THE IMPACT OF ABOVE THE LINE PROMOTION TOOLS USED IN THE TELECOM SECTOR - 
A CASE STUDY OF RELIANCE COMMUNICATIONS 
IN WESTERN UTTAR PRADESH CIRCLE, INDIA

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ABSTRACT

In 2006, Reliance Communications (RCOM) had commenced its operations in Western Uttar Pradesh (UP), India and it had to face serious competition from the leader, Bharati Airtel Limited. On the other hand, there was an onslaught from players like Vodafone, Tata Teleservices Ltd., and the state-owned Bharat Sanchar Nigam Ltd (BSNL), which were also expanding their wings in Western U.P. Moreover, the market was expected to observe the entry of more Indian and foreign companies. RCOM which had responded to capitalizing heavily in expanding its network, technology, and sales and marketing, was trying to cover all segments of the population, from the tech-savvy young population who coveted the latest value-added services (VAS), to the Bottom of the Pyramid (BoP) segment who would be satisfied with a low-cost offering.

In light of the abovementioned, this study aims to identify whether the ‘above the line’ promotional strategies adopted by RCOM have an impact on their sales revenue. Brand Reliance Communication was chosen as a case study since it has emerged as a market leader with maximum penetration in the Western U.P. Circle market. By applying the principles of cost leadership, differentiation and strategic focus, manufacturing economies of scale, and innovative marketing strategies, RCOM has attained global levels of competitiveness.

The study describes the result of a survey conducted among the distributors, retailers and company personnel of RC. By using correlation, chi-square, one-way ANOVA and Bonferroni Post-Hoc test to analyze the data, the findings suggest that with the help of aggressive marketing campaigns or strong above the line promotional activities, RCOM has constantly led the telecom market of Western (U.P) Circle. However it also became evident that Internet advertisements would have a wider scope in the future in Western (U.P) Circle.

Key Words: Telecom; promotion Strategy; above the line promotion;
INTRODUCTION

Telecom services have been recognized the world over as an important tool for socio-economic development of a nation. It is one of the prime support services needed for rapid growth and modernization of various sectors of the economy. India is currently the world’s second-largest telecommunications market and has registered exceptional growth in the past few years. The reasons for growth of the telecom sector in India are reform measures by the Government of India, active participation of the private sector, and wireless technology. The National Telecom Policy 2012 (NTP-2012) was announced with the objective to maximize public good by facilitating reliable, secure and affordable telecommunication as well as broadband services in India. In 2014, India would observe a deluge in the development of native language applications and localization of substance, as any incremental increase in mobile data and Internet subscriber base would be reached among the section of the population whose digital user-friendliness is limited by language limitation.¹

Telecommunication has been acknowledged the world-over as a significant tool for socio-economic progress of a nation and has a significant role in the growth and development of various sectors of the economy. The telecom sector in India is certainly one of the most productive markets, based on volumes, rather than margins. Although the voice market is turning inundated, there is still ample space for growth in the sector. The total subscriber base² as of June 2013 was 903 million vis-a-vis 22.8 million total subscribers in 1999. Mobile subscribers accounting for 96.7% of total subscriber base are responsible for this phenomenal growth in telecom. The country has achieved overall teledensity of 70.85, urban teledensity of 140.67 and rural teledensity of 40.23

Table 1.1 Wireless Subscribers and teledensity in India

![Table 1.1 Wireless Subscribers and teledensity in India](image)

Source: TRAI Report, December 2013

In less than a decade, the mobile handset has become a necessary item of day-to-day usage in the life of ordinary Indians. The convenient access to mobile services in India is as a result of the availability of low tariff and inexpensive handsets in the market, an optimistic regulatory regime, competition among mobile service providers and significant investment in telecom infrastructure has contributed towards improvement in teledensity across the country. In fact, a cellular handset or a wire line telephone instrument is no longer a simple communication device, it has the potential of being an appliance of empowerment.

