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Service Marketing: Challenges in Telecommunication

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Introduction

A **service** is the action of doing something for someone or something. It is largely intangible.You cannot touch it. Youcannot see it. Youcannot taste it. Youcannot hear it. Youcannot feel it. So a service context creates its own series of challenges for the marketing manager since he or she must communicate the benefits of a service by drawing parallels with imagery and ideas that are more tangible.

Search quality is the perception in the mind of the consumer of the quality of the product prior to purchase through making a series of searches. So this is simple in relation to a tangible product because you might look at size or colour for example. Therefore search quality relates more to products.

Definition

"The promotion of economic activities offered by a business to its clients. Service marketing might include the process of sellingtelecommunications, health treatment, financial, hospitality, car rental, air travel, and professional services."

What is services marketing?

Experience quality is easier to assess. In terms of service someone need to taste the food or experience the service level. Therefore someone's experiences allow evaluating the level and nature of the service. Someone remember a great vacation because of the food or service, but by the same token someone remember an awful vacation because of the hopeless food or poor service.

1) Perishable 2) Variable 3) Homogeneous 4) Inseparable 5) Intangible

Telecom Market in India

The India telecom market ranks among the fastest growing industries in the country. The improvement in the standard of living and the development of infrastructure and connectivity are some of the mains reasons for the significant growth of the telecom industry. The growth is expected to be more over the years.

Presently, there are around 200 million telephone lines in India which make it the third largest phone network in the world after China and the US. Today, the telecom market in India enjoys a growth rate of around 45 % which is the highest in the whole world.

History of India telecom market

It was in the year 1851 that the British first introduced telecommunicationservicesin India through operational land lines near Calcutta. Gradually, the telephone service was made operational in the year 1881. After independence, the foreign telecommunication companies were nationalized and the Posts Telephone and Telegraph (PTT) Company were set up by the Ministry of Communications.

In the year 1985, the Department of Telecommunications (DOT) was set up to provide domestic and long distance telephone services. In the year 1986, the government established two companies namely Mahanagar Telephone Nigam Limited (MTNL) for metropolitan telephone services and Videsh Sanchar Nigam Limited (VSNL) for international telephone services.

With the economic liberalization in the 1990s, the telecom market in India was also benefited to a great extent. The service was improved and the tariffs were also significantly lowered. In the year 1997, the government set up the Telecom Regulatory Authority of India (TRAI) to provide a comprehensive telecom service in the country. In 1999, modification was brought to the policy and the cellular services were introduced.

Telecom segments in India

India telecom market is mainly divided into two major segments namely, the Fixed Service

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Provider and the cellular services. Fixed Service Provider network comprises land lines, basic services, domestic and long distance call service. The two major basic operators BSNL and MTNL comprise almost 90 % of the FSPs in the country. Around 5 % are operated by private firms and are mostly scattered in the urban areas. In most cases, the private basic service telephone operators cater to offices, business firms, schools and the corporate sector.

In case of the cellular services, there are mainly two sub divisions: Code Division Multiple Access and Global System for Mobile Communications. In the GSM sector, the major players are Vodafone, Airtel, Idea Cellular, and Aircel and so on. The national company BSNL also has its GSM service named "Cellone" which has a major share in the semi urban and rural areas. The major companies which dominate the CDMA scenario are Reliance Communications and Tata Indicom. In both the sectors of cellular services, perfect competition exists according to the demand supply chains.

Recent trends in the India telecom market

The Indian economy is greatly benefited by the growth of the telecom industry in the country. With the growth in the demand and customer base, more and more multinational companies are entering the telecom market. The India telecom market is expected to grow by Rs 344,921 crore by the year 2012. The rate of growth will be around 26 % and the sector will also generate employment to around 10 million people.

The number of telephone subscribers is expected to grow by around 650 million by 2012 from the current number of 250 million.

Marketing Techniques in Telecommunication

Telecommunication companies market their products and servicesto consumers, business customers and other service providers. Marketing techniques vary for each sector. The aim of telecommunication marketing is to generate the highest level of revenue from your network and strengthen customer loyalty. In consumer markets, focus on selling bundles of products to customers, while in business sectors, aim to build strong relationships as a channel for marketing additional services.

Consumer

In consumer markets, we can utilize broadband access to offer what is known as the triple play – telephone, video and Internet. This enables you to increase revenue and customer loyalty and protects our customer base against competitive activity from low-cost telephone service providers and indirect competitors such as cable network companies.

