Contents

1 INDUSTRY DRIVEN TRANSFORMATION

1.1 LEARNING OBJECTIVES

At the end of the session, the trainees will be able to learn

- Key digital transformation priorities
- What happens when your company digitally transforms?
- Why industries have shifted to tech enabled transformation?
- Changing dynamics in industries
- Faster-moving ecosystems of customers and suppliers
- Digital disrupters
- The digital transformation of industries
- The transformative power of technology
- Digital transformation: value at stake for society and industry
- Examples of digital transformation in marketing

1.2 INTRODUCTION

It is the process of analyzing customer needs and leveraging technology to improve the end-user experience. Digital transformation is about evolving your business by experimenting with new tech and rethinking your current approach to common issues

- Are You Digitally Mature?
- How Far Into Your Digital Transformation journey are you?
- Have You struggled to achieve your ambitions?
- Do You know Where to begin?
- Industry is Transforming but the transformation is hard.

1.3 KEY DIGITAL TRANSFORMATION PRIORITIES

Around the globe, modern enterprises are making investments in digital transformation a priority to evolve the way their facilities and assets perform.

Key digital transformation priorities

75% making sense of data utilizing AI 74% fostering collaboration 71% increased safety and real-time visualization through Advanced Process cyber security capabilities and Engineering design

The push toward digital transformation also promises significant new business value across a broad variety of industries but the reality is that, for many businesses, digital transformation is more difficult to achieve than expected.

81%	**86%**	**42%**
Have had digital projects fail, suffer delays, or get scaled back	Of businesses have been prevented from pursuing new transformation projects and digital services	Are behind schedule or at risk of falling behind

How to optimize your digital transformation return on investment?

a) Seamlessly share data and insights across multiple platforms.

b) Respond to unforeseen events automatically with highly adaptive implementations

c) Mitigate risk and protect critical data with stringent cyber security approaches.

d) Back your investment with a multidisciplinary ecosystem of technology partners.

1.4 WHAT HAPPENS WHEN YOUR COMPANY DIGITALLY TRANSFORMS?

a) **Value chains**: become digital nervous systems that can quickly adapt to market conditions

b) **Your brand**: remains customer-centric.

c) **Products:**become information streams enabling transparency and traceability across the design-to-dispose lifecycle

d) **Workers:**become problem solvers who bring judgment, imagination, and improvisation for agility and innovation

e) **Work processes**: become information loops enabling closed-loop feedback, precision control, and continuous improvement

f) **Physical assets**: become information appliances that are self-aware and increasingly autonomous

1.5 WHY INDUSTRIES HAVE SHIFTED TO TECH ENABLED TRANSFORMATION?

Shifting market dynamics and rising competition compel industrial companies to overhaul their organizations to harness technology.

The most earth-shattering technological breakthroughs are rarely felt all at once. Individual products or innovations may gradually prove their value, spawn other applications, and eventually become part of a broader platform with the potential to reshape business models. As such, incremental progress can suddenly lead to sweeping change that leaves companies scrambling to catch up.

The same holds true for the rate at which entire sectors embrace technological advancements. Some industries incorporate cutting-edge technologies in response to disruption—think the digital transformation of entertainment and media. The FAANG (Facebook, Amazon, Apple, Netflix, and Google) and BAT (Baidu, Alibaba, and Tencent) companies, for example, are regularly resetting the bar for how businesses engage with their customers and suppliers. Their influence on the business landscape and consumers often carries over to other industries.

As these trends sweep across the business landscape, the industrial sector finds itself on the cusp of unprecedented upheaval. Periods of intense change often magnify the importance of placing the right strategic bets. A tech-enabled transformation can equip industrial companies to increase revenues, expand margins, and pursue new revenue streams with different business models. Organizations that move aggressively and develop comprehensive strategies for integrating technology into their operations will maximize their odds of capturing the value at stake. By contrast, companies that choose to sit on the sidelines are essentially ceding their competitive advantage.

1.6 CHANGING DYNAMICS IN INDUSTRIES

There are three factors which are reshaping the industrial sector.

a) A changing workforce

b) Faster-moving ecosystems of customers and suppliers

c) Digital disrupters.

A changing workforce

Evolving workforce expectations and increased automation are changing not only the demographics of the workforce but also the ways, in which industrial organizations must adjust their efforts in attracting, retaining and developing talent. Millennial gravitate to jobs supported by digital tools rather than numerous manual tasks. They also actively seek to learn and grow on the job and aren't shy about jumping to a new company in search of advancement.

To remain competitive with other sectors, industrial companies must embrace technology and replace manual tasks with more thought-provoking, challenging roles. Consider, for example, a financial controller in an industrial company. Today, the controller might spend 60 to 70 percent of the workday stitching together reports from different data sources for business partners. If these tasks were automated, the controller could evolve to become a strategic thought partner for the business. At the same time automation, data, and connectivity are changing the nature of work. The overall impact of technology on all facets of the industrial sector, from the shop floor to distribution centers, means that most jobs will evolve and require more tech-savvy employees.

1.7 FASTER-MOVING ECOSYSTEMS OF CUSTOMERS AND SUPPLIERS

To date, industrials have lagged behind other sectors, such as retail and banking, in their ability to integrate digital technologies into operations. In retail, Wal-Mart has invested in a range of technologies: from autonomous cleaning robots that free up workers' time to virtual-reality headsets used in training associates. And a number of retailers have at least partially digitalized their stores, increasing visibility and personalization.Likewise, banking is undergoing its own transformation, fueled by the digitalization and integration of processes and tools to make employees more productive.

Even industrial-adjacent sectors have been quicker on the uptake. Mines are increasingly conducting maintenance as needed rather than on a fixed schedule using sensors and machine learning to implement predictive maintenance in 20-ton heat exchangers. The model was able to predict when the exchangers would fail, so the frequency of repair visits adapted from once every 70 days to once every 160 to 200 days. And with dozens of heat exchangers across the operation, the cost savings have been substantial.

In the logistics industry (a downstream customer of the commercial vehicle industry), leading shippers and carriers have incorporated digital and analytics into demand forecasts and route optimization. These technologies have enabled some shippers to trim inventories by up to 75 percent and warehousing costs by 15 to 30 percent—all while increasing labor efficiencies as much as 80 percent. Similarly, third-party logistics companies have deployed connectivity and analytics to enhance routing, resulting in efficiencies of up to 25 percent.

1.8 DIGITAL DISRUPTERS

Since the industrial sector is capital intensive and relies on R&D, companies may believe they are insulated from the incursion of digital attackers—that notion is misplaced. Amazon's B2B business, for example, reached $10 billion in revenues in 2018. In business-to-business transactions, one company re-sells goods and services produced by others (e.g., a retailer buying the end product from the food manufacturer). The reason is that Amazon has one advantage over its competitors: an ability to offer a greater variety of products than incumbent B2B companies.

Fast-moving tech start-ups have also begun to enter advanced sectors such as logistics and pharmaceuticals, in some cases striking partnerships with established companies. For example, Fast Radius, which offers 3-D printing on demand, has teamed up with UPS on the glob Expansion of its production capabilities. The company's vision is to offer a 24-hour turnaround on the Production and shipping of parts, allowing manufacturers to take advantage of a virtual inventory.

1.9 FOREWARD

Digital Transformation of Industries (DTI) is a project launched by the World Economic Forum in 2015 as part of the Future of the Internet Global Challenge Initiative. It is an ongoing initiative that serves as the focal point for new opportunities and themes arising from latest developments and trends from the digitalization of business and society. It supports the Forum's broader activity around the theme of the **FOURTH INDUSTRIAL REVOLUTION**. A key component of the DTI project in 2015 has been the quantification of the value at stake for both business and society over the next decade from the digital transformation of six industries. The "compass" for these industry sectors is being set and it is imperative that all stakeholders collaborate to maximize benefits for both society and industry. Digitalization is one of the most fundamental drivers of transformation ever and, at the same time, a unique chance to shape our future. The World Economic Forum is committed to helping leaders understand these implications and supporting them on the journey to shape better opportunities for business and society. In 2016, the DTI initiative will focus on the impact of digital transformation on an additional 10 industries, further deep-dives into industries from this year's project, as well as examine a number of cross-industry topics such as platform governance, societal impact, and policy and regulation. The report was prepared in collaboration with Accenture, whom we would like to thank for their support. We would also like to thank the Steering Committee, the Working Group members, as well as the more than 200 experts from business, government and academia and over 100 Industry Partners who were involved in shaping the insights and recommendations of this project.

1.10 THE DIGITAL TRANSFORMATION OF INDUSTRIES

Rapid advances in digital technology are redefining society. The plummeting cost of advanced technologies (a top-of the-range Smartphone in 2007 cost $499; a model with similar specifications cost $10 in 2015) is revolutionizing business and society. And the combinatorial effects of these technologies – mobile, cloud, artificial intelligence, sensors and analytics, among others – are accelerating progress exponentially. Technology is the multiplier. Digital transformation provides industry with unparalleled opportunities for value creation. It used to take Fortune 500 companies an average of 20 years to reach a billion dollar valuation; today's digital start-ups are getting there in four. Digital technologies are creating new profit pools by transforming customer expectations and how companies can address them. At the same time, digitalization could produce benefits for society that equal, or even surpass, the value created for industry – the mass adoption of autonomous vehicles and usage-based car insurance, for instance, could save around 1 million lives by 2025. At present, digital transformation is not well understood, and a number of myths are obscuring the path to realizing its potential for value creation. The initiative demystifies some of the most common myths about digital, revealing, for example, the true extent of disruption by digital start-ups and how the impact of automation on employment is likely to be very different from today's received wisdom on the subject. Action will be needed to realize the benefits to society and industry of digitalization the importance of realizing the combined value of digital transformation cannot be overstated, given digitalization's central role in tackling many of the challenges we face today. For example, the world's energy and natural resource usage is unsustainable. Also, further increases in life expectancy are at risk without resolving the growing cost structures of overburdened health systems. Yet the benefits of digitalization will not accrue automatically to industry or society, and there is a risk that the promise of digital transformation will go unfulfilled. Moreover, organizations do not always understand what impact their digital initiatives will have on different aspects of society – from employment to the environment and beyond – or what responsibility they should bear for addressing any unintended consequences of digitalization.

1.11 THE TRANSFORMATIVE POWER OF TECHNOLOGY

The cost of advanced technologies is also plummeting. Consider just one example: a top-of-the-range drone cost $100,000 in 2007; in 2015 a model with similar specifications could be bought for $500. As technology becomes cheaper, world demand is being met at lower price points and fueling an explosion of devices with ever more connections. Sophisticated artificial intelligence devices are now mass-market and better known as personal assistants by the names of Alexa. In less than five years, basic queries such as "What is the time?" have quickly moved onto more sophisticated requests such as "Does the person I just talked to like me?" Technology has been the multiplier. The combinatorial effects of these technologies – mobile, cloud, artificial intelligence, sensors and analytics among others – are accelerating progress exponentially. Once we overcome physical and chemical limitations that are inhibiting exponential gains in mass-market technologies such as battery storage and wireless charging, it is likely that the pace of change will accelerate even faster.

1.11.1 INDUSTRY DIGITAL INITIATIVES IDENTIFIED IN PHASE 1 OF THE DTI PROJECT

Media-1) Personalized Advertising.
2) Personalized Content
3) Data Privacy and Transparency Reform
4) Physical: Digital Media becomes Physical.

Health- 1) Patient Engagement at Scale
2) Precision Medicine
3) Robotics
4) Medical Printing
5) Intelligent Devices.

Logistics- 1) Analytics as a Service
2) Drones.
3) 3D Printing
4) Shared Warehouse Capacity

5) Autonomous Trucks
6) Digitally Enhanced Cross Border Platforms

Automotive- 1) Infotainment
2) Connected Service and Maintenance
3) Automotive Data Marketplace
4) Connected Infrastructure
5) Self-driving

Electricity- 1) Energy Storage Integration
2) Energy Management
3) Real-time Supply and Demand Platform
4) Connected and Interoperable Devices

Consumer - 1) Data as an Asset
2) Data Privacy and Transparency
3) Physical Store Transformations.
4) E-commerce.
5) Smart Factories

1.12 DIGITAL TRANSFORMATION: VALUE AT STAKE FOR SOCIETY AND INDUSTRY

a) **AUTOMOTIVE-** Driverless cars will be significant in automotive in the long term, but even with falling technology costs, adoption rates make it unlikely that autonomous vehicles will form a major proportion of car sales within the next decade. Regulatory constraints exist in some markets, preventing original equipment manufacturers (OEMs) from operating as direct-to-market dealers. Second, without democratizing the flow of profits from usage-based insurance, the telemetric solutions that underpin this business model are unlikely to be installed as standard in most cars. As a consequence, efforts to reduce the global death toll from road accidents (currently 1.25 million people a year) are being held back.

b) **CONSUMER-** Consumer industries in aggregate are also the largest industry with a global market size of over $15 trillion, from agriculture to retail. We have identified four digital transformation themes – consumer data flow and value capture, experience economy, Omni-channel retail and digital operating model – that we expect to play an important role in the future evolution of consumer industries. The single largest theme we have assessed so far has been Omni-channel retail. Time savings from shopping online and fewer single-driver cars on the road, coupled with alternative last-mile delivery options such as drones, can have a significant impact on emissions.

c) **ELECTRICITY-** In economies transitioning to a lower carbon, more decentralized energy system, incentives can be created by regulators and policy-makers to optimize the electricity system. Our estimates of the societal benefits are modest and include just three factors: value creation to customers, reduction in carbon emissions and net job creation.

d) **LOGISTICS-** The largest impact of digitalization to the logistics industry is likely to come from crowd sourcing. It will allow newer entrants to grab a share of the market from existing players. At the same time, it will allow smaller trucking companies to improve their utilization levels by as much as 20%, which could provide uplift to their bottom line. As these platforms offer better rates, convenience and real-time tracking, it could lead to savings of $789 billion to the customers. Digital in logistics alone has the opportunity to reduce carbon emissions by 10-11% by 2025.

e) **MEDIA-** The media industry is already more digital than many other industries, having been transformed by several waves of innovation – desktop internet, mobile, social and now, the Internet of Things. There are significant opportunities for media enterprises if they can successfully personalize their content and adverts to engage the user, create new services that bridge the physical and digital words, and industrialize their content production and monetization processes. The sector also faces some significant barriers to realizing value from digitalization. Notably, intellectual property and regulatory frameworks have not kept pace with customer behavior, forcing the industry to make a choice between defending outdated frameworks and evolving legal and commercial frameworks to better meet the needs of customers.

f) **HEALTHCARE-** We have identified four digital themes – smart care, care anywhere, empowered care and intelligent healthcare enterprise – that will be of crucial importance to the digital transformation of healthcare over the next decade. Our recommendations for businesses include formulating an outside-in strategy (through shifting the focus from managing inputs to delivering medical outcomes), creating a culture of iterative innovation and championing the customer experience. For governments and policy leaders, recommendations include liberating data sources, investing in data standards and infrastructure, and establishing interoperability requirements on a global level.

1.13 EXAMPLES OF DIGITAL TRANSFORMATION IN MARKETING

Digital transformation helps marketers connect with individual customers In "Welcome to Marketing in the Age of the Customer," we take a close look at the most popular digital tools and how marketers can leverage them across the entire customer lifecycle. The entire post is well worth a read, and serves as a great primer on how technologies — ranging from cloud computing to artificial intelligence — can help you get closer to customers.The "on-demand economy" has quickly grown from a few upstart apps that hire errand runners and hail cars for busy urbanites to a global movement to, as Forbes put it, "Uberize the entire economy." A combination of Smartphone ubiquity, electronic payment systems, and apps designed to match demand (consumers) to supply (gig workers) in real time has created a world in which nearly anything you might want is just a swipe and tap away, around the clock.

Talk about digital transformation! With everything from pizza delivery to child care now available at their fingertips, customers are expecting more and more companies and industries to embrace digital as their primary means of doing business. For service departments, that means greater expectations for 24/7 problem-solving on the customer's channel of choice. But it also means greater opportunities to delight buyers and win more business.

Table 1. Difference between traditional marketing and digital marketing

Traditional Marketing Channel	Digital Marketing Channel	Transformational Impact
Print materials	Digital materials	Reduce cost of print and distribution; ability to score/grade prospects based on digital interactions
Print mail campaigns	Email campaigns	Reduce cost of print and postage; greater scale and personalization
Print/billboard advertising	Social media advertising	Personalized targeting; lookalike audience targeting
Brick-and-mortar storefront	Website/ecommerce site	Eliminate rent/utilities; accessibility and scale; opportunity to nurture prospects at scale
Loyalty Club Card	Mobile App	Reduce signup friction; reduce cost of printing cards; ability to personalize promotions and trigger offers in real-time; opportunity to push offers and messaging out to customers.

Self-service is a service agent's best friend- The self-service portal is a great example. These user-facing tools offer features like password reset, self-logging of incidents, service requests, and knowledge base searches. They can also include more interactive services like collaborative spaces, chat services, and embedded social media feeds that are relevant to service issues.AI plays a key role in the digital transformation of service- Bringing artificial intelligence into your service organization is a prime example of the power of digital transformation. AI-powered chat bots that answer simple customer inquiries serve as a welcoming presence on your website, reducing the time customers have to wait to reach an agent. Deploying chat bots to handle level one inquiries also frees up service personnel to spend time on more sensitive cases. AI-powered bots can serve as the entry point into intelligent case routing systems. When a customer's query is too complex for the chatbot to handle, natural language processing helps map the question to the best available expert to resolve the situation.

Examples of digital transformation in banking- Not so long ago, the majority of transactions were handled in person by bank tellers. Automated teller machines (ATMs) came along and streamlined the basic transaction process, extending business hours and reducing wait times and dependencies on human employees for cash withdrawals and other popular transactions. Over time, ATM technology has evolved to accommodate cash and check deposits, more secure transactions, and support for multiple accounts, including credit cards and mortgages. More recently, PCs and mobile devices have given way to online and mobile banking, and cashless payment systems. Consumers now conduct more and more bank business via the web, including paying bills and sending funds directly to friends and family. Mobile banking apps let users take snapshots of paper checks to make remote deposits, and a new wave of payment systems, including PayPal and Apple Pay, let consumers pay for everyday purchases with accounts linked directly to their phones, no cash or plastic card required.