² The Indian Telecom Services Performance Indicators, April-June 2013, TRAI, December 201
REVIEW OF LITERATURE

According to Zallocco and Kincaid (2008), promotion is the deliberate attempt on the part of the individual business or other institutions to communicate the appropriate information in a manner persuasive enough to include the kind of response desired. Promotion is communication by the firm to various audiences with a view of informing them and influencing their attitude and behaviors towards the firm’s product. The most effective promotional activities are carefully integrated by marketing managers.

Advertising is considered to be a non-personal communication tool to inform mass groups of people about a product or service. There are different kinds of media such as newspapers, television, radio, magazines direct mail, outdoor advertising, directories and the Internet. Newspaper, television, radio and magazines seem to have the high-impact on consumers. The use of the Internet and social media is growing all the time; thereby it is seen as the fastest developing premium.

Advertising effectiveness can be measured directly by observing sales volumes during campaigns or indirectly by conducting surveys (Rix, 2007). According to (Ndubisi and Chew, 2006), offering the right promotional tools, it can help organizations carefully plan their promotional strategies by giving preference to the more effective tools. According to Shimp (2003) viewed sales promotion as any incentive used by a manufacturer to induce the trade or consumers to buy a brand and to encourage the sales force to aggressively sell it. Retailers also use promotional incentives to encourage desired behaviors from consumers. A business' total marketing communications program is called the "promotional mix" and consists of a blend of advertising, personal selling, sales promotion, brand management, product placement and public relations tools. It has been established that many companies apply these promotion mix elements in order to increase sales revenue.

Kotler (2001) views promotion as including all the activities the company undertakes to communicate and promote its product to the target market. That is, a company has to set up communication and promotion programs consisting of advertising, sales promotion, public relations. He emphasized that each promotional tool or programs has its own unique characteristics and cost.

The sales effect refers to the assessment of the capability of advertising to affect the sales volume and/or the market share, regardless of the possible influence of other variables. According to Batra et al. (1995), the effectiveness of advertising should be considered for its effect on sales in the short term. Advertising is therefore regarded as an independent variable that can be combined with other marketing variables to have a certain effect on the dependent variable, namely sales. The aim is to seek the best combination of marketing communication tools and strategies that would increase sales. In general, the relative importance of advertising, personal selling, sales promotion and publicity in specific marketing programs will vary with the nature of the product, the buying behavior of customers, the competitor practices in industry and the manner in which marketing managers choose to apply resources.

Berkowitz (1982) estimated that promotion quota to be 25% of the total marketing costs of the firm.

A successful promotion is one where a company sells a lot of products to the customers, and a promotion for an established brand can be used to attract and retain new users to the brand.

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3 India Brand Equity Foundation, June 2013
RELIANCE COMMUNICATIONS IN BRIEF

Reliance Communications Ltd. (commonly referred to as RCOM) is an Indian Internet access ("broadband") and telecommunications’ company headquartered in Navi Mumbai, India. RCOM is India’s second largest telecom operator, only after Bharti Airtel. It is the 15th largest mobile phone operator with over 150 million subscribers, established in 2004, as a subsidiary of Reliance Industries.

Furthermore, RCOM ranks among the top five telecommunications companies in the world by the number of customers in a single country. Reliance Communications corporate clientele includes 2,100 Indian and multinational corporations, and over 800 global, regional and domestic carriers. The company established a pan-India, integrated (wireless and wireline), convergent (voice, data and video) digital network that is capable of supporting services spanning the entire communications value chain, covering over 24,000 towns and 600,000 villages. Reliance Communications owns and operates the IP-enabled connectivity infrastructure, comprising over 190,000 kms of fiber optic cable systems in India, United States, Europe, Middle East, and the Asia Pacific region.