Business

Market our services to business customers using consultative selling techniques. Work with our customers to discuss their communication needs and provide advice on the services that meet those needs. The rapid changes in communication technology make it important to educate our customers on the relevance and benefits of new technologies. Discussion papers, seminars and other events form an important part of our marketing program.

Carriers

Wholesale marketing is an important part of our program. We can offer service providers, such as other telecommunication companies, online video publishers and content providers, access to our networks to carry their traffic. These are called carrier services; they increase revenue for our business and enable other providers to extend their networks without building additional infrastructure. To market carrier services, communicate the benefits of a network with the reach, performance and capacity to meet customers' needs.

Product Development

To increase revenue and return on investment in our network, we must develop new products and services. The latest multi-service networks as of 2011, based on Internet Protocol technology, enable we to offer a much wider range of services on the same network than traditional dedicated voice networks. We can use the capability of IP networks to build video, data, Internet and voice services over the same infrastructure. To accelerate service development, work with network companies who provide advice on market opportunities as well as technical advice and support.

Mobile

The increasing importance of mobile telecommunication threatens the voice revenue that was the mainstay of traditional telecommunication providers. Thus, it's important to develop our own mobile offering or work in partnership with other mobile operators to offer joint services.

Global Telecommunications Services Industry

The global telecommunications market refers to the provision of services such as broadband internet, mobile internet, wired telephone and mobile phone as well as standard, cable and satellite television.

Telecommunications companies provide services to various sectors from private individuals to businesses. They operate in different categories, namely satellite, wireless, wired and other types of telecommunications businesses.

Key Market Segments

The world fixed line telecommunications industry contracted by 1% in 2010 to just over $550 billion, reports MarketLine. The market is expected to fall almost 5% by 2015 to just over $524 billion. The market's volume is expected to record an 8% drop between 2010 and 2015. Voice only represents the leading market segment at more than 57% of the overall market. The Americas hold just over a 34% share of the world fixed line telecoms market in terms of value. Japan-based NTT Group is the number one company in the fixed line telecoms market, accounting for over 13% of the overall market in terms of value.

The global broadband telecommunications industry continues to record strong growth, with broadband satellite services expected to reach close to $6.4 billion by 2015, reports Global Industry Analysts.

The world mobile broadband market reached $85 billion in 2010, according to MarketLine. Yearly market growth is expected to slow to just over 41% between 2010 and 2015 to reach $480 billion. The number of industry subscriptions rose almost 47% in the four-year period ending 2010, with more than 805 million people subscribing to mobile broadband in 2010.

Telecommunications companies providing Internet Protocol Television can avail of broadband infrastructure and video compression technology developments to broadcast live TV signals through private broadband networks. RNCOS states the EU is the leading regional market in the global IPTV market. The EU will likely be overtaken by Asia-Pacific in terms of growth with rising numbers of subscribers and higher service revenue. It is expected there will be close to 110 million IPTV subscribers worldwide in 2014, representing 25% yearly growth between 2011 and 2014.

The world's URL filtering industry is expected to record yearly growth in excess of 13% between 2010 and 2014, reports TechNavio. Security will prove key moving forward, with demand on the rise for secure internet access, web antivirus scanning and cloud-based URL filtering. Leading companies operating in the market include Trend Micro, McAfee and Websense.

Regional Market Share of some Developed Countries

North American Free Trade Agreement (United States, Canada, and Mexico) nations held a fixed line telecoms market worth almost $140 billion in 2010. Canada leads in terms of yearly growth, which was just below 0.5% between 2006 and 2010, reports MarketLine. The US leads in terms of value, generating close to $106 billion in 2010, and forecast to reach close to $89 billion in 2015. The NAFTA mobile phone market was worth almost $13.4 billion in 2009. The US leads in terms of value, having generated close to $10.5 billion in 2009 and forecast to exceed $14.5 billion in 2014.

Asia-Pacific's telecommunication services industry was worth almost $460 billion in 2010, according to MarketLine. Market growth exceeded a yearly rate of 6.5% in the four-year period ending 2010. Growth is expected to slow to just over 5.5% between 2010 and 2015, to hit over $605 billion.

India's telecom tower industry is forecast to exceed 6% yearly growth between 2010 and 2014, according to research from Broadband. Market growth is being driven by the deployment of 3G and broadband wireless access services by Indian telecom operators.