Examples of digital transformation in insurance- Web- and app-based self-service portals make it easy for consumers to comparison shop, enroll in coverage, use multiple agents and carriers for different types of insurance (home, car, life, and so on), and file claims. In fact, much of this is now possible without the need to actually speak to an agent, which saves time for consumers and money for the insurance companies. What's notable about digital transformation in insurance is the role the Internet of Things is playing in revamping the industry. Inexpensive, IoT-enabled sensors are giving insurers access to a wealth of data that's informing industry forecasting and claim reviews alike. Take auto insurance as an example: In-vehicle sensors monitor actual driving habits, rewarding consumers who routinely drive safely under the speed limit or log fewer-than-average miles. Sensors connected to phones could also be used to deter texting while driving by disabling a driver's messaging apps while their car is in motion. Connecting vehicles to wearable devices with blood alcohol measurement capabilities could help prevent drunk driving by temporarily disabling the engine, cutting risk for insurance carriers while also making roads safer for everyone.

1.14 CONCLUSION

The Fourth Industrial Revolution has data analytics at its core, and relies on innovations in fields such as robotics, cyber-physical systems, digital twins, virtual simulation, augmented reality, edge computing, artificial intelligence and block-chain – innovations all contributing to digital transformation of industrial processes.

2 LISTENING & FEEDBACK

2.1 LEARNING OBJECTIVES

At the end of session, the trainees will be able to learn:

- Define active listening.
- Suggestions for active listening.
- Explain Feedback.
- Explain how to Provide Feedback that has an Impact.
- Understand listening behavior
- Describe barriers to effective listening

2.2 INTRODUCTION

Listening and feedback are the two essentials for Interpersonal communication. Research has revealed that after a 10-minute message, on average only 50 percent of the message's content will be remembered immediately, with a decrease to 25 percent in 2 months. Additionally, 75 percent of information that is transmitted and received in a given day through sound communication is lost by the average person because of poor listening skills.

Because we think at a rate of 600-800 words per minute and speak at a rate of only 125-150 words per minute, when someone is speaking, we frequently are inattentive and drift off to distractions. It is natural for certain parts of messages to "turn us on" and intensify our attention, whereas other parts will "turn us off" and lead to distractions. This turning on and off of our attention has a direct impact on comprehension.

Only recently has listening been taught as a fourth member of the reading/writing/speaking triad, and then mainly as an essential communication skill for business professionals. In spite of this, listening remains the most used and the least taught of our communication skills. We listen poorly because we were never taught to listen well.

2.3 WHAT IS ACTIVE LISTENING?

1. Listening and hearing are **not** the same. Hearing is the first stage of listening. Hearing occurs when your ears pick up sound waves which are then transported to your brain. This stage is your sense of hearing.
2. Listening is a communication process and, to be successful, is an active process. In other words, you must be an *active participant* in this communication process. In active listening, meaning and evaluation of a message must take place before a listener can respond to a speaker. Therefore, the listener is actively working while the speaker is talking.
3. How can this happen? It is simple. Our thought speed is much faster than our speech speed. But be careful! Don't allow the thought speed to race into daydreaming. This habit will defeat your attempt to become an active listener.

2.4 SUGGESTIONS FOR ACTIVE LISTENING

Set a purpose for listening.

- What do you want to achieve????
- Main ideas or details of the topic?
- Improved notes from class?

- Better ability to participate in class discussion?
- Staying awake during class lecture?

2.4.1 EXAMPLES OF EXTERNAL DISTRACTION:

a) Classmates arriving late

b) Noise from outside Classroom

2.4.2 EXAMPLES OF INTERNAL DISTRACTION:

a) Concern over argument with friend from the night before

b) Worry about stack of papers on instructor desk due to be returned at end of class

1. **Think of questions**. You may need to jot down questions to ask during class discussion or individually.

Informational Type: "I don't understand...."

Clarifying Type: "Is true that...?"

2. **Capitalize on your faster thought speed**. Use this time wisely.

- **Predict** what will be discussed next.
- **Evaluate** evidence presented.
- **Find links** among topics or details.
- Think of **additional questions** or **comments** you might make.

3. **Listen for transitions**. These are often specific clues to various parts of a lecture.
Introduction or Summary: --Today's lecture covers....

- Today I'd like to discuss....
- Let's look at the topic of....

To Summaries

- As a review....
- Recapping....
- In conclusion....

Enumeration or Sequence:

- First, second, third
- First, next, then, finally
- Most important, least important
- In addition, last

Compare and Contrast: --similarly, both, likewise, in like manner

Cause and Effect:

a) the cause of, for this reason, because

b) as a result, results in, thus, therefore

4. Hear the speaker out.

a) Don't jump to conclusions.

b) Don't stop listening because of an emotional response to a word or topic.

c) Don't give up because the subject is difficult.

5. be alert for other verbal and nonverbal clues.

a) Tone of voice changes.

b) Item is written on chalkboard or overhead transparency. c) Specific phrases may be used such as "Last semester...." or "Some students have had difficulty with this." These phrases may be clues that details will be on the test.

6. **Be prepared and be flexible**.

a) If a chapter was assigned prior to lecture, read it.

b) If group work was to be completed, be sure you have done your part before the next class session.

c) Teaching styles differ among professors and disciplines. Some professors lecture and then ask questions of students on a daily basis; others prefer class discussion and wander from group to group.

d) Sometimes class sessions may wander to extended examples.

e) Sometimes class sessions wander off on a tangent.

2.5 FEEDBACK

Receivers are not just passive absorbers of messages. They receive the message and respond to them. This response of a receiver to sender's message is called Feedback. Sometimes a feedback could be a non-verbal smile, sighs etc. Sometimes it is oral, as when you react to a colleague's ideas with questions or comments. Feedback can also be written like - replying to an e-mail, etc.

Feedback is your audience's response; it enables you to evaluate the effectiveness of your message. If your audience doesn't understand what you mean, you can tell by the response and then refine the message accordingly.

Giving your audience a chance to provide feedback is crucial for maintaining an open communication climate. The manager must create an environment that encourages feedback. For example, after explaining the job to the subordinated he must ask them whether they have understood it or not. He should ask questions like "Do you understand?", "Do you have any doubts?" etc. At the same time, he must allow his subordinated to express their views also.

Feedback is essential in communication so as to know whether the recipient has understood the message in the same terms as intended by the sender and whether he agrees to that message or not. Feedback can come in the form of nonverbal communication only. In communication studies, feedback is the response of an audience to a message or activity.

Feedback is a listeners who verbally or nonverbally responses to a message. Feedback can take the form of verbal or non-verbal responses to an in-person speech, or verbal responses which are electronically captured for large or remote audiences.

There are lot of ways in which company takes feedback from their employees, such as:

Employee surveys, memos, emails, open-door policies, company newsletter etc. Employees are not always willing to provide feedback. The organization has to work a lot to get the accurate feedback. The managers encourage feedback by asking specific questions, allowing their employees to express general views, etc. The organization should be receptive to their employee's feedback.

A manager should ensure that a feedback should:

Focus on a particular behavior - It should be specific rather than being general.

1) Impersonal - Feedback should be job related, the manager should not criticize anyone personally.
2) Goal oriented - If we have something negative to say about the person, we should always direct it to the recipient’s goal.
3) Well timed - Feedback is most effective when there is a short gap between the recipient’s behaviour and the receipt of that feedback.
4) Use “I” statements - Manager should make use of statements with the words like “I” “However” etc. For example, instead of saying” You were absent from work yesterday”, manager should say” I was annoying when you missed your work yesterday”.
5) Ensure understanding - For feedback to be effective, the manager should make sure that the recipients understand the feedback properly.
6) While giving negative feedback to the recipient, the manager should not mention the factors which are not in control of the recipient.

2.6 HOW TO PROVIDE FEEDBACK THAT HAS AN IMPACT

1. Make your feedback have the impact it deserves by the manner and approach you use to deliver feedback. Your feedback can make a difference to people if you can avoid a defensive response.

Here's How

1) Effective feedback is specific, not general. (Say, "The report you turned in yesterday was well-written, understandable, and made your points about the budget very effectively." Don't say, "Good report.")
2) Effective feedback always focuses on a specific behaviour, not on a person or their intentions. (When you held competing conversations during the meeting, when Mary had the floor, you distracted the people in attendance.)
3) The best feedback is sincerely and honestly provided to help. Trust me, people will know if they are receiving it for any other reason.
4) Successful feedback describes actions or behaviour that the individual can do something about.
5) Whenever possible, feedback that is requested is more powerful. Ask permission to provide feedback. Say, "I'd like to give you some feedback about the presentation, is that okay with you?"
6) Effective feedback involves the sharing of information and observations. It does not include advice unless you have permission or advice was requested.
7) Effective feedback is well timed. Whether the feedback is positive or constructive provide the information as closely tied to the event as possible.
8) Effective feedback involves what or how something was done, not why. Asking why is asking people about their motivation and that provokes defensiveness.
9) Check to make sure the other person understood what you communicated by using a feedback loop, such as asking a question or observing changed behaviour.

10) Effective feedback is as consistent as possible. If the actions are great today, they're great tomorrow. If the policy violation merits discipline, it should always merit discipline.

TIPS

1) Feedback is communication to a person or a team of people regarding the effect their behaviour is having on another person, the organization, the customer, or the team.
2) Positive feedback involves telling someone about good performance. Make this feedback timely, specific, and frequent.
3) Constructive feedback alerts an individual to an area in which his performance could improve. Constructive feedback is not criticism; it is descriptive and should always be directed to the action, not the person.
4) The main purpose of constructive feedback is to help people understand where they stand in relation to expected and/or productive job behaviour.
5) Recognition for effective performance is a powerful motivator. Most people want to obtain more recognition, so recognition fosters more of the appreciated actions.

2.7 LISTENING BEHAVIORS SURVEY

Read each statement and decide how that statement describes your behavior. Circle **YES** in the appropriate column. The interpretation for this survey is located below the survey. BUT don't peek. Be honest in your self-assessment. **ANALYSIS OF RESULTS:** Tally the three columns then refer to the interpretations below:

14-15 YES for Always True of Me: You're probably a fantastic listener, both in a classroom setting and among your friends. Keep up the good work.

12-13 YES for Always True of Me: You are a good listener but you need to fine tune a few of your listening skills. Choose behaviors to modify that you feel will easily improve your listening and classroom performance.

10-11 YES for Always True of Me: You need to change some behaviors so that you will get more out of classroom lectures. To improve your listening behaviors, you should start with any item that you marked as Never True. Then move to the Sometimes-True column.

9 or Less YES for Always True of Me:

OR

7 or More YES for Never True of Me

At this point you need to master listening skills for academic success. It will be difficult to find a situation in which you will not need to use listening skills.

Table 2. Listening behavior survey

STATEMENT	Always of Me	Sometimes True of Me	Never True of Me
1. I stay awake during class.			
2. I maintain eye contact with speaker.			
3. I don't pretend interest in subject.			
4. I understand instructor's questions.			
5. I try to summarize the information.			
6. I look for organizational patterns (e.g. causes and effects, listing of items).			
7. I set a purpose for listening.			
8. I forego the temptation to daydream during class.			
9. I try to predict what will come next.			
10. I take notes regularly.			
11. I ignore external distractions such as loud noises, late arriving students.			
12. I try to determine the speaker's purpose.			
13. I recognize that the speaker may be biased about the subject.			
14. I write down questions the instructor poses during class.			
15. I copy down items from the chalkboard or overhead projector			

2.8 BARRIERS TO EFFECTIVE LISTENING

There are six barriers to listening. They are: physical, physiological, linguistic, cultural barriers, speech decoding and oral discourse analysis.

There are many things that get in the way of listening and you should be aware of these barriers, many of which are bad habits, in order to become a more effective listener. Barriers and bad habits to effective listening can include:

- Trying to listen to more than one conversation at a time, this includes having the television or radio on while attempting to listen to somebody talk; being on the phone to one person and talking to another person in the same room and also being distracted by some dominant noise in the immediate environment.
- You find the communicator attractive/unattractive and you pay more attention to how you feel about the communicator and their physical appearance than to what they are saying. Perhaps you simply don't like the speaker - you may mentally argue with the speaker and be fast to criticise, either verbally or in your head.
- You are not interested in the topic/issue being discussed and become bored.

- Not focusing and being easily distracted, fiddling with your hair, fingers, a pen etc. or gazing out of the window or focusing on objects other than the speaker.
- Feeling unwell or tired, hungry, thirsty or needing to use the toilet.
- Identifying rather than empathising - understanding what you are hearing but not putting yourself in the shoes of the speaker. As most of us have a lot of internal self-dialogue we spend a lot of time listening to our own thoughts and feelings - it can be difficult to switch the focus from 'I' or 'me' to 'them' or 'you'. Effective listening involves opening your mind to the views of others and attempting to feel empathetic.
- Sympathising rather than empathising - sympathy is not the same as empathy, you sympathise when you feel sorry for the experiences of another, to empathise is to put yourself in the position of the other person.
- You are prejudiced or biased by race, gender, age, religion, accent, and/or past experiences.
- You have preconceived ideas or bias - effective listening includes being open-minded to the ideas and opinions of others, this does not mean you have to agree but should listen and attempt to understand.
- You make judgements, thinking, for example that a person is not very bright or is under-qualified so there is no point listening to what they have to say.
- Previous experiences – we are all influenced by previous experiences in life. We respond to people based on personal appearances, how initial introductions or welcomes were received and/or previous interpersonal encounters. If we stereotype a person we become less objective and therefore less likely to listen effectively.
- Preoccupation - when we have a lot on our minds we can fail to listen to what is being said as we're too busy concentrating on what we're thinking about. This is particularly true when we feel stressed or worried about issues.
- Having a Closed Mind - we all have ideals and values that we believe to be correct and it can be difficult to listen to the views of others that contradict our own opinions. The key to effective listening and interpersonal skills more generally is the ability to have a truly open mind - to understand why others think about things differently to you and use this information to gain a better understanding of the speaker.

NON-VERBAL SIGNS OF INEFFECTIVE LISTENING

Although with all non-verbal signals a certain amount of error has to be expected, generally signs of inattention while listening include:

- Lack of eye contact with the speaker – listeners who are engaged with the speaker tend to give eye contact. Lack of eye contact can, however, also be a sign of shyness.
- An inappropriate posture - slouched, leaning back or ‘swinging’ on a chair, leaning forward onto a desk or table and/or a constantly shifting posture. People who are paying attention tend to lean slightly towards the speaker.

- Being distracted - fidgeting, doodling, looking at a watch, yawning.
- Inappropriate expressions and lack of head nods - often when a listener is engaged with a speaker they nod their head, this is usually an almost subconscious way of encouraging the speaker and showing attention. Lack of head nods can mean the opposite – listening is not happening. The same can be true of facial expressions, attentive listeners use smiles as feedback mechanisms and to show attention.

Further Signs of Ineffective Listening

Other common traits of ineffective listening include:

Sudden Changes in Topic: When the listener is distracted they may suddenly think about something else that is not related to the topic of the speaker and attempt to change the conversation to their new topic.

Selective Listening: This occurs when the listener thinks they have heard the main points or have got the gist of what the speaker wants to say. They filter out what they perceive as being of key importance and then stop listening or become distracted. (See also: Types of Listening)

Daydreaming: Daydreaming can occur when the listener hears something that sets off a chain of unrelated thoughts in their head – they become distracted by their 'own world' and adopt a 'far-away' look.

Advising: Some people want to jump in early in a conversation and start to offer advice before they fully understand the problem or concerns of the speaker.

2.9 CONCLUSION

It takes a lot of concentration and determination to be an active listener. Old habits are hard to break, and if your listening habits are as bad as many peoples are, then there's a lot of habit-breaking to do!

Be deliberate with your listening and remind yourself constantly that your goal is to truly hear what the other person is saying. Set aside all other thoughts and behaviors.

3 MANAGEMENT OF CAPABILITY, ATTITUDE AND MOTIVATION

3.1 LEARNING OBJECTIVES

- Understand the concept of Organization Development
- Define Capability & Organization capability
- Define Attitude
- Understand ways to manage attitude
- Define Motivation
- Understand ways to manage motivation

3.2 INTRODUCTION

An organization is a social arrangement, which pursues collective goals, which controls its own performance, and which has a boundary separating it from its environment. Three factors of an enterprise man, material and management are combined to attain the objects of the business so organization is the relationship between the various objectives and factors. This handout discusses the aspects of capability, motivation and attitude in organizational context.

3.3 ORGANIZATION DEVELOPMENT

Organization development (OD) is a planned, organization-wide effort to increase an organization's effectiveness and viability. OD is also considered as a response to change, a complex educational strategy intended to change the beliefs, attitudes, values, and structure of organization so that they can better adapt to new technologies, marketing and challenges, and the dizzying rate of change itself. OD is neither "anything done to better an organization" nor is it "the training function of the organization"; it is a particular kind of change process designed to bring about a particular kind of end result. OD can involve interventions in the organization's "processes," using behavioural science knowledge as well as organizational reflection, system improvement, planning, and self-analysis.

a) The basic building blocks of an organization are groups (teams). Therefore, the basic units of change are groups, not individuals.

b) An always relevant change goal is the reduction of inappropriate competition between parts of the organization and the development of a more collaborative condition.

c) Decision making in a healthy organization is located where the information sources are, rather than in a particular role or level of hierarchy.

d) Organizations, subunits of organizations, and individuals continuously manage their affairs against goals. Controls are interim measurements, not the basis of managerial strategy.

e) One goal of a healthy organization is to develop generally open communication, mutual trust, and confidence between and across levels.

f) People support what they help create. People affected by a change must be allowed active participation and a sense of ownership in the planning and conduct of the change.

As is evident from above, the core and the most important element in an organization is the "People". Organization's performance depends on individuals who have their different capabilities, attitudes and motivational drivers.

3.4 CAPABILITY

Many definitions of capability exist in various contexts. A Capability, in the systems engineering sense, is defined as the ability to execute a specified course of action or the power or ability to generate an outcome. A widely accepted definition for individual capability is the knowledge, skill, ability, or characteristic associated with desirable performance on a job, such as problem solving, analytical thinking, or leadership.

3.4.1 ORGANIZATIONAL CAPABILITY

Ability and capacity of an organization expressed in terms of its (1) Human resources: their number, quality, skills, and experience (2) Physical and material resources:machines,land,buildings, (3) Financial resources: money and credit, (4) Information resources: pool of knowledge,databases, and (5) Intellectual resources: copyrights, designs,patents etc.

Capability represents the identity of your firm as perceived by both the employees and the customers. It is the ability to perform better than competitors using a distinctive and difficult to replicate set of business attributes. Capability is a capacity for a set of resources to integrative performs a stretch task.