Reliance Communication is responsible for simulating the fast growth in the telecom sector in India by innovating its products, sales, advertising, pricing, and distribution strategies. Other service providers were catering to the top segment and often charged a premium price for their services. These companies saw the widespread deficiency and weak infrastructure in the Indian market as a disadvantage. Reliance Communication identified it as a prospect, and focused on creating a market for itself driven by volumes. It was recognized that telecommunication would be of much value to the poorer and untapped section of society, if the opportunity were offered at a price that is affordable to them.

Reliance Communications offers a range of services including CDMA & GSM, broadband services, data card, Reliance PCOs, and Interactive television. It provides all the products to all market segments. According to Sangeeth Vargese Reliance Infocomm stimulated telecommunication growth in India by challenging many of the conventional practices in product design, distribution, sales, advertising and pricing. It fashioned a strategy, which was conceptually simple but sweeping in its impact.

RESEARCH METHODOLOGY

The study used a quantitative research approach, and the data was collected through survey using self-administered questionnaires. Mostly close-ended (5 Point Likert’s scale) questions were used. The data was collected from three types of respondents, namely, 76 distributors, 700 retailers and 76 employees of RCOM. The simple random sampling method was used to choose 700 retailers, from the population of 12000 retailers of RCOM in Western (U.P) circle.

The Chi-square test, ANOVA and post-hoc tests were used to analyze the data. Since this study was confined only to CDMA Cellular Pre-paid Services and handsets, and all future references to the term “RCOM” must be interpreted in this context. The study was conducted in five Districts of Western (UP) Circle, namely, Meerut, Bulandshahr, Muzaffarnagar, Baghat, Bijnore.
HYPOTHESES

The main hypothesis, which guided this study, was stated as follows:

H1: The Above the Line Promotional tools used by RCOM are effective in boosting sales

Flowing from the main hypothesis, the following sub-hypotheses were formulated:

H1A: Radio Advertisements by RCOM are effective in boosting sales
H1B: TV Advertisements by RCOM are effective in boosting sales
H1C: Print Advertisements by RCOM effective in boosting sales
H1D: Internet Advertisements by RCOM are effective in boosting sales
H1E: Hoardings used by RCOM are effective in boosting sales

Research Findings

The study was conducted among 76 distributors, 700 retailers and 70 Company Personnel. There are more than 12000 retailers in the region. However, researcher had circulated 1000 questionnaires. Some of the retailers never responded back, some questionnaires not completed properly. Hence we had taken 700 complete questionnaires into consideration. 100% response was received from distributors and company personnel.

The Reliance Communication’s Distributors’ working experience in terms of running the business was analyzed and it revealed that 65 per cent of Distributors had an experience of three years or more. Regarding educational qualification of the cell phone Distributors, it was found that 77 per cent of Distributors were graduate, 18 per cent of them were diploma holders and 5 per cent of them have studied up to higher secondary level. The survey revealed that all Distributors were educated to do simple arithmetic and accounting and had an agreeable level of communication talent. This is evident from the qualification they possessed. Of the income earned by 76 distributors contacted for the survey, five per cent of the respondents earned a monthly income of less than Rs.25000. Nearly two-third of the Distributors earned a monthly income exceeding Rs.100,000/- and reached up to Rs.200,000/-; only seven per cent could cross Rs.200,000/- per month up to Rs.300,000/-. Keeping the expenditure apart, they invest a portion of the profit back into business.

In order to increase the accuracy of the response collected from distributors and retailer, researcher had requested company personnel to be a part of the survey. 4 senior managers, 24 middle level managers and 32 lower level managers were contacted for the study.