Asia's telecom industry is undergoing a period of strong growth, though its mobile phone sector is less active than in the EU and the US. Demand for cable broadband and wireless broadband is strong in the region. China's telecommunication services industry generated $145 billion in 2010, reports

MarketLine. Market growth is expected to slow to a yearly rate of just over 11% between 2010 and 2015 to exceed $247 billion.

Industry Leaders

Leading companies operating in the global telecommunications market include Tata Teleservices, China Mobile, Orascom Telecom, T-Mobile, Vodafone, Orange, Deutsche Telecom, Verizon Wireless, Rogers, China Unicom, Sprint and AT&T Mobility.

Market Outlook

Telecommunications services are in increasing demand. Consumers are becoming more aware of technological developments and used to taking advantage of telecommunications tools from anywhere, at any time. Smartphones are gradually replacing basic mobile phones, affording consumers a wider array of services and applications that necessitate a high-speed network infrastructure.

Technological innovation will continue to prove essential in the telecommunications industry, allowing companies to gain a competitive edge. With shorter product life cycles and increased competition, many companies will continue leaning towards mergers and acquisitions in a bid to consolidate market share.

Statistics on Telecomm Services for 2014 (Jan - Jun)

CATEGORY	**MAR**	**JUN**
Fixed Lines*[Figures updated on a quarterly basis]*		
Total Fixed Line Subscriptions	19,67,000	19,72,300
Total Residential Line Subscriptions	12,10,800	12,19,900
Total Corporate Line Subscriptions	7,56,200	7,52,400
Fixed Line Population Penetration Rate	36.4%	36.5%
Fixed Line Household Penetration Rate	98.3%	99.0%

(Source:http://www.ida.gov.sgStatistics on Telecomm Services for 2014 Jan - Jun)

	JAN	**FEB**	**MAR**	**APR**	**MAY**	**JUN**
Mobile Market						
Total Mobile Subscriptions (2G+3G+4G)	8,402,100	8,388,400	8,437,800	8,392,200	8,370,900	8,310,600
Total Post-paid Subscriptions (2G)	115,500	114,800	113,500	109,200	107,100	103,900
Total Pre-paid Subscriptions (2G)	952,600	925,600	242,900	237,300	233,300	226,800
Total Post-paid Subscriptions (3G)	2,296,300	2,220,000	2,142,600	2,066,400	1,994,100	1,941,900
Total Pre-paid Subscriptions (3G)	2,867,400	2,865,900	3,560,500	3,483,900	3,432,400	3,336,700
Total Post-paid and Pre-paid Subscriptions (4G)	2,170,300	2,262,100	2,378,400	-	-	
Total Post-paid Subscriptions (4G)	-	-	-	2,403,700	2,491,400	2,566,100
Total Pre-paid Subscriptions (4G)	-	-	-	91,600	112,600	135,300
Total SMS Messages sent and received over mobile network [Figures updated on a quarterly basis]	-	-	1,186,022,600	-	-	1,164,707,700
Total Ported Subscriptions	8,000	6,200	6,200	5,700	3,700	5,100
Mobile Population Penetration Rate	155.6%	155.4%	156.3%	155.4%	155.0%	153.9%
Dial-Up Internet Subscriptions						
Total Internet Dial-up	20,400	19,600	20,000	19,700	13,800	18,800
Internet Dial-up Population Penetration Rate	0.4%	0.4%	0.4%	0.4%	0.3%	0.3%
Broadband Internet Subscriptions**						
Total Broadband	10,698,700	10,717,800	11,471,500	11,567,400	11,564,900	11,545,900
Total Residential Wired Broadband	1,301,600	1,304,800	1,307,700	1,311,400	1,312,600	1,319,000
Total Corporate Wired Broadband	99,000	98,800	99,500	100,100	96,000	99,400
Total xDSL	316,100	309,400	299,800	291,800	281,000	276,400
Total Cable Modem	554,400	551,600	546,700	543,300	539,900	532,600

	JAN	FEB	MAR	APR	MAY	JUN
Total Optical Fibre Broadband Subscription (i.e., offered via PON or Active Ethernet)	526,200	539,400	557,100	572,800	586,100	607,300
Total Wireless Broadband	9,298,100	9,314,200	10,064,300	10,155,900	10,156,300	10,127,500
Total Subscriptions using other Broadband Internet Access Platforms	4,000	3,200	3,600	3,600	1,600	2,100
Residential Wired Broadband Household Penetration Rate	105.7%	105.9%	106.2%	106.5%	106.6%	107.1%
Wireless Broadband Population Penetration Rate	172.2%	172.5%	186.4%	188.1%	188.1%	187.6%
International Telephone Services						
Total number of outgoing retail international telephone call minutes	665,818,200	612,804,400	674,737,600	643,030,600	646,340,200	632,177,000
Total number of outgoing retail international telephone call minutes including transit	1,372,039,500	1,326,177,600	1,379,862,000	1,507,256,900	1,363,394,700	1,377,377,400