Capabilities the Basis of Competitive Advantage

Through continued use, capabilities become stronger and more difficult for competitors to understand and imitate. As a source of competitive advantage, a capability "should be neither so simple that it is highly imitable, nor so complex that it defies internal steering and control." Capabilities grow through use, and how fast they grow is critical to organizational success.

3.4.2 DISTINCTIVE AND REPRODUCIBLE CAPABILITIES

The opportunity for a company to sustain its advantages determined by capabilities of two kinds distinctive capabilities and reproducible capabilities and their unique combination to achieve synergy.

Distinctive capabilities – the characteristics of a company, which cannot be replicated by competitors, or can only be replicated with great difficulty - are the basis of sustainable competitive advantage. Distinctive capabilities can be of many kinds: patents, exclusive licenses, strong brands, effective leadership,teamwork, or tacit knowledge.

Reproducible capabilities are those that can be bought or created by competitors and thus by themselves cannot be a source of competitive advantage. Many technical, financial and marketing capabilities are of this kind. The distinctive capabilities need to be supported by an appropriate set of complementary reproducible capabilities to enable a company to sell its distinctive capabilities in the market it operates.

Leaders are responsible for building organizational capability. Leaders need the ability to translate organizational direction into roadmaps, vision into action, and purpose into process. To do so a leader must demonstrate following abilities:

a) To build organizational infrastructure

b) To leverage diversity

c) To deploy teams and design human resource systems

d) To make changes happen

3.4.3 CAPABILITY DECISION AGILITY

Capability Decision Agility enables companies to harness the intellectual capital invested in the talents and skills of their people either as individuals or in teams. An organisation will be able to make full use of their human resource and be better able to respond to the ever-changing business environment. A performance management process that encourages a culture of community and high performance through shared responsibility and accountability. Ways to reduce the time between making a decision and its implementation by reducing impediments to effective internal communication in order to reduce rework. A common approach to business policy development, decision making and conflict resolution, through clearly articulated processes, procedures and measures so that people are empowered to make decisions to their level of authority. An effective "lessons learned" feedback loop that harnesses the intuitive knowledge and intellectual asset, gained from experience and practice, to make the best-balanced choice, given the information available

3.5 ATTITUDES DEFINED

Attitudes are the established ways of responding to people and situations that we have learned, based on the beliefs, values and assumptions we hold.

Attitudes are contagious. Are yours worth catching? ~Dennis and Wendy Mannering

3.5.1 ATTITUDE DRIVES BEHAVIOUR

Attitudes drive behavior. Our body language is a result of our mental attitude. By choosing our attitude we get in that mood and send out a message that everyone understands, consciously or unconsciously.

"Almost always, we have a choice as to what attitude to adopt. There is nothing in any normal work situation that dictates we must react one way or another. If we feel angry about something that happens, for instance, that's how we choose to feel. Nothing in the event itself makes it absolutely necessary for us to feel that way. It is our choice. And since we do have a choice, most of the time we'll be better off if we choose to react in a positive rather than a negative way."

The Power of Positive Attitude: It is not what happens to us that count. It is how we react to what happens to us, especially when we have unexpected problems of any kind. Learn and master powerful strategies we can use to keep us thinking and acting positively and creatively.

3.5.2 ATTITUDE MANAGEMENT: ENSURING SUCCESS IN CORPORATE WORLD

Ms. Soni Sinha passed her M.B.A from a reputed Business School and joined a multinational bank as an Astt. Manager (Marketing). Once a Project was assigned to her, she was very much excited for the Project & She prepared the report and submitted to her boss with the expectation that boss will appreciate her effort. Her boss read the report next day & discovered that the absence of field-based information and insight. He was annoyed with her and asked: "when will these MBAs learn to balance analysis with common sense?" meanwhile the lack of positive feedback she had expected, made Soni disheartened. He wonders whether she should start looking for a different organization to work in.

This is not a story for a single Sony Sinha, this is a common story for most of the new generation young managers.

Attitude is nothing but a state of mind towards an object (object may be an individual, organization, event, environment & situation). One needs to manage his/her attitude to ensure success in his/her personal and professional life. One needs to learn following tools to manage his attitude and impression to ensure success in their profession: -

1. **Recognize Uniqueness:** We all are different regarding physical and psychological traits. It helps us to ask what our unique selling propositions (USPs) are, because everything is sold in the market on the basis of USP. No one is free from weaknesses; study shows that the person has maximum strength have more weaknesses but we need to highlight our strengths (USP) to get competitive advantages and ensure positive image in front of others.
2. **Focus only on Goals and Efforts:** An individual without a goal is like a car without a steering. Since the final outcome of any effort depend on lots of variables, many of which may not be wholly predictable, it may help the new generation managers to plan for the goal, focus on the effort, but to attach his or her satisfaction to these only and not the final outcome.
3. **The Principle of Cause and effect:** Here we need to recall Newton's third law of Motion i.e. to every action there is an equal and opposite reaction. When this principle is applied to the workplace, it enables young manager to take responsibility for his/her action. An old saying 'Tit for tat' helps in choosing a wiser, long-term oriented course of action, rather than a tempting but potentially disastrous 'short cuts' approach to a problem. Moreover, an awareness of this principle keeps discontent at bay, when short term outcomes fail to match expectations or efforts.
4. **The 3 As and the 1E:** Anger, Anxiety, self-centric ambition and the ego are some of the common energy sappers at the workplace. Along with technical expertise an individual must have enough ability to manage their 3As and 1E to ensure better productivity at the work place.
5. **Ask Principle of Success**: If one wishes to ensure success in his personal and professional career, he/ she must remember this principle. This is all about Attitude, Knowledge & Skills. One needs to have positive attitude, some additional and unique skills along with good knowledge for their work area to be successful in all their acts.

3.5.3 MANAGEMENT SKILLS - HOW TO DEAL WITH ATTITUDE PROBLEMS

Some managers think attitude problems in their employees cannot be measured and therefore there is nothing that can be done. Wrong! Once they have renamed those problems as professional behaviours, they can define them, measure them, include them in job descriptions and even fire people with them! Some may be technically capable and may be performing the specific skills that are measured on the job.

They do the required amount of work; they make the required number of sales; they take the required number of calls. They may even be good with customers. But around the office or workplace they have attitude plus! They are the office nay-sayers, cynics and negativists. Or they complain about everything. They criticize every management initiative; they go to the union with every little issue. Other employees also complain who are affected and infected by their lousy attitude. Here are the steps to take to get a better handle on this issue and give yourself some solid definitions to work with.

Step One: Redefine the words *attitude problem* to ***professional behaviour***. It's perfectly reasonable to expect and receive professional behaviour from employees. That includes their behaviour with customers, vendors, and other departments and within own department with other employees. These are the internal customers.

Step Two: HR Department needs to include the words *professional behaviour* in every job description in your organization. It might read something like this: "Employees are required to *demonstrate* professional behaviour in performing their job." A simple statement like this one in every job description gives managers and supervisors what they need to work with their employees.

Step Three: A section in every performance appraisal form needs to check *professional behaviour*. It can be a simple statement like, "Employee demonstrates professional behaviour when dealing with internal staff and external customers and vendors."

Step Four: Manager should call a meeting with the staff and allow the group to define what professional behaviour is in their *specific department* or team, doing the specific work. One way to begin is to ask first how professional behaviour looks with customers; then ask if those same things apply to the internal customers. Almost all of them do. But they may come up with additional things such as cooperating with other team members. Refine and publish these guidelines for professional behaviour and allow staff members to amend or add to them. When complete, give everyone a copy. Now professional behaviour is codified for the department.

Step Five: After step four, the next time it is observed that a staff member is not following the guidelines, boss has something concrete to use when having a discussion with the employee. The conversation can be simple and short. "Suresh, today I heard you telling Preeti that you were too busy to help her with the year end results. You sounded curt and annoyed to me. As you know we have agreed to pitch in and help Preeti each year at this time. In addition, we have a professional behaviour guideline that says we are collaborative with our team and take responsibility for the team's work. What can you do to make time to act professionally in this matter?" Or you may say, "Suresh at the last three meetings you have said negative things about our progress on the Leads Project. Your continual negativity about this and other things puts a pall over the group. Other people clam up and we don't get the enthusiasm we need to do a good job on the project. I would like you to act professionally on this matter as is stated in our professional behaviour's guidelines. If you have concerns about the project, please come directly to me in the future."

3.6 MOTIVATION

No matter the size of a company, having a team of motivated, hard-working employees is crucial to business success. When people lose their motivation, their job performance suffers -- they become less productive, less creative, less of an asset to the company line. Company has to pay a heavy price when employees have motivation issues. How then to light an employee who has lost his or her motivation, whether a former hard worker whose performance has declined over the years, or a long-term problem employee who has failed to improve? Every person has different reasons for working. The reasons for working are as individual as the person. But we all work because we obtain something that we need from work. The something we obtain from work impacts our morale and motivation and the quality of our lives. In this chapter concept of employee motivation and related issues are explored.

Motivation is the willingness to do something and is conditioned by the desire to satisfy some need of the individual, (A **need** in our terminology is **some internal state**

that makes certain outcomes appear attractive). People who have “motivation” exert more or take efforts to perform better than those who are „not motivated".

Job performance =Ability x Motivation

Even though Organizations may hire men with extraordinary competence & train them but still it cannot be assured that they will perform satisfactorily until and unless they are motivated. A major (missing) ingredient in motivation is activating the potential of an individual, which is otherwise hidden.

An unsatisfied need creates tension, which stimulates a drive to achieve a particular goal that, if attained, satisfies the need and leads to reduction of tension. Greater the need, greater will be the activity level to meet that need and thus to reduce the tension.

Starting point to understand the logic behind motivation is to explore why do people work?

3.7 NEED-BASED THEORIES OF MOTIVATION

Maslow’s Hierarchy of Needs

Human motivation can be defined as the fulfillment of various needs. These needs can encompass a range of human desires, from basic, tangible needs of survival to complex, emotional needs surrounding an individual’s psychological well-being.

ABRAHAM MASLOW was a social psychologist who was interested in a broad spectrum of human psychological needs rather than on individual psychological problems. He is best known for his hierarchy-of-needs theory. Depicted in a pyramid, the theory organizes the different levels of human psychological and physical needs in order of importance.

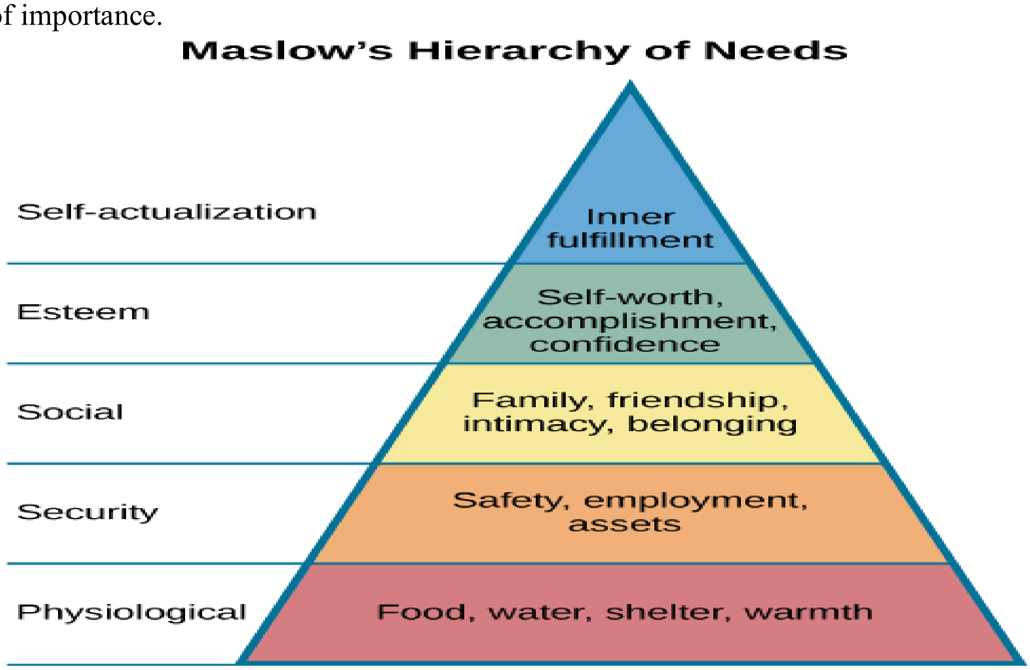

Figure 1: Maslow’s Hierarchy of Needs

Maslow’s hierarchy of needs is illustrated here. In some versions of the pyramid, cognitive and aesthetic needs are also included between esteem and self-actualization. Others include another tier at the top of the pyramid for self-transcendence.

The needs in Maslow's hierarchy include physiological needs (food and clothing), safety needs (job security), social needs (friendship), self-esteem, and self-actualization. This hierarchy can be used by managers to better understand employees' needs and motivation and address them in ways that lead to high productivity and job satisfaction.

At the bottom of the pyramid are the **physiological** (or basic) human needs that are required for survival: food, shelter, water, sleep, etc. If these requirements are not met, the body cannot continue to function. Faced with a lack of food, love, and safety, most people would probably consider food to be their most urgent need.

Once physical needs are satisfied, **security** (sometimes referred to as individual safety) takes precedence. Security and safety needs include personal security, financial security, and health and well-being. These first two levels are important to the physical survival of the person. Once individuals have basic nutrition, shelter, and safety, they seek to fulfill higher-level needs.

The third level of need is **social**, which includes love and belonging; when individuals have taken care of themselves physically, they can address their need to share and connect with others. Deficiencies at this level, on account of neglect, shunning, ostracism, etc., can impact an individual's ability to form and maintain emotionally significant relationships. Humans need to feel a sense of belonging and acceptance, whether it comes from a large social group or a small network of family and friends. Other sources of social connection may be professional organizations, clubs, religious groups, social media sites, and so forth. Humans need to love and be loved (sexually and non-sexually) by others. Without these attachments, people can be vulnerable to psychological difficulties such as loneliness, social anxiety, and depression. These conditions, when severe, can impair a person's ability to address basic physiological needs such as eating and sleeping.

The fourth level is **esteem**, which represents the normal human desire to be valued and validated by others, through, for example, the recognition of success or status. This level also includes self-esteem, which refers to the regard and acceptance one has for oneself. Imbalances at this level can result in low self-esteem or an inferiority complex. People suffering from low self-esteem may find that external validation by others—through fame, glory, accolades, etc.—only partially or temporarily fulfills their needs at this level.

At the top of the pyramid is **self-actualization**. At this stage, people feel that they have reached their full potential and are doing everything they're capable of. Self-actualization is rarely a permanent feeling or state. Rather, it refers to the ongoing need for personal growth and discovery that people have throughout their lives. Self-actualization may occur after reaching an important goal or overcoming a particular challenge, and it may be marked by a new sense of self-confidence or contentment.

Alderfer's ERG Theory

Clayton Paul Alderfer is an American psychologist who developed Maslow's hierarchy of needs into a theory of his own. **Alderfer's ERG theory** suggests that there are three groups of core needs: **existence** (**E**), **relatedness** (**R**), and **growth** (**G**)—hence the acronym *ERG*. These groups align with Maslow's levels of physiological needs, social needs, and self-actualization needs, respectively.

Existence needs concern our basic material requirements for living. These include what Maslow categorized as physiological needs (such as air, food, water, and shelter) and safety-related needs (such as health, secure employment, and property).

Relatedness needs have to do with the importance of maintaining interpersonal relationships. These needs are based in social interactions with others and align with Maslow's levels of love/belonging-related needs (such as friendship, family, and sexual intimacy) and esteem-related needs (gaining the respect of others).

Finally, **growth** needs to describe our intrinsic desire for personal development. These needs align with the other portion of Maslow's esteem-related needs (self-esteem, self-confidence, and achievement) and self-actualization needs (such as morality, creativity, problem-solving, and discovery).

Alderfer proposed that when a certain category of needs isn't being met, people will redouble their efforts to fulfill needs in a lower category. For example, if someone's self-esteem is suffering, he or she will invest more effort in the relatedness category of needs.

McClelland's Acquired Needs Theory

Psychologist **David McClelland's acquired-needs theory** splits the needs of employees into three categories rather than the two we discussed in Herzberg's theory. These three categories are **achievement**, **affiliation**, and **power**.

Employees who are strongly *achievement-motivated* are driven by the desire for mastery. They prefer working on tasks of moderate difficulty in which outcomes are the result of their effort rather than luck. They value receiving feedback on their work.

Employees who are strongly *affiliation-motivated* are driven by the desire to create and maintain social relationships. They enjoy belonging to a group and want to feel loved and accepted. They may not make effective managers because they may worry too much about how others will feel about them.

Employees who are strongly *power-motivated* are driven by the desire to influence, teach, or encourage others. They enjoy work and place a high value on discipline. However, they may take a zero-sum approach to group work—for one person to win, or succeed, another must lose, or fail. If channeled appropriately, though, this approach can positively support group goals and help others in the group feel competent.

The acquired-needs theory doesn't claim that people can be neatly categorized into one of three types. Rather, it asserts that all people are motivated by all of these needs in varying degrees and proportions. An individual's balance of these needs forms a kind of profile that can be useful in creating a tailored motivational paradigm for her. It is important to note that needs do not necessarily correlate with competencies; it is possible for an employee to be strongly affiliation-motivated, for example, but still be successful in a situation in which her affiliation needs are not met.

McClelland proposes that those in top management positions generally have a high need for power and a low need for affiliation. He also believes that although individuals with a need for achievement can make good managers, they are not generally suited to being in top management positions.

3.8 MCGREGOR'S THEORY X AND THEORY Y

The idea that a manager's attitude has an impact on employee motivation was originally proposed by **Douglas McGregor**, a management professor at the Massachusetts Institute of Technology during the 1950s and 1960s. In his 1960 book, *The Human Side of Enterprise*, McGregor proposed two theories by which managers perceive and address employee motivation. He referred to these opposing motivational methods as Theory X and Theory Y management. Each assumes that the manager's role is to organize resources, including people, to best benefit the company. However, beyond this commonality, the attitudes and assumptions they embody are quite different.

Theory X

According to McGregor, Theory X management assumes the following:

- Work is inherently distasteful to most people, and they will attempt to avoid work whenever possible.
- Most people are not ambitious, have little desire for responsibility, and prefer to be directed.
- Most people have little aptitude for creativity in solving organizational problems.
- Motivation occurs only at the physiological and security levels of Maslow's hierarchy of needs.
- Most people are self-centered. As a result, they must be closely controlled and often coerced to achieve organizational objectives.
- Most people resist change.
- Most people are gullible and unintelligent.