Prior to analysis of the results, the research instrument was tested for its reliability. Reliability of the measurements was determined using Cronbach’s Coefficient alpha. Cronbach Alpha was used to test for the internal consistency of the data. Cronbach Alpha is the most often used for each set of measures to test reliability of a multi-item. The reliability coefficient indicates that the scale for measuring sales and distribution strategies is reliable.
Table 1.2 The Relationship Among the Key-Mediating Variables of ‘Above The Line’ Promotional Tools Amongst the Distributors of RCOM

<table>
<thead>
<tr>
<th>Above the Line Variables</th>
<th>Distributors</th>
<th>Retailers</th>
<th>Company Personnel</th>
</tr>
</thead>
<tbody>
<tr>
<td>Radio Ad</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TV Ad</td>
<td>.9</td>
<td>.9</td>
<td>.81</td>
</tr>
<tr>
<td>Print Ad</td>
<td>.96**</td>
<td>.98*</td>
<td>.99*</td>
</tr>
<tr>
<td>Int Ad</td>
<td>.77**</td>
<td>.96*</td>
<td>.75*</td>
</tr>
<tr>
<td>Hoarding</td>
<td>.83**</td>
<td>.86*</td>
<td>.99*</td>
</tr>
<tr>
<td>TV Ad</td>
<td>1</td>
<td>1</td>
<td>1.9</td>
</tr>
<tr>
<td>Print Ad</td>
<td>.99**</td>
<td>.93*</td>
<td>.99*</td>
</tr>
<tr>
<td>Int Ad</td>
<td>.6**</td>
<td>.85*</td>
<td>.56*</td>
</tr>
<tr>
<td>Hoarding</td>
<td>.56**</td>
<td>1</td>
<td>.88**</td>
</tr>
</tbody>
</table>

**Correlation is significant at the 0.01 level (2-tailed).**

Correlation is significant at the 0.05 level (2-tailed). Cronbach Alpha=0.9269 SE=0.0435

The above table 1.2 shows highly significant correlations between Radio Advertisements and TV Advertisements (.92), Radio Advertisements and Print Advertisements (.96) Radio Advertisements and Internet (.77), Radio Advertisements and Hoardings (.832). Similarly, the correlation between TV Advertisement and Print Advertisement (.99), TV advertisement and Internet advertisement (.66), TV Advertisement and Hoardings (.56) is highly significant. The correlation between Print Advertisement and Internet Advertisements (.6), Print Advertisement and Hoardings (.651) is also highly significant. Similarly, the relationship between Internet Advertisements and Hoardings (.88) is highly significant amongst the distributors of RCOM. Similar findings are evident amongst Retailers and Company Personnel of RCOM, just but one correlation, that between Print advertisement and Internet advertisement, is lesser significant (.48) amongst Company Personnel of RCOM.

Table 1.3 ‘Goodness Of Fit’ Chi- Square Test Statistics

<table>
<thead>
<tr>
<th>&quot;ATL* Tools</th>
<th>Promotional Tools</th>
<th>Distributors</th>
<th>Retailers</th>
<th>Company Personnel</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>χ² (p-value)</td>
<td>χ² (p-value)</td>
<td>χ² (p-value)</td>
</tr>
<tr>
<td>Radio</td>
<td>18.66</td>
<td>0.0009</td>
<td>60.96</td>
<td>0.0001</td>
</tr>
<tr>
<td>TV Advertisements</td>
<td>31.5</td>
<td>0.0001</td>
<td>114.67</td>
<td>0.0001</td>
</tr>
<tr>
<td>Print Advertisements</td>
<td>23.61</td>
<td>0.0003</td>
<td>119.09</td>
<td>0.0001</td>
</tr>
<tr>
<td>Internet Advertisements</td>
<td>9.66</td>
<td>0.0411</td>
<td>57.59</td>
<td>0.0001</td>
</tr>
<tr>
<td>Hoardings</td>
<td>27.21</td>
<td>0.0002</td>
<td>159.57</td>
<td>0.0001</td>
</tr>
</tbody>
</table>
The above table 1.3 reflects the proportion of responses within each question is significantly different from a uniform distribution. The significance level of 95%, where p<0.05 is used for interpretation, comparing the observed data to the expected data under the assumption of a uniform distribution and calculates the Chi-Square value and its associated p value. It is evident from table 1.3 that the majority of RCOM’s distributors agreed that the promotional tools used by RCOM are significant to influence sales. This result is statistically very significant since p<0.05 even p< 0.001, except in Internet Advertisements where the results are significant only at x2 (0.05).

