the sole service provider on some places.
- Airtel apply price off offer cards to target the specific customers with specific needs. For example it introduced friend card and senior citizen card.
- To target the business Reliance offers of flat rate for making STD calls to anyone across its network is unparalleled. R-connect is its trading stamp that differentiated Reliance early on from other operations.
- Following this Airtel introduced its Airtel Live! And also introduced value added cards, which would help to download ring tones and other fancy stuff.
- 3-G enabled handset prices and network accessibility fall down to manageable levels
- WAP and GPRS are heavily promoted. The real differentiation would be the quality of venture in the rural areas and the reach of the network.

### **Findings**

- Sales promotion plays a vital role while making purchase decision for new connection.
- In the Telecom industry the most important factor of promotion is Price-off-offers and coupons which affect the purchase decision on a customer.
- Most of the people like value added cards and coupons in bulk connections.
- Majority of the people believe that advertisements provide information about the offers, so companies should try to deliver all information about the plan and offers through advertisements.
- Most of the people buy new connection which having premium offers with scratch and win offer for their friends and family.
- Study find that festive season is one of the best seasons for sales promotion in telecom industry.
- Study finds that customer focus on network service first, and then price offers.

- Sales promotion does have impact on the brand loyalty and brand equity, if the product is of no good quality-sales promotion will be useless. If the competitors present better products, support services for that product etc., sales promotion will once again lead to little result. If products are generic, sales promotion is not likely to make much impact on brand loyalty and brand equity (if you sell eggs or aspirin, regardless of your promotion efforts, people will understand that there exist numerous substitutes and thus won't develop loyalty for some particular brand of eggs).

## CONCLUSIONS

Usage of sales promotion activities has a direct impact on behaviour as it motivates a consumer to buy now rather than in future, enhances value of an offer temporarily till the promotion period, encourages switching, reinforce or reward loyalty etc. Broadly, objectives set for these activities are; i) to generate store traffic, ii) to move excess inventory, iii) to enhance store image and iv) to create a price image (high or low). Traffic building is achieved by special event promotions like Diwali, Rakshabandhan promotions; inventory reduction through end of season sale; creation and building store image through feature advertising and displays and joint promotions and price image by highlighting the discounts. It helps consumer reduce not only financial risk but also psychological and social risk by making consumer confident of his/her purchase, conformation to group norms by shopping at famous stores/brands and possibility of acquiring well known branded during promotions. Promotions may induce non buyers to walk in to the store and loyalty programmes may encourage buying more, more often or upgrading to better quality. Exciting promotions also have tendency to generate positive word of mouth and help consumer feel a smart shopper. Thus not only utilitarian benefits like, saving of money, time or quality up gradation but hedonic benefits like feeling confident, feeling of excitement and entertainment etc.

Sales promotion can help management to improve:

- Production distribution width
- Retailers relationships
- Consumption
- Consumer prevention and
- Price negotiation

It has been concluded that sales promotion is the element of the promotional mix that is aimed at increasing the volume of products sold. In order for the sales promotion campaign to become successful, the Telecom company needs to understand the following (Schultz, 90):

- What audience is likely to buy our service?
- What responses need to be achieved?
- How the target group will decode our message.
- What media should one use to properly deliver sales promotion message.
- Brand loyalty, on the other hand is the customer's conscious or unconscious decision as expressed through his/her behavior to purchase the given brand.

### Future outlook

Telecom sector is likely to grow with growing Indian economy. Many multinational players either have already plunged into Indian market or plan to do so. They will bring many promotional practices which they have been following in developed markets which will increase the use of sales promotion activities even further. Indian brands will have to withstand turbulent conditions and learn to survive. If the role of such activities is understood well it may help any player a long way to survive and grow.

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