Essentially, Theory X assumes that the primary source of employee motivation is monetary, with security as a strong second. Under Theory X, one can take a hard or soft approach to getting results.

The hard approach to motivation relies on coercion, implicit threats, micromanagement, and tight controls— essentially an environment of command and control. The soft approach, however, is to be permissive and seek harmony in the hopes that, in return, employees will cooperate when asked. However, neither of these extremes is optimal. The hard approach results in hostility, purposely low output, and extreme union demands. The soft approach results in a growing desire for greater reward in exchange for diminished work output.

It might seem that the optimal approach to human resource management would lie somewhere between these extremes. However, McGregor asserts that neither approach is appropriate, since the basic assumptions of Theory X are incorrect.

Drawing on Maslow's hierarchy of needs, McGregor argues that a need, once satisfied, no longer motivates. The company uses monetary rewards and benefits to satisfy employees' lower-level needs. Once those needs have been satisfied, the motivation disappears. Theory X management hinders the satisfaction of higher-level needs because it doesn't acknowledge that those needs are relevant in the workplace. As a result, the only way that employees can attempt to meet higher-level needs at work is to seek more compensation, so, predictably, they focus on monetary rewards. While money may not be the most effective way to self-fulfillment, it may be the only way available. People will use work to satisfy their lower needs and seek to satisfy their higher needs during their leisure time. However, employees can be most productive when their work goals align with their higher-level needs.

McGregor makes the point that a command-and-control environment is not effective because it relies on lower needs for motivation, but in modern society those needs are mostly satisfied and thus are no longer motivating. In this situation, one would expect employees to dislike their work, avoid responsibility, have no interest in organizational goals, resist change, etc.—creating, in effect, a self-fulfilling prophecy. To McGregor, a steady supply of motivation seemed more likely to occur under Theory Y management.

Theory Y

The higher-level needs of esteem and self-actualization are ongoing needs that, for most people, are never completely satisfied. As such, it is these higher-level needs through which employees can best be motivated.

In strong contrast to Theory X, Theory Y management makes the following assumptions:

- Work can be as natural as play if the conditions are favorable.
- People will be self-directed and creative to meet their work and organizational objectives if they are committed to them.
- People will be committed to their quality and productivity objectives if rewards are in place that address higher needs such as self-fulfillment.
- The capacity for creativity spreads throughout organizations.
- Most people can handle responsibility because creativity and ingenuity are common in the population.
- Under these conditions, people will seek responsibility.

Under these assumptions, there is an opportunity to align personal goals with organizational goals by using the employee's own need for fulfillment as the motivator. McGregor stressed that Theory Y management does not imply a soft approach.

McGregor recognized that some people may not have reached the level of maturity assumed by Theory Y and may initially need tighter controls that can be relaxed as the employee develops.

If Theory Y holds true, an organization can apply the following principles of scientific management to improve employee motivation:

Decentralization and delegation: If firms decentralize control and reduce the number of levels of management, managers will have more subordinates and consequently need to delegate some responsibility and decision making to them.

Job enlargement: Broadening the scope of an employee's job adds variety and opportunities to satisfy ego needs.

Participative management: Consulting employees in the decision-making process taps their creative capacity and provides them with some control over their work environment.

Performance appraisals: Having the employee set objectives and participate in the process of self-evaluation increases engagement and dedication.

If properly implemented, such an environment can increase and continually fuel motivation as employees work to satisfy their higher-level personal needs through their jobs.

3.9 HERZBERG'S TWO-FACTOR THEORY

American psychologist **Frederick Herzberg** is regarded as one of the great original thinkers in management and motivational theory. Herzberg set out to determine the effect of attitude on motivation, by simply asking people to describe the times when they felt really good, and really bad, about their jobs. What he found was that people who felt good about their jobs gave very different responses from the people who felt bad.

The results from this inquiry form the basis of Herzberg's Motivation-Hygiene Theory (sometimes known as Herzberg's "**Two Factor Theory"**). Published in his famous article, "One More Time: How do You Motivate Employees," the conclusions he drew were extraordinarily influential, and still form the bedrock of good motivational practice nearly half a century later. He's especially recognized for his two-factor theory, which hypothesized that are two different sets of factors governing job satisfaction and job dissatisfaction: "hygiene factors," or extrinsic motivators and "motivation factors," or intrinsic motivators.

Hygiene factors, or extrinsic motivators, tend to represent more tangible, basic needs—i.e., the kinds of needs included in the existence category of needs in the ERG theory or in the lower levels of Maslow's hierarchy of needs. Extrinsic motivators include status, job security, salary, and fringe benefits. It's important for managers to realize that not providing the appropriate and expected extrinsic motivators will sow dissatisfaction and decrease motivation among employees.

Motivation factors, or intrinsic motivators, tend to represent less tangible, more emotional needs—i.e., the kinds of needs identified in the "relatedness" and "growth" categories of needs in the ERG theory and in the higher levels of Maslow's hierarchy of needs. Intrinsic motivators include challenging work, recognition, relationships, and growth potential. Managers need to recognize that while these needs may fall outside the more traditional scope of what a workplace ought to provide, they can be critical to strong individual and team performance.

The factor that differentiates two-factor theory from the others we've discussed is the role of employee *expectations*. According to Herzberg, intrinsic motivators and extrinsic motivators have an inverse relationship. That is, intrinsic motivators tend to increase motivation when they are present, while extrinsic motivators tend to reduce motivation when they are absent. This is due to employees' expectations. Extrinsic motivators (e.g., salary, benefits) are expected, so they won't increase motivation when they are in place, but they will cause dissatisfaction when they are missing. Intrinsic motivators (e.g., challenging work, growth potential), on the other hand, can be a source of additional motivation when they are available.

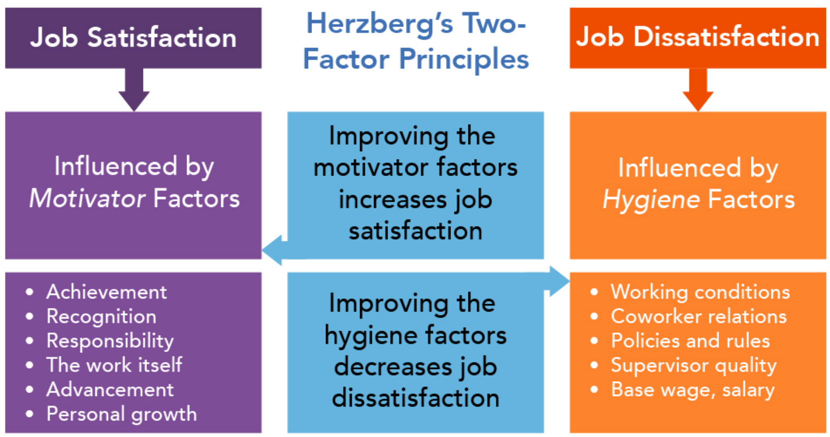

Figure 2: Herzberg's Two-Factor Theory

3.10 EXPECTANCY THEORY OF MOTIVATION

This is a modern theory and is widely accepted today. According to this the strength of a tendency to exert depends upon the strength of an expectation of the outcome and on the attractiveness of the outcome to the individual. There are thus three variables attractiveness, performance/reward and effort/performance. A schematic explanation is given below:

Effort $\longrightarrow$ performance

Performance $\longrightarrow$ reward/recognition

Reward $\longrightarrow$ personal goal.

The key to this model is finding out the individual's goal and establishing the linkages with the reward. Based on this model there are four personality types & motivators, as given below.

Type	**Motivators**
1. Dominating Personality $\longrightarrow$	Power, Authority, Control over results,

2. Influencing	Popularity, Recognition, Contract with
(Outgoing & effervescent)	People, Freedom of Expression
3. Steady	Stability, planned change, conflict free
(Extremely loyal to others)	environment, clear responsibilities.
4. Careful	Quality standards. Personal autonomy.
(Meticulous about details)	Freedom from pressure.

3.10.1 TIPS FOR MOTIVATION

Motivating employees starts with motivating yourself: It's amazing how, if you hate your job, it seems like everyone else does, too. If you are very stressed out, it seems like everyone else is, too. Enthusiasm is contagious. If you're enthusiastic about your job, it's much easier for others to be, too. Also, if you're doing a good job of taking care of yourself and your own job, you'll have much clearer perspective on how others are doing in theirs. A great place to start learning about motivation is to start understanding your own motivations. The key to helping to motivate your employees is to understand what motivates them. So, what motivates you? Consider, for example, time with family, recognition, a job well done, service, learning, etc. What can you do to better motivate yourself?

Always work to align goals of the organization with goals of employees: Employees can be all charged up about their work and be working very hard, if the results of their work contribute to the goals of the organization. Therefore, it's critical that managers and supervisors know what they want from their employees. These preferences should be worded in terms of goals for the organization and ensured that employees have strong input to identifying their goals and that these goals are aligned with goals of the organization.

Key to supporting the motivation of your employees is understanding what motivates each of them: Each person is motivated by different things. Steps to support the motivation of employees should first include finding out what it is that really motivate each of the employees. This can be found out by asking them, listening to them and observing them.

Recognize that supporting employee motivation is a process, not a task: Organizations change all the time, as do people. Indeed, it is an ongoing process to sustain an environment where each employee can strongly motivate himself or herself. Sustaining employee motivation is an ongoing process.

Support employee motivation by using organizational systems: Cultivating strong interpersonal relationships with employees to help motivate them is not enough. The nature of these relationships can change greatly, for example, during times of stress. Instead, use reliable and comprehensive systems in the workplace to help motivate employees. For example, establish compensation systems, employee performance systems, organizational policies and procedures, etc., to support employee motivation. Also, establishing various systems and structures helps ensure clear understanding and equitable treatment of employees.

Build a foundation: It's important to build a solid foundation for your employees so they feel invested in the company. Tell them about the history of the business and vision for the future. Ask them about their expectations and career goals, as well as how you can help them feel part of the team. BSNL Aspiration Driven Transformation is a step in this direction. When any new employee starts, make sure he or she receives a thorough welcome orientation.

Create a positive environment: Promote an office atmosphere that makes all employees feel worthwhile and important. Don't play favorites with your staff. Keep office doors open and let subordinates know they can always approach you with questions or concerns. A happy office is a productive office

Put people on the right path: Most employees are looking for advancement opportunities within their own company. Work with each of them to develop a career growth plan that takes into consideration both their current skills and future goals. If employees become excited about what's down the road, they will become more engaged in their present work.

Educate the masses: Help employees improve their professional skills by providing on the-job training. Allow them to attend workshops and seminars related to the industry. Employees will feel that company is investing in them, and this will translate into an improved job performance.

Celebrate, don't forget the fun: Achievements must be celebrated. Once in a while, have informal get-togethers over a cup of tea/lunch etc.

Acknowledge contributions: Boss can make a huge difference in employee morale simply by taking the time to recognize each employee's contributions and accomplishments, large or small. Be generous with praise.

Provide incentives: Offer people incentives to perform well, either with something small like a recognition certificate or something more substantial such as a performance-based

bonus. Give out "Employee of the Month" awards. Such tokens of appreciation will go far in motivating employees. A critical lesson for new managers and supervisors is to learn to focus on employee behaviors, not on employee personalities. Performance in the workplace should be based on behaviors toward goals, not on popularity of employees.

Honor your promises: Getting people to give their all requires following through on promises. If you tell an employee that he or she will be considered for a reward if numbers improve or productivity increases, you'd better full fill the promise. Failure to follow through on promises will result in a loss of trust -- not only that person's trust, but also the trust of every employee that hears the story.

Match tasks to talents: Organizations can improve employee motivation by improving employee confidence. Assign individuals with tasks that they will enjoy or will be particularly good at. An employee who is successful at one thing will have the self-confidence to tackle other projects with renewed energy and excitement. Restructuring and Job definition exercise in BSNL is a step in this direction.

Establish goals that are SMARTER: SMARTER goals are: specific, measurable, acceptable, realistic, timely, extending of capabilities and rewarding to those involved.

Balanced business score cards have to based on this concept.

Clearly convey how employee results contribute to organizational results: Employees often feel strong fulfillment from realizing that they're actually making a difference. This realization often requires clear communication about organizational goals, employee progress toward those goals and celebration when the goals are met.

Let employees hear from their customers (internal or external): Let employees hear customers proclaim the benefits of the efforts of the employee. For example, if the employee is working to keep internal computer systems running for other employees (internal customers) in the organization, then have other employees express their gratitude to the employee. If an employee is providing a product or service to external customers, then bring in a customer to express their appreciation to the employee.

Have one-on-one meetings with each employee: Employees are motivated more by your care and concern for them than by your attention to them. Get to know your employees, their families, their favourite foods, names of their children, etc.

Cultivate strong skills in delegation: Delegation includes conveying responsibility and authority to the employees so they can carry out certain tasks. Skills in delegation can free up a great deal of time for managers and supervisors. It also allows employees to take a stronger role in their jobs, which usually means more fulfillment and motivation in their jobs, as well.

Admit to yourself (and to an appropriate someone else) if you don't like an employee: Managers and supervisors are people. It's not unusual to just not like someone who works for you. If you don't like a person, admit to yourself that you don't like this employee. Then talk to someone else who is appropriate to hear about your distaste for the employee, for example, a peer, your boss, your spouse, etc. Indicate to the appropriate person that you want to explore what it is that you don't like about the employee and would like to come to a clearer perception of how you can accomplish a positive working relationship with the employee. It often helps a great deal just to talk out loud about how you feel and get someone else's opinion about the situation.

3.11 CONCLUSION

Organizational success depends on successfully managing capabilities. Understanding attitude and motivational drivers and taking appropriate steps improves individual performance thereby strengthening organizational success.

4 CONFLICT RESOLUTION AND MANAGEMENT

4.1 LESSON OBJECTIVE

At the end of the session, the trainees will be able to learn

- What is Conflict
- Reasons for workplace conflict
- Types of Conflict
- Ways to manage conflict

4.2 INTRODUCTION

The world today has become almost like a war zone, where each and every one is trying to compete with each other. For this very reason we find that the work places are witnessing conflicts among the co-workers, which if not properly managed, can scale up to the level when whole of the work atmosphere and the goal achievements can go for a toss and the company and the individuals may loose on both short term and long-term basis.

This lesson will summarize the various causes, types and tactics to manage these conflicts.

4.3 CONFLICT

Conflict is when two or more values, perspectives and opinions are contradictory in nature and haven't been aligned or agreed about yet. **Conflict arises:**

1. Within yourself when you're not living according to your values;
2. When your values and perspectives are threatened; or
3. Discomfort from fear of the unknown or from lack of fulfilment

Conflict is inevitable and often good, for example, good teams always go through a "form, storm, norm and perform" period. Getting the most out of diversity means often contradictory values, perspectives and opinions.

4.3.1 CONFLICT IS OFTEN NEEDED, AS IT:

1. Helps to raise and address problems.
2. Energizes work to be on the most appropriate issues.
3. Helps people "be real", for example, it motivates them to participate.
4. Helps people learn how to recognize and benefit from their differences.

Conflict is not the same as discomfort. The conflict isn't the problem - it is when conflict is poorly managed that is the problem.

4.3.2 CONFLICT IS A PROBLEM WHEN IT:

1. Hampers productivity.
2. Lowers morale.
3. Causes more and continued conflicts.
4. Causes inappropriate behaviors.

4.3.3 TYPE OF MANAGERIAL ACTIONS THAT CAUSE WORKPLACE CONFLICTS

1. Poor communications

a) Employees experience continuing surprises, they aren't informed of new decisions, programs, etc.

b) Employees don't understand reasons for decisions, and they aren't involved in decision-making.

c) As a result, employees trust the "rumour mill" more than management.

2. The alignment or the amount of resources is insufficient. There is:

a) Disagreement about "who does what".

b) Stress from working with inadequate resources.

3. "Personal chemistry", i.e., conflicting values / actions among managers and employees:

a) Strong personal natures don't match.

b) We often don't like in others what we don't like in ourselves.

4. Leadership problems, including inconsistent, missing, too-strong or uninformed leadership (at any level in the organization), evidenced by:

a) Avoiding conflict, "passing the buck" with little follow-through on decisions.

b) Employees see the same continued issues in the workplace.

c) Supervisors don't understand the jobs of their subordinates.

4.3.4 TYPE OF CONFLICTS

Destructive conflict: Behaviours that escalate a conflict are dysfunctional and destructive. Destructive conflicts may degenerate sufficiently so the conflict parties forget the substantive issues and transform their purposes to getting even, retaliating or hurting the other person. In destructive conflict, no one is satisfied with the outcome, possible gains are not realized and the negative taste left over at the end of one conflict episode is carried over to the beginning of the next conflict--creating a degenerating or negative spiral. Destructive conflicts are more likely to occur when behaviours come from rigid, competitive systems.

Constructive conflict: Behaviours that are adaptive to the situation, person and issues of the moment are functional and constructive. Many conflicts are a mixture of competitive and cooperative impulses. Constructive conflicts appropriately balance the interests of both parties to maximize the opportunities for mutual gains.

Constructive conflicts contain an element of creative adaptation born from a realization that one must know both one's own and the other's interests and be able to find a mutually acceptable outcome. Focusing on the process, not just the

Outcome one person desires, is key to productive conflict management.

Competitive and Cooperative Conflict

Competitive conflict systems (sometimes also termed positional, distributive, win/lose, or adversarial) are grounded in a win/lose perspective--for one party to "win" the other party must "lose." Competitive systems often assume a zero-sum or fixed-pie view of all resources.

Cooperative conflict systems (sometimes also termed mutual gains, interest-based, and win/win) are grounded in a win/win or positive mutual outcome perspective--for one party to win the other party's needs and goals must also be considered, with the net result that both parties maximize their outcomes. Cooperative systems often assume that resources can be expanded or traded in creative ways. Instead of the other party being the opponent, the problem or issue becomes the opponent that both parties must join in defeating.

The chart below compares the elements of competitive and cooperative conflict.