The hypothesis had been tested based on distributor’s, retailer’s and company Personnel response. In order to analyze the results with reference to RCOM, the hypothesis can be tested using one-way ANOVA. The results are presented below.

**Table 1.4 One-way ANOVA ‘Above the Line’ promotion tool variables**

<table>
<thead>
<tr>
<th>Promotion Tool</th>
<th>Distributors</th>
<th>Retailers</th>
<th>Company Personnel</th>
</tr>
</thead>
<tbody>
<tr>
<td>Radio</td>
<td>255</td>
<td>1961</td>
<td>241</td>
</tr>
<tr>
<td>TV</td>
<td>297</td>
<td>2317</td>
<td>265</td>
</tr>
<tr>
<td>Print</td>
<td>287</td>
<td>2338</td>
<td>269</td>
</tr>
<tr>
<td>Internet</td>
<td>236</td>
<td>1916</td>
<td>207</td>
</tr>
<tr>
<td>Hoardings</td>
<td>260</td>
<td>2015</td>
<td>237</td>
</tr>
</tbody>
</table>

**DATA SUMMARY**

<table>
<thead>
<tr>
<th>Samples</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>N</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>15</td>
</tr>
<tr>
<td>Σ X</td>
<td>1335</td>
<td>10547</td>
<td>1219</td>
<td>13101</td>
</tr>
<tr>
<td>Mean</td>
<td>267</td>
<td>2109.4</td>
<td>243.8</td>
<td>873.4</td>
</tr>
<tr>
<td>Σ X²</td>
<td>358899</td>
<td>22411535</td>
<td>299685</td>
<td>23070119</td>
</tr>
<tr>
<td>Variance</td>
<td>613.5</td>
<td>40923.3</td>
<td>623.2</td>
<td>830550.4</td>
</tr>
<tr>
<td>Std.Dev.</td>
<td>24.768</td>
<td>202.295</td>
<td>24.964</td>
<td>911.3454</td>
</tr>
<tr>
<td>Std.Err.</td>
<td>11.077</td>
<td>90.4691</td>
<td>11.164</td>
<td>235.3084</td>
</tr>
</tbody>
</table>

**TABLE 1.4 ANOVA SUMMAR**

<table>
<thead>
<tr>
<th>Source</th>
<th>SS</th>
<th>Df</th>
<th>MS</th>
<th>F</th>
<th>P</th>
</tr>
</thead>
<tbody>
<tr>
<td>Treatment</td>
<td>1.1E+07</td>
<td>2</td>
<td>5729532.8</td>
<td>407.7</td>
<td>&lt;. 0001</td>
</tr>
<tr>
<td>[between groups]</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Error</td>
<td>168640</td>
<td>12</td>
<td>14053.333</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>1.2E+07</td>
<td>14</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Tables 1.3 and 1.4 reveal that there are significant differences between the distributor, retailer and company personnel regarding the “Above the Line” promotion tool variables.

The Bonferroni Post-Hoc test was carried for multiple comparisons in order to see the significant differences among the different groups

**Table 1.5 Bonferroni Post-Hoc Test Results**

<table>
<thead>
<tr>
<th>Comparison</th>
<th>Mean1 – Mean2</th>
<th>95% CI of difference</th>
<th>T</th>
<th>Significant? (P &lt;0.05?)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1: Distributor Vs. Retailer</td>
<td>-1842.4</td>
<td>-2050.8 to -1634.0</td>
<td>24.573</td>
<td>Yes</td>
</tr>
<tr>
<td>2: Retailer Vs. Company Personnel</td>
<td>+1865.6</td>
<td>+1657.2 to +2074.0</td>
<td>24.883</td>
<td>Yes</td>
</tr>
<tr>
<td>3: Distributor Vs. Company Personnel</td>
<td>+23.2</td>
<td>-185.2 to +231.6</td>
<td>0.309</td>
<td>No</td>
</tr>
</tbody>
</table>

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

**DISCUSSION OF THE FINDINGS OF THE STUDY**

In the foregoing, the data have been presented and analyzed. The hypotheses had equally been tested and then the result is obtained. But for the purpose of clarity and easy comprehension, it becomes imperative to recapitulate our key findings here.