(Source:http://www.ida.gov.sgStatistics on Telecomm Services for 2014 Jan - Jun)

The Telecommunication Industry: Challenges & Opportunities

Telecom operators are facing increasing challenges in the digital era. Communication tools based on the Internet, such as Weixin, Weibo and have dramatically reduced the traditional profits of telecom operators for SMS and voice calls, and they are trying hard to avoid becoming just simple data channels in the digital era.

From the past experiences of some off the world's well-known telecom operators, the best strategy, they say, is to build up an open platform that can attract participation from hardware providers, end device suppliers, content developers and end users. Telecom operators should also lead the healthy development of this ecosystem, and the gene combination of Internet and telecom companies will become the core competitiveness.

For the three telecom operators in China, the upcoming 4G battle is crucial. Standard choosing and the timing of market entry are key strategies. Obviously, China Mobile will take the first move advantage of 4G, China Telecom and China Unicom could also consider giving up their 3G sunk costs by entering into the 4G realm to seize the future market.

Mobile Internet and big data will create tremendous opportunities for telecom operators. Mobile internet is expected to be booming in the following three years. Telecom operators control the last mile for all mobile devices to access the Internet, and therefore will share the future profit from the mobile internet market. Currently, telecom operators are advised to enhance customer loyalty and increase the migration cost for changing the mobile numbers and switching service providers. A large user base is the key to winning market share in the mobile internet arena, and telecom operators are able to secure a huge number of low-end users through subsidizing low-cost Android-based devices.

Five Major Challenges for Telecommunications Providers

The telecommunications marketplace is changing rapidly and telco operators must remain responsive in order to keep up. With that in mind, here's a look at some of the key challenges facing our industry today as well as some strategies for how to deal with them:

1.**Making data a priority –** Customers value access to data more than they do voice. Even though service providers may not own OTT services, they are still expected to provide superior user experience and performance when their subscribers use them. The ongoing rise in OTT players is creating a challenge for telco operators that are not earning any extra income off of the additional bandwidth that users are demanding. In order to deal with this, telecommunications providers need to shift from legacy voice-centric strategies to data-driven plans. Along with this, operators should look at expanding their data-carrying capacity to provide superior service to both existing and new subscribers.

2.**Monetizing new services –** With the consumers' ever-increasing demand for data, telco providers cannot afford to ignore OTT services. In order to compete with existing OTT players, Telco providers can start providing high-quality, value-added services such as HD video conferencing or mobile office environments. Telecommunications providers must deliver these services quickly—a new technology roll-out needs to take months, not years. Reducing time to market will allow players to remain at the

forefront of innovation in the minds of consumers. The next big thing will be here next year, not next decade.

3.**Building a brand –** A key to success in developing these new services is building a brand that's known for innovation. To remain relevant, telco operators cannot simply offer the same things as every other player. They must differentiate themselves by investing in the business intelligence necessary to understand consumer wishes before their competitors and then using that knowledge to build applications and delivery models that customers want to purchase. Part of this will be adding features that other players cannot match, such as enhanced performance and uptime and exclusive content.

4.**Leveraging the right infrastructure –** With data usage on the rise, telecommunications operators need to examine their existing framework and make adaptations to increase flexibility and reliability when necessary. Choosing controlled and scalable carrier-grade servers can help with this, as can capitalizing on new concepts, such as cloud-based solutions machine-to-machine (M2M) connectivity.

5.**Controlling costs –** With all the new service rollouts happening and changes taking place, operators must be sure to control the costs of the current solutions so they can invest in what's coming next. Developing scalable services now can help manage future costs, since operators will be able to react rapidly to market changes.

Conclusion

Seeing the growth of service sector in economies throughout the world, and the belief that services marketing in certain key respects is different from goods marketing, the rapid growth ofservices marketing literature in recent years is not surprising. Increased academic interest and research activity in services marketing in years to comeis expected and is necessary because far more questions than answers exist at this time. A need exists for services marketing research to enter a new phase of empirical work that integrates various disciplines and various services industries.

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