Table 3. Elements of competitive and cooperative conflict

	Competitive Conflict	Cooperative Conflict
Outcome	My win is your loss Relationship is damaged	Both win (something) Relationship is maintained
Tactics	Be aggressive Use threats, bluffs, and lies Conceal interests Expect the other to move first Compromise toward the middle	Negotiate in good faith Search for interests, share information Search for creative solutions Build the best possible outcome for both parties
Assumptions	Winning now is most important Short-term thinking Zero-sum world Other is the opponent My solution is best	Maintaining relationship and substantive outcome are most important Non-zero-sum The issue is the opponent Many possible solutions
Characteristics	At its worst: Dominating Manipulative Aggressive Argumentative Hostile Egotistical Rigid Intolerant Threatening Disinterested in fairness	At its best: Trustworthy Realistic Courteous Personable Objective Flexible Logical Sincere Forgiving Self-controlled

4.3.5 KEY MANAGERIAL ACTIONS / STRUCTURES TO MINIMIZE CONFLICTS

1. Regularly review job descriptions. Ensure:

- Job roles don't conflict.
- No tasks "fall in a crack".

2. **Intentionally build relationships with all subordinates.**
   - Meet at least once a month alone with them in office.
   - Ask about accomplishments, challenges and issues.
3. **Get regular, written status reports that include:**
   - Accomplishments.
   - Currents issues and needs from management.
   - Plans for the upcoming period.
4. **Conduct basic training about:**
   - Interpersonal communications,
   - Conflict management,
   - Delegation.
5. **Develop procedures for routine tasks and include the employees' input.**
   - Have employees write procedures when possible and appropriate.
   - Get employees' review of the procedures.
   - Distribute the procedures.
   - Train employees about the procedures.
6. **Regularly hold management meetings,** for example, every month, to communicate new initiatives and status of current programs.
7. **Consider an anonymous suggestion box** in which employees can provide suggestions.

4.3.6 STAGES OF CONFLICT

It has become common to describe conflicts as passing through a series of phases.[1] Different authors name and describe these stages differently, but most include, at a minimum:

- No conflict
- Latent conflict
- Emergence
- Escalation
- (Hurting) Stalemate
- De-Escalation
- Settlement/Resolution
- Post-Conflict Peacebuilding and Reconciliation

These phases are frequently shown on a diagram that looks something like this, although the accompanying text will always explain that the progress from one stage to the next is not smooth and conflicts may repeat stages several times.

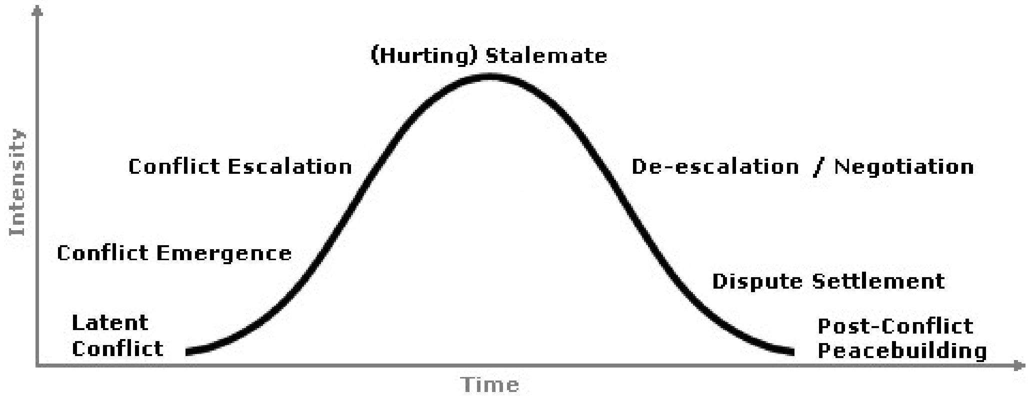

Figure 3: STAGES OF CONFLICT

These stages are described briefly in this introductory essay, and then each is discussed in more depth in other essays.

The potential for conflict exists whenever people have different needs, values, or interests; this is the "latent" conflict stage. The conflict may not become apparent until a "triggering event" leads to the emergence (or beginning) of the obvious conflict. Emergence may be followed quickly by settlement or resolution, or it may be followed by escalation, which can become very destructive.

Escalation, however, cannot continue indefinitely. De-escalation can be temporary or can be part of a broader trend toward settlement or resolution. Or escalation may lead to a stalemate, a situation in which neither side can win. If the pain of continuing the conflict exceeds that of maintaining the confrontation, the parties are in what Zartman calls a "hurting stalemate," which often presents an ideal opportunity for negotiation and a potential settlement. Finally, if and when an agreement is reached, peace building efforts work to repair damaged relationships with the long-term goal of reconciling former opponents.

4.3.7 UNDERSTANDING CONFLICT RESOLUTION

Constructive conflict is not always harmonious; that's why it's called conflict. It's the process not the outcome that distinguishes constructive from destructive conflict. Constructive conflict attempts to de-escalate the conflict, place the goal on finding a satisfactory solution for all sides, and focus on cooperating not competing. Destructive conflict escalates the competitive clashes and attempts to win a victory at others expense

Conflict involves interconnected parties. The behavior of one party must have consequences for the other party.

Only stonewalling is a way of explicitly avoiding conflict. Competing encourages conflict, compromising gives in before conflict can emerge and autonomy is the individual’s right to assert themselves in a conflict.

Smoothing attempts to soften the negative feelings that often accompany intense conflicts. It is a collaborating tactic that may need to be used before an actual confrontation on issues takes place.

4.3.8 WAYS PEOPLE DEAL WITH CONFLICT

There is no ideal way to deal with conflict. It depends on the current situation. Here are the major ways that people use to deal with conflict:

1. **Avoid it. Pretend it is not there or ignore it:** Usually this approach tends to worsen the conflict over time. Use it:

- When an issue is trivial, or more important issues are pressing.
- When you perceive no chance of satisfying your concerns.
- When potential disruption outweighs the benefits of resolution
- To let People, cool down regain perspective
- When gathering information supersedes immediate decision
- When others can resolve the conflict more effectively
- When issues seem tangential or symptomatic of other issues

2. **Accommodate it**. Give in to others, sometimes to the extent that you compromise yourself. Use this approach very sparingly and infrequently, for example, in situations when you know that you will have another more useful approach in the very near future. Usually, this approach tends to worsen the conflict over time, and causes conflicts within you. Use it:

- When you find you are wrong – you allow a better position to be heard, to learn, and to show your reasonableness
- When issues are more important to others than to our self – to satisfy others and maintain cooperation
- To build social credits for later issues.
- To minimize loss when you are outmatched and losing
- When harmony and stability are especially important
- To allow employees to develop by learning form mistakes

3. **Competing.**

- Work to get your way, rather than clarifying and addressing the issue.
- Use when you have a very strong conviction about your position.
- When quick, decisive action is vital (e.g. emergencies)
- On important issues where unpopular actions need implementing (e.g., cost cutting, enforcing unpopular rules, discipline)
- On issues vital to company welfare when you know you are right.
- Against people who take advantage of non-competitive behaviour.

4. **Compromising. Mutual give-and-take:** Use when the goal is to get past the issue and move on. Use it:

a) When goals are important, but not worth the effort or potential disruption of more assertive modes.

b) When opponents with equal power are committed to mutually exclusive goals.

c) To achieve temporary settlements to complex issues

d) To arrive at expedient solutions under time pressure.

e) As a backup when collaboration or competition is unsuccessful

5. **Collaborating. Focus on working together:** Use when the goal is to meet as many current needs as possible by using mutual resources. This approach sometimes raises new mutual needs. Use it:When the goal is to cultivate ownership and commitment.
   a) To find an integrative solution when both sets of concerns are too important to be compromised.
   b) When your objective is to learn
   c) To merge insights from people with different perspectives. To gain commitment by incorporating concerns into a consensus.
   d) To work through feelings that has interfered with a relationship.

4.3.9 MANAGING INTRAPERSONAL CONFLICT (WITHIN YOURSELF)

It's often in the trying that we find solace, not in getting the best solution. The following steps will help you in this regard:

1. Name the conflict, or identify the issue, including what you want that you aren't getting. Consider:

a. Writing your thoughts down to come to a conclusion.
b. Talk to someone, including asking them to help you summarize the conflict in five sentences or less.

2. Get perspective by discussing the issue with your friend or by putting it down in writing. Consider:

a. How important is this issue?
b. Does the issue seem worse because you're tired, angry at something else, etc.?
c. What's your role in this issue?

3. Pick at least one thing you can do about the conflict.

a. Identify at least three courses of action.
b. For each course, write at least three pros and cons.
c. Select an action - if there is no clear course of action, pick the alternative that will not hurt, or be least hurtful, to yourself and others. d. Briefly discuss that course of action with a friend.

4. Lastly do something about the issue.

a. Wait at least a day before you do anything about the conflict. This gives you a cooling off period.
b. Then take an action.
c. Have in your own mind, a date when you will act again if you see no clear improvement.

4.3.10 MANAGING INTERPERSONAL CONFLICT WITH OTHERS

1. Manage yourself. If you and/or the other person are getting heated up, then manage yourself to stay calm by

a. Speaking to the person as if the other person is not heated up!

b. Avoid use of the word "you" - this avoids blaming.

c. Nod your head to assure them you heard them.

d. Maintain eye contact with them.

2. Move the discussion to a private area, if possible.

3. Give the other person time to vent.

a. Don't interrupt them or judge what they are saying.

4. Verify that you're accurately hearing each other. When they are done speaking**:**

a. Ask the other person to let you rephrase (uninterrupted) what you are hearing from them to ensure you are hearing them.

b. To understand them more, ask open-ended questions. Avoid "why" questions - those questions often make people feel defensive.

5. Acknowledge where you disagree and where you agree.

6. Work the issue, not the person. When they are convinced that you understand them:

a. Ask "What can we do fix the problem?" They will likely begin to complain again. Then ask the same question. Focus on actions they can do, too.

7. If possible, identify at least one action that can be done by one or both of you.

a. Ask the other person if they will support the action.

b. If they will not, then ask for a "cooling off period".

8. Thank the person for working with you.

9. If the situation remains a conflict, then**:**

a. Conclude if the other person's behaviour conflicts with the policies and procedures in the workplace and if so, present the issue to your supervisor.

b. Consider whether to agree to disagree.

c. Consider seeking a third party to mediate.

4.3.11 SKILLS FOR CONFLICT MANAGERS

Two basic communication skills are required if parties hope to manage conflict productively:

- listening
- asking questions

Keep the following simple seven general communication skills Keep these practices in mind and use them when you can.

Speak your mind and heart.

Someone needs to speak up and say what he or she wants, thinks or feels. Difficulty in expressing preferences directly may result in indirect or passive conflict.

Instead of blaming or avoiding, make sure you address the problem as the issue. Speak up!

Listen well.

Listening is a skill that underlies all productive conflict management. Focus on what the other person is saying, not your rebuttal. Search for what might be right about what you hear instead of what is wrong, and let the other know you are doing this. Give some feedback that indicates that the other has been heard." Remember that any sentence beginning with "Yes, but . . ." disqualifies anything you are going to say next.

Express strong feelings appropriately.

In conflict, you will have very strong feelings at times. You will be angry, hurt, enraged, sad, joyful, hopeful or despairing. Careful, respectful expression of these feelings helps, rather than damages, conflicts. Avoid squelching your feelings; just learn to express them clearly in a non-destructive manner. Never attack, for any reason, if you want a long-term relationship!

Remain rational for as long as possible.

Remaining rational does not mean staying calm, cool, collected or distant. Rationality means keeping in mind that you are trying to solve a problem and that you must remain connected to the other person throughout the interaction. Anything that diverts you from this task hurts conflict management.

Review what has been said.

Ask about points that need clarification, using open-ended questions. Specialize in asking questions for which you do not know the answer.

Learn to give and take.

Be fair by taking your turn and giving others their turns. No productive resolution comes from a one-sided conversation. You may solve a short-term problem; but in the long term, fairness counts.

Avoid all harmful statements.

Attacks create enemies. Biting criticism drives people out of the interaction. Making the other person wrong means reducing the chance that you will ever make anything right.

4.3.12 WHAT'S YOUR CONFLICT MANAGEMENT

Instructions: Listed below are 15 statements. Each strategy provides a possible strategy for dealing with a conflict.

Give each a numerical value **(i.e., 1=Always, 2=Very often, 3=Sometimes, 4= Not very often, 5= rarely, if ever.)**

Don't answer as you think you should, answer as you actually behave.

1	I argue my case with peers, colleagues and co-workers to demonstrate the merits of the position I take.	
2	I try to reach compromises through negotiation	
3	I attempt to meet the expectation of others	
4	I seek to investigate issues with others in order to find solutions that are mutually acceptable.	
5	I am firm in resolve when it comes to defending my side of the issue	
6	I try to avoid being singled out, keeping conflict with others to myself.	
7	I uphold my solutions to problems	

8	I compromise in order to reach solutions.	
9	I trade important information with others so that problems can be solved together	
10	I avoid discussing my differences with others.	
11	I try to accommodate the wishes of my peers and colleagues.	
12	I seek to bring everyone's concerns out into the open in order to resolve disputes in the best possible way.	
13	I put forward middles positions in efforts to break deadlocks	
14	I accept the recommendations of colleagues, peers, and co-workers.	
15	I avoid hard feelings by keeping my disagreements with others to myself	

4.4 CONCLUSION

Conflict can run the gamut from minor annoyances to physically violent situations. At the same time, conflict can increase creativity and innovation, or it can bring organizations to a grinding halt. There are many different types of conflict, including interpersonal, intrapersonal, and intergroup. Within organizations, there are many common situations that can spur conflict. Certain organizational structures, such as a matrix structure, can cause any given employee to have multiple bosses and conflicting or overwhelming demands. A scarcity of resources for employees to complete tasks is another common cause of organizational conflict, particularly if groups within the organization compete over those resources. Of course, simple personality clashes can create intrapersonal conflict in any situation. Communication problems are also a very common source of conflict even when no actual problem would exist otherwise. When conflict arises, it can be handled by any number of methods, each with varying degrees of cooperation and competitiveness. Different situations require different conflict handling methods, and no one method is best.

5 GROUP PERFORMANCE MANAGEMENT SYSTEM

5.1 LEARNING OBJECTIVES

After completion of this chapter, the trainees shall be able to: -

- Understand concept of Group Performance Management System
- Understand foundation of GPMS and BBSC
- Learn about groupings in GPMS of BSNL
- Understand sample GPMS of a territorial unit (SSA)

5.2 INTRODUCTION

Organizations exist for some purpose and objectives to achieve. These objectives can be achieved by implementing various strategies from time to time. Strategies, formulated by the top management, are implemented by the employees of the organization. Therefore, responsibility of implementation of corporate strategies rests with various functional units and departments of the organizations. An appropriate system to measure performance of such functional units/departments/individuals is must for measuring and monitoring the outcome of these strategies so that suitable corrective actions can be thought of, if required. Performance measurement results can also be used as a tool to reward outstanding performers.

Successful organizations know that to win in today's competitive marketplace they must attract, develop, and retain talented and productive employees. Winning organizations get their competitive edge from a performance management system that helps them hire talented people, place them in the right position, align their individual performance with the organization's vision and strategic objectives, develop their abilities and reward performance commensurate with contributions to the organization's success.

5.3 BENEFITS OF EFFECTIVE PERFORMANCE MANAGEMENT

1) **Improved Productivity** -- Improvement in both the way people work and the outcomes they produce.
2) **Improved Employee Morale**-- Resulting from on-time performance appraisals and rewards commensurate with employee contributions.
3) **Retention of Top Performers** – Employees who get recognition and rewards for their work become loyal employees.
4) **Increased Profitability** – Loyal employees deliver higher levels of service that result in customer loyalty ultimately leading to increased revenue and profits.

Therefore, Performance Management System (PMS) is not only a HR tool but it is a management tool for translating expectations of top management into tangible results.

Presently, BSNL is operating in a very tough competitive business environment. In such a scenario, it requires change of mindset at all levels of executives and employees so that organization can effectively compete and survive. BSNL needs to make massive transformational changes in its existing performance level. Introduction of a PMS system will certainly help BSNL to move toward performance-oriented work culture in the organization. Considering the huge employee base and thus efforts involved in formulating PMS for individual employee, BSNL top management has consciously decided to introduce a Group Performance Management System (GPMS).

5.4 GPMS CONCEPT

The GPMS is an initiative under Project SHIKHAR of BSNL with the intent to have an objective and transparent system for assessing performance of employees. It is a system for: -

- Identifying Key Performance Indicators (KPI) for individuals and various
- functional groups within the organization
- Assigning KPIs to distinct groups aligned with organizational activities and goals
- Assigning targets and their relative weightage against such KPIs in objective & transparent manner
- Carrying out assessment of performance of various groups
- Providing a basis for performance related HR policies

5.5 FOUNDATION OF GPMS

GPMS is the new performance measurement system with an implementation approach similar with that of Balanced Business Score Card (BBSC). BBSC concept was adopted by BSNL in 2006. In 2009, an improved performance management version in the form of GPMS has been introduced.

The GPMS scorecards for all the group types have been designed to consist of Key Performance Indicators (KPIs) to measure the group's performance on financial, customer / market and operational parameters. In addition, an overall performance assessment also forms the part of every scorecard and this would be evaluated by the person, whom the group reports to. For example, the evaluation for groups at the Corporate Office would be done by the CMD, evaluation of the Territorial Circles will be done by the Management Committee (MC), evaluation of SSAs will be done by the respective Circle Heads and evaluation of non-territorial circles would be done by the respective corporate office Directors and Executive Directors. The KPI titled as overall performance assessment, would evaluate the groups on parameters which are qualitative in nature.

Further, every scorecard has a parameter to measure customer satisfaction. Customer satisfaction will be assessed through a customer survey administered by an external third-party agency and will be based on parameters such as brand and advertising, product innovation, customer responsiveness of field sales and customer service staff, quality of service etc. For circles which do not have any external customers, the internal customers / stakeholders would be doing the evaluation.

5.6 SHORTFALL OF BBSC SET UP AND SUITABILITY OF GPMS

Introduction of GPMS in place of BBSC was considered because existing BBSC set up adopted by BSNL, had following shortfalls: --

- Job Descriptions at an individual level were not clearly defined thus creation of individual score card was not very objective and systematic.
- The long list of activities for each division, without clear cut delineation of activities and responsibilities made it less conducive to effectively identify and communicate Key Responsibility Area (KRA) of a specific post.

- Though Balanced Scorecards have been defined at various levels, the large number of KPIs within each Scorecard as well as absence of critical enablers such as an appropriate organization structure, well defined processes for tracking performance and IT systems support hamper their effective implementation.