Promotion possesses a significant key role in determining profitability and market success. Brand building, through ‘Above the Line’ medium and mass media are the effective advertising strategies followed as promotional tools. As sales promotion strategies, the schemes, tariff plans, event sponsoring, special package for the corporate world/ group schemes, and co-promotion are given importance by Reliance Communications in this competitive stage of the cell phone services. The below the line sales promotion strategies are aggressively advertised through above the line promotion tools to have a significant impact on the sales revenue of the company.

This study revealed that promotion tools have a significant effect on sales of telecom sector and its empirical findings were in line with some of the previous work in this regards. The study of Ndubisi and Chew (2006) also supported that by offering the right promotional tools, it can help organizations carefully plan their promotional strategies by giving preference to the more effective tools. The study of (Rix, 2007) also reinforced that advertising effectiveness can be measured directly by observing sales volumes during
campaigns or indirectly by conducting surveys. It is vital because a specific marketing strategies decision assists the company to minimize cost and maximize their profit. Hence, this study revealed that promotion tools are significant in generating sales revenue for the company is a significant marketing tool for growth, in the stiff competitive market of the Indian Telecommunication Industry.

LIMITATIONS OF THE STUDY

Like other study, even this one is not without limitations. Since the scope of the study was limited to 5 districts of Western (U.P) only. This study can be replicated in other circles of India, for cross study and contexts for greater generalizability. The study is confined to urban and sub-urban areas only and the rural areas are not taken into consideration for the research. The study is restricted to CDMA handsets and prepaid services only. The study has not taken Broadband, Fixed Wireline and DTH, & related offerings into consideration for understanding the telecom services in Western (U.P) Circle. The study is mainly based on Random Sampling Method instead of Census Method. Respondents were not offered, the option to answer open-ended questions throughout the questionnaire, so analyzing and interpretation of data beyond statistical analysis was not possible. The questionnaire is made in English only.

CONCLUSION

From generated results it shows that above the line promotional tools actually has impact on the sales revenue of the Reliance Communications in Western Uttar Pradesh. Also, it could be undertaken that all promotional tools used by RCOM helps to increase sales. It is to note that statistical analysis has revealed that there is scope of Internet advertisement to be used aggressively in the market.

The Above the Line Promotional tools used by RCOM are effective in boosting sales. Above the line promotional tools marked as advertisements in Radio, TV, Print, Internet, Hoardings are the significant variables. All the sub hypotheses are established and these variables are affective in influencing Sales generation of RCOM. It is to note that for distributors, and company personnel, and For Company Personnel of RCOM Internet advertisement is insignificant variable in increasing sales.

Promotion enjoys a significant key role in determining profitability and market success. Brand building, through ‘Above the Line’ medium and mass media are the effective advertising strategies followed as promotional tools. As sales promotion strategies, the schemes, tariff plans, event sponsoring, special package for the corporate world/ group schemes, and co-promotion are given importance by RCOM in this competitive stage of the cell phone services. Always aggressive in its approach, the Reliance Communication brand has been creating maximum stir over the last few years, by launching a series of campaigns in the tenure. Be it the impudent promotions through TV Advertisements, and radio Advertisements bold marketing campaigns or strong below the line activities, RCOM has constantly stormed the telecom market of Western (U.P) circle with its forceful streak. However Internet advertisements have a wider scope in near future in Western (U.P) circle. Internet Advertising should be more focused and clear in terms of targeting the right segment of consumers keeping in view about their tastes and preferences.

This can also be done through Segment specific advertisements. Company’s existing Strategies for Brand building should be kept intact and scope for further initiatives in the same should also be entertained and information deliveries.
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