GPMS is considered suitable for implementation in BSNL as: -

- It is based on new organization structure of BSNL.
- KRA/KPIs are identified and defined on the basis of new Business Unit structure of BSNL, in consultation with top executives of the respective Business Units.
- Number of KPIs have been kept less to have focused measurement of Key Performance Areas.
- It is an optimum combination of quantitative and qualitative measurement.
- KPIs are defined as per functional activities of a group.

5.7 GROUPINGS FOR GPMS IN BSNL

For implementation of GPMS in BSNL, all executives have been structured along 19 groups. The details of these group types are available as under: -

Table 4. Groupings of GPMS in BSNL

Category of groups	Group Type	Number of group types	Number of groups
Corporate Office	1. Consumer Fixed Access	1	1
	2. Consumer Mobility	1	1
	3. Enterprise	1	1
	4. New businesses	1	1
	5. Corporate Affairs	1	1
	6. HR (Incl. Legal and Vigilance)	1	1
	7. Finance	1	1
Territorial Circle	Territorial Circle	1	26
Non Territorial Circle	1. Project Circle	1	5
	2. Maintenance Region	1	4
	3. Inspections (earlier T&D)	1	1
	4. QA	1	1
	5. Telecom Stores	1	1
	6. Telecom Factory	1	3
	7. ITPC	1	1
	8. NCES	1	1
	9. Data N/W	1	1
	10. Training Circle	1	1
SSA	SSAs	1	330

5.7.1 INTRODUCTION OF IPMS AND FPMS

In order to make GPMS effective, BSNL has also devised Individual Performance Management System and Field Performance Management System.

5.7.2 INDIVIDUAL PERFORMANCE MANAGEMENT SYSTEM (IPMS)

Achievement of GPMS rests on the success of individual executives in performing their assigned tasks. Therefore, IPMS has been introduced with the intent to develop an objective and transparent system for assessing performance at the individual level. IPMS will be on the lines of GPMS and all executives are to be covered.

5.7.3 FIELD PERFORMANCE MANAGEMENT SYSTEM (FPMS)

With a view to motivate the field staff, a Field Performance Management System (FPMS) has been worked out for units/individuals in the field involved in sales, quality of service and customer service roles. For this scheme, the following units have been identified: --

a) Employees involved in sales in Consumer Mobility (CM)
b) Employees involved in sales in Consumer Fixed Access (CFA)
c) Employees involved in sales in Enterprise
d) Employees involved in customer service in CSCs
e) Employees involved in operational roles at Exchanges (Indoor, outdoor and cable)
f) Employees involved in operational roles in Consumer Mobility

5.7.4 EMPLOYEES INVOLVED IN SALES IN CM, CFA AND ENTERPRISE SEGMENTS

For employees covered in categories a) to c) above, various reimbursements, awards, facilities and allowances are being provided. These include reimbursement towards cost of travel, meals, mobile (if not already provided), office with desk top PC having broadband connection or laptop with data card, sales bag etc. Apart from this, financial awards on quarterly basis are also being provided. KPA linked incentives are being provided on monthly basis to channel management team members under Project Vijay.

Table 5. Awards for sales team for Project Udaan

Name of award	Level	Frequency	Amount	Basis for decision
Best sales person	Within Circle	Quarterly	Rs. 5000/-	Highest number of connections within the circle
Best sales team	Within Circle	Quarterly	Rs. 25,000/-	Highest number of connections within the circle for the whole team

5.7.5 EMPLOYEES INVOLVED IN CSC, EXCHANGES AND CM OPERATIONAL TEAMS AT SSA LEVEL

For employees covered in categories d) to f) above, non-financial awards are to be provided. For award purpose, exchanges have been categorised into four categories namely,

Less than 1000 working lines	Category-A
1001 to 4000 working lines	Category-B
4001 to 10000 working lines	Category-C
More than 10000 working lines	Category-D

Some of the proposed awards under this scheme are:

Table 6. CSC

Name of award	Level	Type of category	Frequency	Award for group	Award for individuals in group	Basis for decision
Swarna CSC (one in each category)	Within SSA	Cat: A, B, C	Quarterly	Certificate of merit with rolling trophy	Certificate	Highest score on KPIs for CSCs

Table 7. Exchanges

Name of award	Level	Type of Category	Frequency	Award for group	Award for individuals in group	Basis for decision
Swarna exchange (one in each category)	Within SSA	Cat: A, B, C, D	Quarterly	Certificate of merit with rolling trophy	Certificate	Highest score on KPIs for exchanges

Table 8. Consumer Mobility Operations teams

Name of award	Level	Frequency	Award for group	Award for individuals in group	Basis for decision
Swarna padak	Within Circle	Quarterly	Certificate of merit with rolling trophy	Certificate	Highest score on KPIs for CM teams
Rajat padak	Within Circle	Quarterly	Certificate of merit with rolling trophy	Certificate	2nd Highest score on KPIs for CM teams
Kansya padak	Within Circle	Quarterly	Certificate of merit with rolling trophy	Certificate	3rd Highest score on KPIs for CM teams

The final decision on awards at the Circle level should be made by the PGM/GM (Consumer Mobility) after taking into the account the KPI scores of all SSA-level Consumer Mobility Operations teams in the Circle. The final decision on awards at SSA level should be made by the SSA Head after taking into account the KPI scores of all Exchanges in the SSA. Awards are to be given quarterly in a ceremony at Circle and SSA level. (For further details, the BSNL C. O. letter no. 3-5/2010-Restructuring Dated 15.04.2010 and subsequent letters may be seen on BSNL Intranet portal)

5.8 SAMPLE GPMS OF A TERRITORIAL UNIT (SSA)

Table 9. Exhibit-A GROUP PERFORMANCE MANAGEMENT SYSTEM

SSA Scorecard										
group	Weightage	Dimension	KPI	Target	Performance Levels			Target achieved	Mark Achieved	Weightage Score
					Fair	Good	Excellent			
CFA	25%	Fin	CFA revenue (Rs. Cr.)	40						
		CM	Net adds - (by number of subscribers) Basic (in 000's)	5						
		CM	Net adds - (by number of subscribers) Broadband (in 000's)	10						
		Opn	CCR rate for Landline – 50% weightage each for local and STD	10						
		Opn	Fault rate (LL, BB)	5						
		Opn	% of faults cleared by next working day (LL, BB)	10						
		Opn	% of new services (LL, BB) provisioned within the norm (7 days for LL, 15 days for BB)	10						
		Opn	Overall performance (on scale of 1 to 5 - to be assessed by Circle Head)	10						
CM	30%	Fin	CM revenue (Rs. Cr.)	40						
		CM	CM Net adds (by number of subs in 000's)	20						
		Opn	BTS availability (%)	10						
		Opn	Call drop rate (%)	10						
		Opn	Blocked call rate - TCH congestion (%)	10						
		Opn	Overall performance (on scale of 1 to 5 - to be assessed by Circle Head)	10						
E &WS	15%	Fin	Enterprise BU revenue (Rs. Cr.)	40						
		CM	Number of new Enterprise Gold + Silver accounts penetrated	20						
		Opn	MLLN circuit uptime (%)	15						
		Opn	Average provisioning time (no. of days)	15						
		Opn	Overall performance (on scale of 1 to 5 - to be assessed by Circle Head)	10						
Others	20%	Fin	New Businesses revenue (Rs. Cr.)	20						
		Fin	Budget adherence on opex (% actual spend vs. budgeted) (on items excluding those in schedule P)	20						
		Fin	Overall assessment on Finance related issues, including budget adherence, financial planning, accounting, revenue assurance etc. (on scale of 1 to 5 - to be assessed by Circle Head)	20						
		CM	Customer satisfaction level (including QoS) (Scale of 1 to 5)	20						
		HR	Overall assessment on HR related issues, including training, recruiting, promotion, transfers etc. (on scale of 1 to 5 - to be assessed by Circle Head)	20						
Overall	10%		Overall performance (on scale of 1 to 5 - to be assessed by Circle Head)	10						

Note: Marks for Fair rating = 60, Good = 80, Excellent = 100. Marks achieved for rating below Fair = 0. Achievement between Fair and Good and between Good and Excellent would be linearly scaled

Legend: Fin: Finance, C/M: Customer/Marketing, Opn: Operations, CFA: Consumer Fixed Access, CM: Consumer Mobility, E&WS: Enterprise & Wholesale, KPI: Key performance indicator, LL: Land Line, BB: Broad Band, TCH: Traffic Channel, Opex: Operational Expenditure

5.9 CONCLUSION

The GPMS system is a very important and effective tool for measuring performance of different groups against the targets set by the management on various operational fronts. GPMS also provides an opportunity to assess the performance from time to time and initiate timely corrective measures in cases of deviations

6 COMPETITIVE MARKETING STRATEGY

6.1.1 LEARNING OBJECTIVE

This chapter provides details on the various aspects of new product launch and competitive strategies for marketing of new product.

- Marketing fundamentals
- Competitive Marketing Strategies
- Model For Developing Marketing Strategy
- Choosing The Right Generic Strategy

6.2 INTRODUCTION

Customers needs keep changing as new technologies develop and customer's knowledge updates. Marketers keep studying the customer needs to introduce new products & solutions to satisfy such needs. Many a times the company which introduces the new product is unable to reap its benefits whereas the followers benefit immensely. This chapter dwells on the various aspects of competitive marketing strategies.

6.3 MARKETING FUNDAMENTALS

Services Marketing is a lot similar to Music. While music has seven notes, known to all composers and singers, still some singers/composers become famous & others fail, the reason being their poor application of these seven notes. For the ease of study, on the same lines, Services Marketing can be considered to have seven 'P's, known to all marketers. Those who play smart on these Ps, become successful.

There are standard four Ps (Product, Pricing, Promotion and Placement) applicable for products. Services marketing require extra three, totaling seven and known together as the extended marketing mix. For a marketing plan to be successful, the mix of the four "Ps" must reflect the wants and desires of the consumers in the target market. Trying to convince a market segment to buy something they don't want is extremely expensive and seldom successful. Marketers depend on marketing research, both formal and informal, to determine what consumers want and what they are willing to pay for it. Marketers hope that this process will give them a sustainable competitive advantage. Marketing management is the practical application of this process.

***Product*:** The product aspects of marketing deal with the specifications of the actual good or service, and how it relates to the end-user's needs and wants. The scope of a product generally includes supporting elements such as warranties, guarantees, and support.

***Pricing*:** This refers to the process of setting a price for a product, including discounts. The price need not be monetary - it can simply be what is exchanged for the product or service, e.g. time, or attention.

Promotion: This includes advertising, sales promotion, publicity, and personal selling etc. and refers to the various methods of promoting the product, brand, or company. ***Branding is done to differentiate offers of a company from other's offer***.

Placeor distribution refers to how the product gets to the customer; for example, point of sale placement or retailing. This fourth P has also sometimes been called *Place*, referring to the channel by which a product or service is sold (e.g. online vs. retail), which geographic region or industry, to which segment (young adults, families, business people), etc.

People: Any person coming into contact with customers can have an impact on overall satisfaction. Whether as part of a supporting service to a product or involved in a total service, people are particularly important because, in the customer's eyes, they are generally inseparable from the total service. As a result of this, they must be appropriately trained, well motivated and the right type of person. Fellow customers are also sometimes referred to under 'people', as they too can affect the customer's service experience, (e.g., at a sporting event).A linked concept is of Internal customer i.e. all employees & sections in an organization treat each other as customers. Within the organization, internal marketing is required which is the development and training of staff to ensure high levels of quality and consistency in service delivery and support. Internal marketing includes recruitment, training, motivation and productivity.

Process: This is the process(es) involved in providing a service, which can be crucial to customer satisfaction. Standardization of processes, checklists etc. are helpful.

Physical evidence: Since services are intangible, unlike a product, a service cannot be experienced before it is delivered. This, therefore, means that potential customers could perceive greater risk when deciding whether to use a service. To reduce the feeling of risk, thus improving the chance for success, it is often vital to offer potential customers the chance to see what a service would be like. This is done by providing physical evidence, such as case studies, testimonials or demonstrations.

6.4 COMPETITIVE MARKETING STRATEGIES

Marketing strategy is a method of focusing an organization's energies and resources on a course of action which can lead to increased sales and dominance of a targeted market niche. A marketing strategy combines product development, promotion, distribution, pricing, relationship management and other elements; identifies the firm's marketing goals, and explains how they will be achieved, ideally within a stated timeframe. For deciding an appropriate mix of 7Ps depends on the market situation where this mix has to be applied. Market situation for a product/service is defined as Product life cycle. The distinct stages in this life cycle are introduction, growth, maturity and decline. Same product may be at a different stage of product life cycle in different markets at the same time. This necessitates different marketing strategies in these markets.

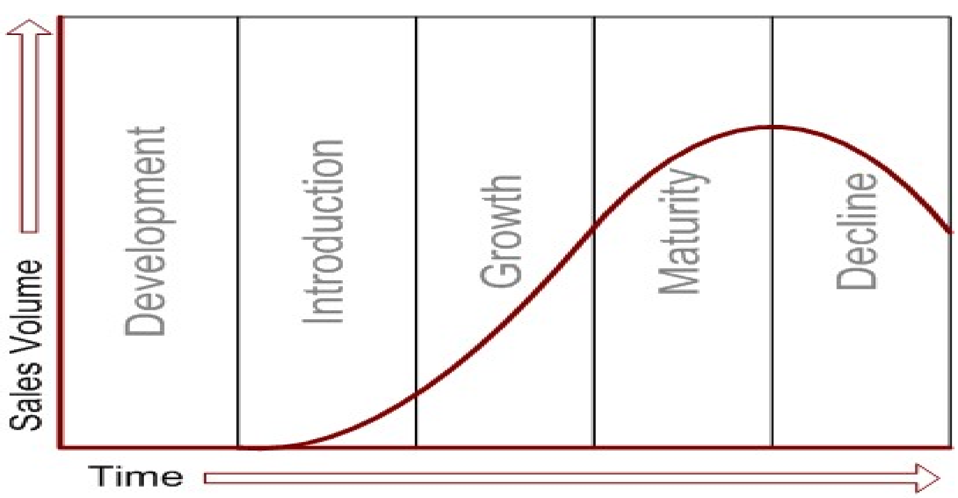

Figure 4: A typical product life cycle curve

Table 10. product life cycle

Stage	Introduction	Growth	Maturity	Decline
Marketing Objective →	Gain awareness	Stress differentiation	Maintain brand loyalty	Harvesting/ withdrawal
Competition	Few	More	Many	Few
Product	One	More versions	Full range	Best sellers
Price	Skimming/ penetration	Competitive/ Gain market share	Loyalty schemes/ Defend market share/profit	Stay profitable
Promotion	Inform/educate	Stress competitive differences	Reminder oriented	Minimal promotion
Place (Distribution)	Limited	More outlets	Maximum outlets	Fewer outlets

- Marketing strategies based on market dominance (share) can be categorized as Leader, Challenger, Follower, Nicher.
- Other categorization could be based on strategic strength such as market segmentation and product differentiation.

6.5 PORTER'S COMPETITIVE MARKETING STRATEGY

Marketing Guru Michel porter called the generic strategies "Cost Leadership" (no frills), "Differentiation" (creating uniquely desirable products and services) and "Focus/ Market Segment" (offering a specialized service in a niche market). He then subdivided the Focus strategy into two parts: "Cost Focus" and "Differentiation Focus.

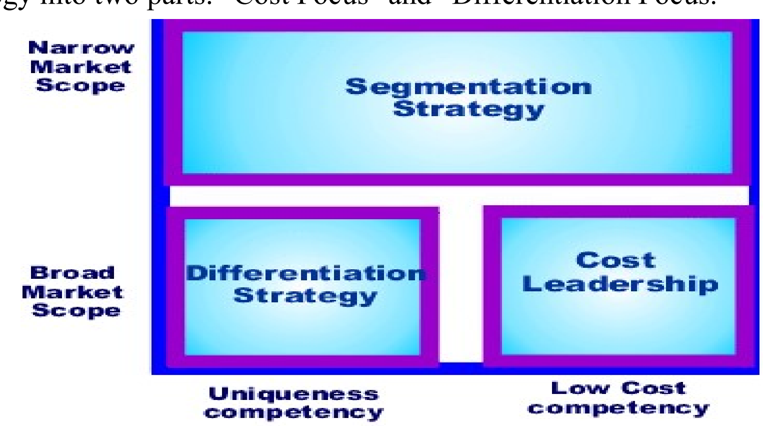

Figure 5: Porter's Generic Strategy

Table 11. Distinguishing Features of the five Generic Competitive Strategies

	Low cost provider	**Broad Differentiation**	**Best Cost Provider**	**Focused Low cost provider**	**Focused Differentiation**
Strategic Target	A broad cross-section of the market	A broad cross-section of the market	Value conscious byres	A narrow market niche where buyer needs and preferences are distinctively different	A narrow market niche where buyer needs and preferences are distinctively different
Basis of competitive advantage	Lower overall costs than competitors	Ability to offer buyers something attractively different from competitors	Ability to give customers more value for the money	Lower overall cost than rivals in serving niche members	Attributes that appeal specifically to niche members
Product Line	A good basic product with few frills	Many product variations, wide selection; emphasis on differentiating features	Items with appealing attributes; assorted upscale features	Features and attributes tailored to the tastes and requirements of niche members	Features and attributes tailored to the tastes and requirements of niche members
Production Emphasis	A continuous search for cost reduction without sacrificing acceptable quality features	Whatever differentiating features buyers are willing to pay for; strive for product superiority	Upscale features and appealing attributes at lower cost than rivals	A continuous search for cost reduction while incorporating features and attributes matched to niche members preferences	Custom made products that match the tastes and requirements of niche members

Marketing Emphasis	Try to make a virtue out of product features that lead to low cost	Tout differentiating features,Charge a premium price to cover extra costs of differentiating features	Tout delivery of best value,Either deliver comparable features at lower price or match rivals price and better features	Communicate attractive features of a budget priced product offering that fits niche buyers expectation	Communicate how product offering does the best job of meeting niche buyer's expectation
Keys to sustaining the strategy	Economical prices/good value Low costs, year after year, in every area of the business	Stress constant innovation to stay ahead of imitative competitors, A few key differentiating features	Unique expertise in simultaneously managing costs down while incorporating upscale features and attributes	Stay committed to serving the niche at overall low cost; don't blur the firm's image by entering other market segments or adding other products to widen market appeal	Stay committed to serving the niche better than rivals; don't blur the firm's image by entering other market segments or adding other products to widen market appeal

He characterizes each as the following:

- Cost leadership pertains to a firm's ability to create economies of scale though extremely efficient operations that produce a large volume. Cost leaders include organizations like Procter & Gamble, Walmart, McDonald's and other large firms generating a high volume of goods that are distributed at a relatively low cost (compared to the competition).
- Differentiation is less tangible and easily defined, yet still represents an extremely effective strategy when properly executed. Differentiation refers to a firm's ability to create a good that is difficult to replicate, thereby fulfilling niche needs. This strategy can include creating a powerful brand image, which allows the organization to sell its products or services at a premium. Coach handbags are a good example of differentiation; the company's margins are high due to the markup on each bag (which mostly covers marketing costs, not production).
- Market segmentation is narrow in scope (both cost leadership and differentiation are relatively broad in scope) and is a cross between the two strategies. Segmentation targets finding specific segments of the market which are not otherwise tapped by larger firms.

6.6 MODEL FOR DEVELOPING MARKETING STRATEGY

A generic model used to develop marketing strategy is known as STP or segmentation, targeting and Positioning. These terms are explained below:

Segmentation:

Market segmentation is the process in marketing of grouping a market (i.e. customers) into smaller subgroups. This is not something that is arbitrarily imposed on society: it is derived from the recognition that the total market is often made up of submarkets (called 'segments'). These segments are homogeneous within (i.e. people in the segment are similar to each other in their attitudes about certain variables). Because of this intra-group similarity, they are likely to respond somewhat similarly to a given marketing strategy. That is, they are likely to have similar feeling and ideas about a marketing mix comprised of a given product or service, sold at a given price, distributed in a certain way, and promoted in a certain way.

Market segmentation is widely defined as being a complex process consisting in two main phases:

- identification of broad, large markets
- segmentation of these markets in order to select the most appropriate target markets and develop Marketing mixes accordingly.

There are many dimensions to be considered, and uncovering them is certainly an exercise of creativity.

Identify and name the broad market

It has to be figured out what broad market the business aims at. If the company is already on a market, this can be a starting point; more options are available for a new business but resources would normally be a little limited.

Identify and make an inventory of potential customers' needs

This step pushes the creativity challenge even farther, since it can be compared to a brainstorming session. What one needs to figure out is what needs the consumers from the broad market identified earlier might have. The more possible needs one can come up with, the better. Answer to questions like why would they buy our product, what could possibly trigger a buying decision? can help list most needs of potential customers on a given product market.

Formulate narrower markets

Try to form sub-markets around what is our "typical customer", then aggregate similar people into this segment, on the condition to be able to satisfy their needs using the same Marketing mix. Start building a column with dimensions of the major need company tries to cover: this will make it easier to decide if a given person should be included in the first segment or a new segment needs to be formed. A list needs to be created for a list of people-related features, demographics for each narrow. There is no exact formula on how to form narrow markets: one has to rely on best judgment and experience. Opinions of even non-Marketing professionals can be sought.

Identify the determining dimensions The list resulted from the previous step needs to be carefully reviewed. From the list of need dimensions for each market segment, we need to identify those that carry a determining power. Reviewing the needs and attitudes of those included within each market segment can help figure out the determining dimensions.

Name possible segment markets

After identifying the determining dimensions of market segments, they need to be reviewed one by one and given an appropriate name.

A good way of naming these markets is to rely on the most important determining dimension.

Evaluate the behavior of market segments.

It is important for a marketer to understand market behavior and what triggers it. One might notice that, while most segments have *similar* needs, they're still *different* needs: understanding the difference and acting upon it is the key to achieve success using competitive offerings.

Estimate the size of each market segment

Each segment identified, named and studied during the previous stages should finally be given an estimate size, even if, for lack of data, it is only a rough estimate.

Positioning:

Simply, **positioning** is how the target market defines the product in relation to competitors.

A good position is:

1. What makes the product unique?
2. This is considered a benefit by the target market

Positioning is important because the companies compete with all the noise out there competing for potential customer's attention. If product can stand out with a unique benefit, there is a chance at getting their attention.

It is important to understand the product from the customers' point of view relative to the competition.

Environment

In order to begin positioning a product, two questions need to be answered:

1. What is our marketing environment?
2. What is our competitive advantage?

The marketing environment is the external environment. Some things to consider:

- How is the market now satisfying the need your software satisfies?
- What are the switching costs for potential users for your market?
- What are the positions of the competition?

The competitive advantage is an internal question. What do you have that gives you advantage over your competitors. Some things to consider:

- Is your company small and flexibility?
- Do you offer low cost and high quality?
- Does your product offer unique benefits?
- Are you the first on the market with this product (First mover advantage)?

Positioning Strategies: There are seven positioning strategies that can be pursued:

I. *Product Attributes:* What are the specific products attributes?
II. *Benefits:* What are the benefits to the customers?
III. *Usage Occasions:* When / how can the product be used?
IV. *Users:* Identify a class of users.

V. *Against a Competitor:* Positioned directly against a competitor.

VI. *Away from a Competitor:* Positioned away from competitor.

VII. *Product Classes:* Compared to different classes of products.

Branding:

A brand is a name, sign, symbol, slogan or anything that is used to identify and distinguish a specific product, service, or business. Careful brand management seeks to make the product or services relevant to the target audience and helps in positioning the product.

Targeting

Target Marketing involves breaking a market into segments and then concentrating your marketing efforts on one or a few key segments.

Target marketing can be the key to a small business's success.

The beauty of target marketing is that it makes the promotion, pricing and distribution of your products and/or services easier and more cost-effective. Target marketing provides a focus to all of your marketing activities. While market segmentation can be done in many ways, depending on how you want to slice up the pie, three of the most common types are:

- Geographic segmentation – based on location such as home addresses;
- Demographic segmentation – based on measurable statistics, such as age or income;
- Psychographic segmentation – based on lifestyle preferences, such as being urban dwellers or pet lovers.
- Behavioristic segmentation – based on expectation and usage such as volume usage, end use, benefit expectations brand loyalty, price sensitivity

6.7 CHOOSING THE RIGHT GENERIC STRATEGY

Competitive strategy is a long-term action plan of a company which is directed to gain competitive advantage over its rivals hence it is very important for a company to choose right strategy from different generic strategy. It is necessary for any organisation to decide their strategyafter evaluating their strengths, weaknesses, opportunities and threats in the industry and compare it with own. These are some models and tools which an organisation can use for analysingmarket.

6.8 PESTEL ANALYSIS

A PESTEL analysis or PESTLE analysis (formerly known as PEST analysis) is a framework or tool used to analyse and monitor the macro-environmental factors and especially useful when starting a new business or entering a foreign market.

- POLITICAL FACTORS

  Factors that predict to what extent the government intervenes in the economy. The means include political stability, foreign trade policy, tax policy, labour and environmental laws, trade restrictions etc.

- ECONOMIC FACTORS

  Factors explaining in what ways the economy affect profitability and doing business. Factors such as a country's economic growth, interest and exchange rates, inflation and disposable income of consumers and businesses will affect profitability in any industry

- SOCIO-CULTURAL FACTORS

  Analyzing how the shared attitudes of the population affect marketers and how they understand customers and what drives them. Cultural characteristics as in career attitudes etc. are variables of particular interest from a marketing perspective.
- TECHNOLOGICAL FACTORS

  There are three distinct ways technological factors affect a company's marketing management; new means of producing goods and services, new ways of distributing goods and services and also new media of communicating with target markets.
- ENVIRONMENTAL FACTORS

  Environmental factors have become important due to the increasing scarcity of raw materials, polution targets and carbon footprint targets set by governments. These factors include ecological and environmental aspects such as weather, climate, environmental offsets and climate change which may especially affect industries such as tourism, farming, agriculture and insurance
- LEGAL FACTORS

  Legal factors include laws such as discrimination laws, antitrust laws, employment laws, consumer protection laws, copyright and patent laws, and health and safety laws

6.9 PORTERS FIVE FORCE MODEL

Another important model worth considering in deciding about new product is the porter's five force model. Porter recognized that organizations likely keep a close watch on their rivals, but he encouraged them to look beyond the actions of their competitors and examine what other factors could impact the business environment. In case of telecom sector, this model can help us understand about the interest of existing and new operators in new telecom services market

- ·Threat of New Entrants : New entrants in an industry bring new capacity and the desire to gain market share. The seriousness of the threat depends on the barriers to enter a certain industry. The higher these barriers to entry, the smaller the threat for existing players.
- Bargaining Power of Suppliers: This force analyzes how much power and control a company's supplier (also known as the market of inputs) has over the potential to raise its prices or to reduce the quality of purchased goods or services, which in turn would lower an industry's profitability potential. The concentration of suppliers and the availability of substitute suppliers are important factors in determining supplier power
- Bargaining Power of Buyers: The bargaining power of buyers is also described as the market of outputs. This force analyzes to what extent the customers are able to put the company under pressure, which also affects the customer's sensitivity to price changes
- Threat of Substitute Power: The existence of products outside of the realm of the common product boundaries increases the propensity of customers to switch to alternatives. In order to discover these alternatives one should look beyond similar products that are branded differently by competitors.

- Rivalry Among Existing Competitors: This last force of the Porter's Five Forces examines how intense the current competition is in the marketplace, which is determined by the number of existing competitors and what each competitor is capable of doing

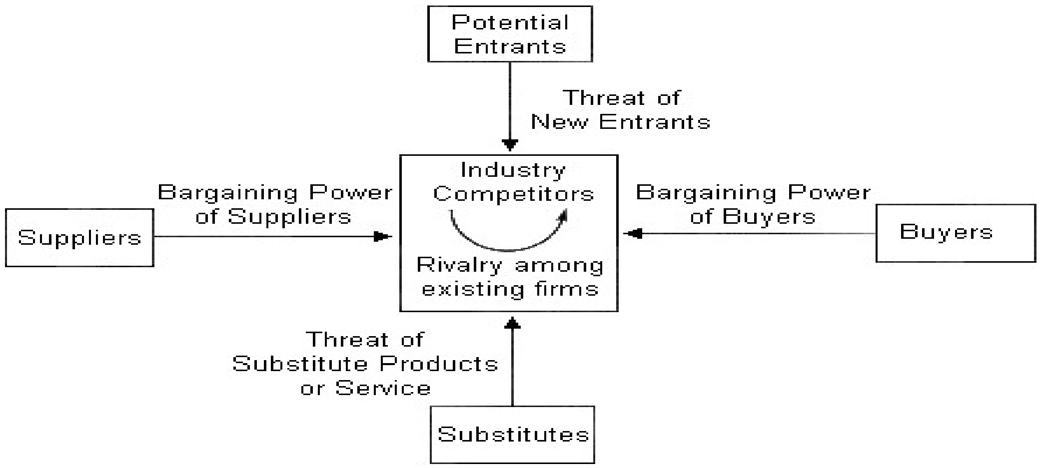

Figure 6: Porters Five Force Model

6.10 COMPETITIVE MARKETING STRATEGIES

The competitive strategy consists of the business approaches and initiatives undertaken by a company to attract customers and to deliver superior value to them through fulfilling their expectations as well as to strengthen its market position. ... It also aims at providing superior value to customers.

6.11 WHAT IS COMPETITIVE STRATEGY?

Competitive Strategy is defined as the long term plan of a particular company in order to gain competitive advantage over its competitors in the industry. It is aimed at creating defensive position in an industry and generating a superior ROI (Return on Investment). Such type of strategies play a very important role when industry is very competitive and consumers are provided with almost similar products. One can take example of mobile phone market.

Before devising a competitive strategy, one needs to evaluate all strengths, weaknesses, opportunities, threats in the industry and then go ahead which would give one a competitive advantage. Understanding competition, studying customer needs, evaluating their strengths & weakness etc are all an important aspect of marketing strategy. Companies can study & evaluate on the basis of their market share, SWOT analysis etc, which would eventually help them drive business & sales revenue.

6.12 TYPES OF COMPETITIVE STRATEGIES BY PORTER

These are, in fact, basic types of competitive strategies.

In addition to these, there are also other strategies that a company can employ when deemed necessary, such as strategic alliance, collaborative partnerships, merger, acquisition, vertical integration, outsourcing strategies, etc.

According to Michael Porter, competitive strategy is devised into 4 types:

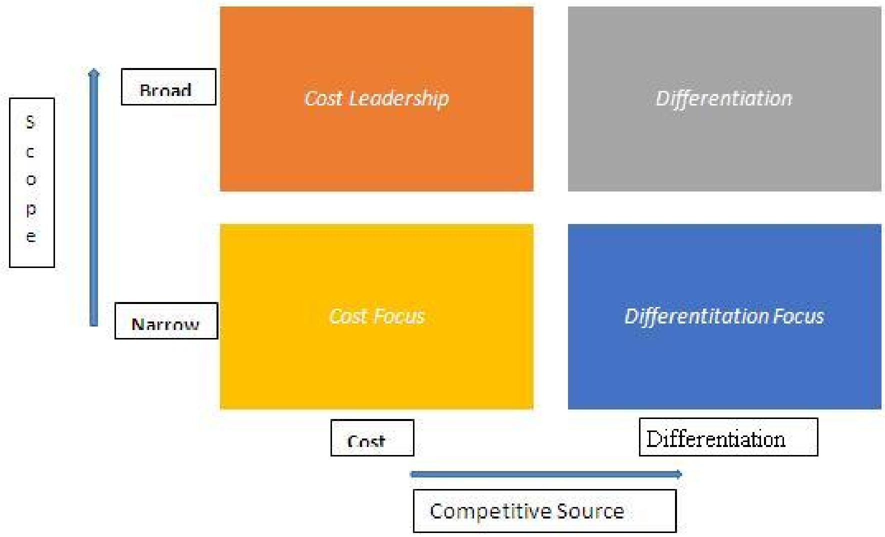

Figure 7: Competitive Strategies

1. **Cost Leadership**
   - Cost leadership strategy is also known as ‘low-cost provider strategy’, or simply ‘low-cost strategy.’
   - We will use the term low- cost strategy’ in this book.
   - The company that follows this strategy intends to become the overall low-cost provider in the industry in which the company operates its business.
   - A company strategy of selling its products at a price lower than its competitors is known as a cost leadership strategy.
   - The emphasis is placed on the production of standardized products at a low per-unit cost for price-sensitive customers.
   - Charging lower price becomes possible when the company can ensure post-reduction by operating business in a highly cost-effective manner.
   - The strategic target of this strategy s a broad section of the, market where the company offers economical prices The company emphasizes cost reduction without reducing quality. The company intense to gain market share by underpricing the competitors.
   - Some widely known companies that employ low-cost strategy include Whirlpool and general electronic company in home appliances, Black and Decker in power tools, and more.
   - The key to sustaining low-cost strategies to manage costs down in every area of the company’s business. The goal of this study is to outperform competitors through low-cost leadership.
   - When a company becomes a low-cost leader it is likely to earn above-average profits.
   - Here, the objective of the firm is to become the lowest cost producer in the industry and is achieved by producing in large scale which enables the firm to attain economies of scale. High capacity utilization, good bargaining power, high technology implementation are some of factors necessary to achieve cost leadership. e.g Micromax phones

2. **Differentiation leadership strategy**
    - Differentiation strategy is concerned with product differentiation. It refers to making a company's product different from the similar products of the competitors.
    - Although there can be differentiation in services' too, in this book, we would use the word 'differentiation' mainly to mean differentiation of tangible products.
    - As a marketing terminology, differentiation means making a product' different from the similar products of the competitors.
    - According to Philip Kotler, differentiation is the act of designing a set of meaningful differences to distinguish the company's offerings (i.e., products) from competitors' offerings.
    - A differentiated product is unique by itself. A product can be differentiated based on its form, shape, quality, durability, reliability, repairability, style, design, or some other features of the product.
    - A product will become differentiated from that of the competitors if its form (size, shape, or physical structure) is changed.
    - For example, Tanin (manufacturer of plastic products) can differentiate its round-shape plastic tea-table by changing its shape to square- size or oval-shape. 'Red Leaf marker pen may be differentiated by making it transparent.
    - Features of a product (such as the exterior finish of a car, fragrance of perfume powder or color of toothpaste) can be the themes for product differentiation.
    - Performance quality (low, average, high, or superior quality in terms of using the product for a particular purpose) can be used as the basis of product differentiation. A company may set its products at a high-quality range and gradually switch down to average or low quality or switch up to superior quality.
    - However, each of these has merits and demerits. Conformance quality is another theme of product differentiation when all the produced units are identical and meet the: specifications; of the product.
    - Under this strategy, firm maintains unique features of its products in the market thus creating a differentiating factor. With this differentiation leadership, firms target to achieve market leadership. And firms charge a premium price for the products (due to high value added features). Superior brand and quality, major distribution channels, consistent promotional support etc. are the attributes of such products.E.g. BMW, Apple
3. **Best Cost focus**
    - As a concept, Best-Cost means high quality and low price of a product. This term is used to indicate a situation where the company tries to achieve the best (lowest) cost relative to the competitors who offer similar products and simultaneously tries to improve quality.

- The best-cost strategy is the strategy of increasing the quality of products while reducing costs. This strategy is applied to give customers "more value for the money."
- It is achieved by satisfying customers' expectations on key attributes of products. At the same time, prices are charged lower than the competitors.
- By following the best-cost strategy, the company attempts to attract the 'value-conscious buyers' (those buyers who want a superior product at a lower price).
- This strategy is a hybrid. It balances a strategic emphasis on low-cost against a strategic emphasis on differentiation which is understandable.
- It is considered as the most powerful competitive strategy of all. It presupposes 'relentlessly striving to become a lower-and-lower cost provider of a higher-and-higher caliber product.' Toyota Company of Japan followed the best-cost strategy for its Lexus cars to beat Mercedes-Benz and BMW cars.

Best-Cost Strategy Defined

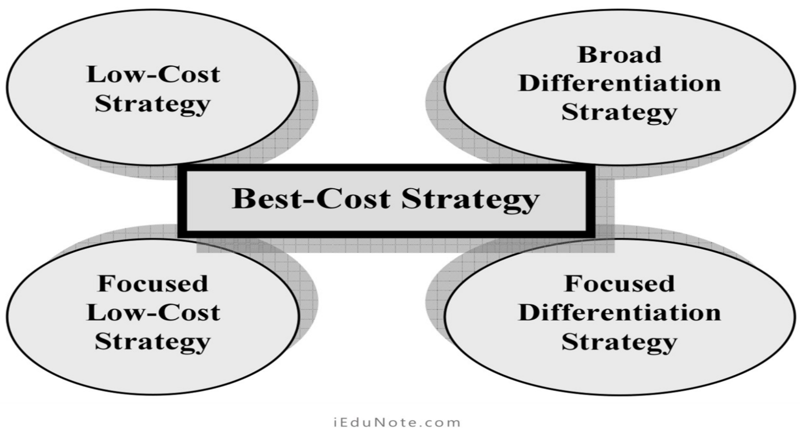

Figure 8: Best Cost Strategy

As a concept, best-cost means high quality and low price of a product.

This term is used' to indicate a situation where the company tries to achieve the lowest cost relative to the competitors who offer similar products and simultaneously tries to improve quality.

- Best-cost provider strategy is often called 'best-cost strategy',
- The best-cost strategy is the strategy of increasing the quality of products while reducing costs. This strategy is applied to give customers "more value for the money."
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- It presupposes 'relentlessly striving to become a lower-and-lower cost provider of a higher-and-higher caliber product.' Toyota Company of Japan followed the best-cost strategy for its Lexus cars to beat Mercedes-Benz and BMW cars.
- Under this strategy, firm concentrates on specific market segments and keeps its products low priced in those segments. Such strategy helps firm to satisfy sufficient consumers and gain popularity. E.g. Sonata watches

4. **Differentiation focus**
   - Under this strategy, firm aims to differentiate itself from one or two competitors, again in specific segments only. This type of differentiation is made to meet demands of border customers who refrain from purchasing competitors' products only due to missing of small features. It is a clear niche marketing strategy. E.g. Titan watches
   - Without following anyone of above mentioned competitive strategies, it becomes very difficult for firms to sustain in competitive industry.

6.13 EXAMPLES OF COMPETITIVE STRATEGY

There can be several examples based on the four parameters given by Michael Porter. Some examples are given below:

1. Cost leadership: Micromax smart phones and mobile phones are giving good quality products at an affordable price which contain all the features which a premium phone like Apple or Samsung offers
2. Differentiation leadership: BMW offers cars which are different from other car brands. BMW cars are more technologically advanced, have better features and have got personalized services
3. Cost focus: Sonata watches are focused towards giving wrist watches at a low cost as compared to competitors like Rolex, Titan, Omega etc
4. Differentiation focus: Titan watches concentrates on premium segment which includes jewels in its watches.

6.13.1 COMPETETIVE MARKETING STRATEGIES

At the base of competitive marketing strategy is the concept of market nature or market structure. Market nature describes how much a market differs from a commodity market and the degree of fragmentation in the market. Market nature is influenced to a significant degree by the strategies adopted by the firms within the market. The activities of firms influence market nature through determining the market's level of proximity. In a broad sense a market can be defined by its core benefit (e.g. communication, nutrition, power/energy), for practical purposes.

However, markets or industries are defined by the current bundle of benefits which a firm must deliver in order to be considered a direct, industry-wide competitor. This bundle of benefits and the level to which they must be supplied are the market's proximity level (similar to but not to be confused with "key success factors", which are commonly used to describe factors within a firm necessary in order to gain proximity, rather than describing the level of performance in the marketplace).

If a firm reaches this level of proximity and then exceeds it in the provision of one (or few) widely appreciated benefit(s) (e.g. quality, number of features, price, etc.), then it is implementing a differentiation strategy. The aim is to gain a sustainable position in the market and earn a premium for this extra performance, hopefully enough to offset any additional costs incurred in offering this benefit. Differentiation strategy depends on viable bases for differentiation existing. A firm implementing this strategy encourages the development of such bases. Differentiating firms in an industry will do best if they recognise one another's respective positions and therefore do not embark on "copy-cat" behaviour.

Firms following a low cost strategy take the exact opposite approach. A firm following a low cost strategy like a differentiator attempts to gain maximum market share. Unlike a differentiator, it attempts to reduce or remove possible bases for differentiation, essentially through lifting the level of proximity which firms must first gain in order to differentiate. In effect the low cost firm undertakes activity which will help push the industry down the commodity curve. Logically, a firm should consider attempting this only if it has the lowest costs of production, but lowest costs of production do not force a firm to follow a low cost strategy. The term low cost strategy is potentially misleading; a better name perhaps is proximity or commodity strategy.

If a firm does not have the ability to gain proximity it can follow a focus strategy. A firm following a focus strategy attempts to provide the right balance of benefits (the right marketing mix) to a particular segment of the market in order to match their needs and wants perfectly (or meaningfully better than other competitors. A firm following focus is not concerned with gaining full proximity. Focus strategy depends on a firm finding viable, distinct segments which do not require proximity. A firm following this strategy attempts to encourage the formation and continued existence of such segments. The competitive advantage of focus lies in the superior knowledge of one segment's needs and wants.

6.13.2 SWOT ANALYSIS

SWOT Analysis is a simple but useful framework for analyzing your organization's strengths, weaknesses, opportunities, and threats. It helps you to build on what you do well, to address what you're lacking, to minimize risks, and to take the greatest possible advantage of chances for success.

Figure 9: SWOT ANALYSIS

6.13.3 STRENGTHS

Strengths describe what an organization excels at and what separates it from the competition: a strong brand, loyal customer base, a strong balance sheet, unique technology, and so on. For example, a hedge fund may have developed a proprietary trading strategy that returns market-beating results. It must then decide how to use those results to attract new investors.

6.13.4 WEAKNESSES

Weaknesses stop an organization from performing at its optimum level. They are areas where the business needs to improve to remain competitive: a weak brand, higher-than-average turnover, high levels of debt, an inadequate supply chain, or lack of capital.

6.13.5 OPPORTUNITIES

Opportunities refer to favorable external factors that could give an organization a competitive advantage. For example, if a country cuts tariffs, a car manufacturer can export its cars into a new market, increasing sales and market share.

6.13.6 THREATS

Threatsrefer to factors that have the potential to harm an organization. For example, a drought is a threat to a wheat-producing company, as it may destroy or reduce the crop yield. Other common threats include things like rising costs for materials, increasing competition, tight labor supply. and so on.

6.14 CONCLUSION

Executives must select their firm's source of competitive advantage by choosing to compete based on low-cost versus more expensive features that differentiate their firm from competitors. In addition, targeting either a narrow or broad market helps firms further understand their customer base.

7 LINKAGES OF MARKETING TO CORPORATE STRATEGY

7.1 LEARNING OBJECTIVES-

At the end of the session, the trainees will be able to learn

- Strategic planning
- Alternative views of the value creation process
- Market-oriented strategic planning
- Market concept of competition

7.2 INTRODUCTION

Marketing is a functional strategy. Marketing plays a very significant role in translating corporate goals in to reality. Designing appropriate marketing mix in synch with corporate strategy is must not only for realizing the corporate objectives but also for sustaining the results. This chapter explains some important concepts associated with marketing strategy with reference to corporate strategy.

7.3 STRATEGIC PLANNING

Following are the key components of Corporate Strategy:

VISION: What we want to be; long term dream and aspiration of the organisation

MISSION: fundamental purpose of the organization. A mission statement provides a path to realize the vision in line with its values.

VALUE: Beliefs that are shared among the stakeholders of an organization. Values drive an organization's culture and priorities.

GOAL & OBJECTIVE: Goals convert the mission into targeted levels of performance to be achieved by a specific time.

STRATEGY: Strategy narrowly defined, means "the art of the general" (from Greek strategies). A combination of the Ends (goals) for which the firm is striving and the Means (policies) by which it is seeking to get there.

7.4 MARKET-ORIENTED STRATEGIC PLANNING

"Market-oriented strategic planning is the managerial process of developing and maintaining a viable fit between the organization's objectives, skills, and resources and its changing market opportunities. The aim of strategic planning is to shape and reshape the company's businesses and products so that they yield target profits and growth." - Kotler, 1997. Three key ideas for improving:

- Manage the company's business as an investment portfolio.
- Assess the future profit potential of each business by considering the market growth rate and the company's fit.
- Develop a strategic game plan that makes sense in light of the company's industry position, objectives, skills, and resources.

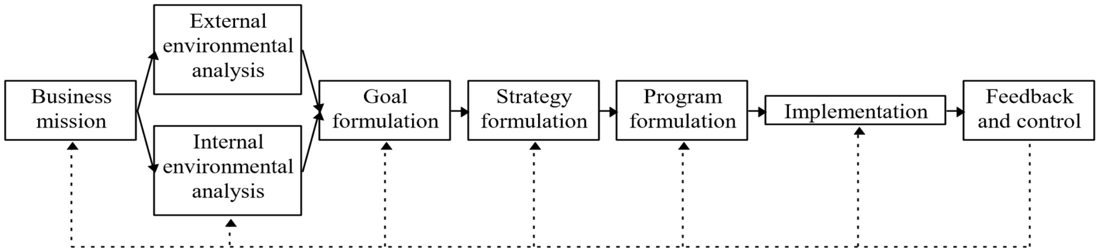


Figure 10: The business strategic planning process

Boston Consulting Group Growth-Share Matrix: "Invest in the stars, get rid of the dogs!" The framework promotes the importance of market growth rate and market share in determining the strategic importance of a product.

Figure 11: Boston Consulting Group Growth-Share Matrix

7.5 ALTERNATIVE VIEWS OF THE VALUE CREATION PROCESS

One traditional business approach ignores the impact of marketing research on product design. Under this framework, the first step is to make the product, and then the second step is to figure out how and to whom it will be sold. This is still a common problem in many companies today. A more sophisticated paradigm recognizes that the consumer demand should drive product design. Marketing research, segmentation, positioning, and conjoint analysis are all examples of this more sophisticated approach. The diagrams below illustrate the two paradigms. Traditional physical process sequence:

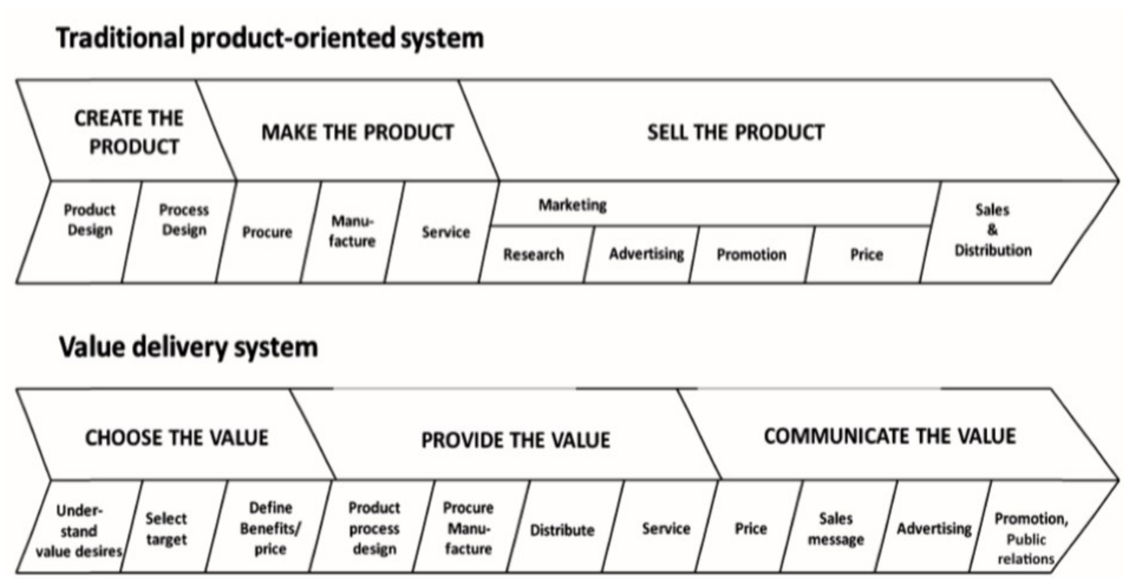


Figure 12: Value creation process and The value creation and delivery sequence (McKinsey)

7.6 ANALYSING INDUSTRIES AND COMPETITORS

Industries and competition play a central role in strategic analysis. The following notes reiterate these ideas from a marketing perspective.

Industry concept of competition - factors affecting industry structure and competition:

- Number of sellers and degree of differentiation
- Entry and mobility barriers
- Exit and shrinkage barriers
- Cost structures
- Vertical integration
- Global reach

Industry structure types:

- Pure monopoly
- Pure oligopoly
- Differentiated oligopoly
- Monopolistic competition
- Pure competition

7.7 MARKET CONCEPT OF COMPETITION

It may be important to consider competitors which make different products but which meet similar needs. This is different from an industry perspective when the view of competition is limited to those firms offering the same or very similar products.

- Product segmentation
- Market segmentation
- Competitive intelligence: gathering data about competitors.

True market orientation balances consumer and competitor considerations. Changing consumer needs and latent competitors are key factors and can be more devastating than existing competitor actions.

Porter describes three choices of strategic position that influence the configuration of a firm's activities:

- *variety-based positioning* - based on producing a subset of an industry's products or services; involves choice of product or service varieties rather than customer segments. Makes economic sense when a company can produce particular products or services using distinctive sets of activities.
- *needs-based positioning* - similar to traditional targeting of customer segments. Arises when there are groups of customers with differing needs, and when a tailored set of activities can serve those needs best.
- *access-based positioning* - segmenting by customers who have the same needs, but the best configuration of activities to reach them is different.

Porter's major contribution with "activity mapping" is to help explain how different strategies, or positions, can be *implemented* in practice. The key to successful implementation of strategy, he says, is in *combining* activities into a consistent fit with each other. A company's strategic position, then, is contained within a set of tailored activities designed to deliver it. The activities are tightly linked to each other, as shown by a relevance diagram of sorts. Fit locks out competitors by creating a "chain that is as strong as its strongest link." If competitive advantage grows out of the entire system of activities, then competitors must match each activity to get the benefit of the whole system.

Porter defines three types of fit:

- simple consistency - first order fit between each activity and the overall strategy
- reinforcing - second order fit in which distinct activities reinforce each other
- Optimization of effort - coordination and information exchange across activities to eliminate redundancy and wasted effort.

How marketing fits into overall strategic plan:

Figure 13: Strategic plan

Mission Statement -> Corporate Strategy->Business Unit Strategy->Marketing

The marketing programs in line with corporate strategy are worked out and implemented as per flow chart given below:

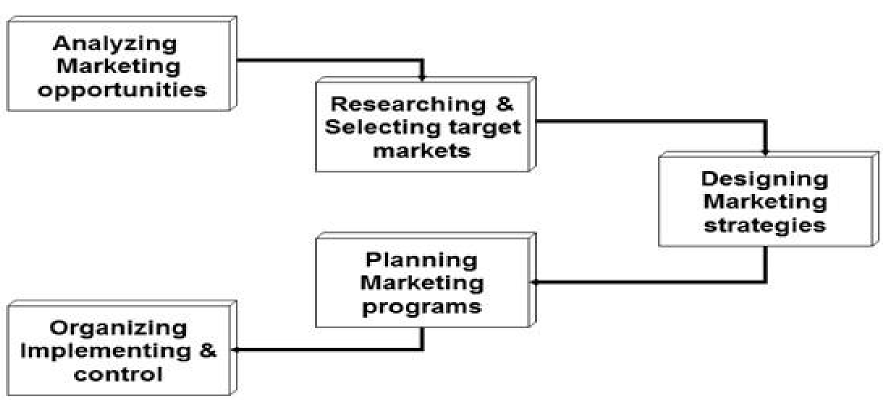


Figure 14: Strategic plan

Under Differentiated marketing strategy, market segments are identified and a different marketing mix is developed for each of the segments.

Marketing's Role in Corporate Strategy & CSR

Marketing and marketers play an important part in the development of corporate strategy and in the responding to the Corporate Social Responsibility (CSR) agenda.

Indeed from a sustainability perspective, the boundaries between what was traditionally considered to be "corporate" strategy and "marketing" strategy become blurred. This is because conventional marketing theory views the customer as being interested in the marketing mix of the company (the product, its price, its availability, how it is promoted and customer service) but in little else about it. Sustainability concerns have demonstrated that the customer can also be influenced by the company behind the products and brands they buy. The social and environmental impacts of production processes, and the degree of social responsibility with which companies treat their workers, invest their money and conduct their affairs are now all potentially significant on both the marketing and corporate agenda.

CSR has been one of the key themes of the new Millennium and involves companies operating their businesses in ways that meet their stakeholders' expectations about economic, legal, ethical and environmental and social performance. It has led to a renewed focus on the idea of "corporate brands", and research shows that people are more likely to buy and rate the products from a company that they perceive as having a good reputation. Marketing plays a very important part in delivering CSR and building corporate brands, particularly through:

- Products: through issues such as product safety;
- Advertising and promotion: which needs to be appropriately targeted, accurate and culturally acceptable;
- Pricing: which needs to deliver affordability and value as well as profits;
- Selling: which needs to avoid perceptions of mis-selling pressurising customers;
- Distribution: which needs to ensure fair access to products and services, particularly of life's necessities;
- Customer service: which needs to be effective in resolving disputes.

7.8 CONCLUSION

Marketing strategy is a functional strategy type of strategy. Functional Strategy is the strategy or organisational plan adopted by each functional area, viz. marketing, production, finance, human resources and so on, in line with the overall business or corporate strategy, to achieve organisational level objectives.

This chapter explained generic business-level strategies that executives must choose between to keep their firms competitive. Executives must identify their firm's source of competitive advantage by choosing to compete based on low-cost versus (often) more expensive features that differentiate their firm from competitors. In addition, targeting either a narrow or broad market helps firms further understand their customer base. Based on these choices, firms will follow cost leadership, differentiation, focused cost leadership, or focused differentiation strategies.

8 PRICING OF TELECOM SERVICES

8.1 LESSON OBJECTIVES

After this session, participants will be able to:

- Explain the factors defining buyer's perception of value
- Describe various pricing methods and problems
- List services pricing strategies
- Explain the factors Influencing Consumer Price Sensitivity
- Discuss the present pricing scenario for telecom services

8.2 INTRODUCTION

Market consists of buyers and sellers. In absolute terms, expectations of both parties are contradictory to each other. While customers want maximum value for her money, the sellers want to maximize its profit margin. Some sellers are willing to sell at cost or even below cost to kill their rivals. Market dynamics decide who the winner is. Various forms of market structure have been identified such as monopoly, oligopoly and perfect market. This handout describes pricing methods for services and in particular telecom services.

8.3 BUYER'S PERCEPTION OF VALUE OF SERVICE:

Buyers evaluate the perceived value taking in to account various elements as explained below:

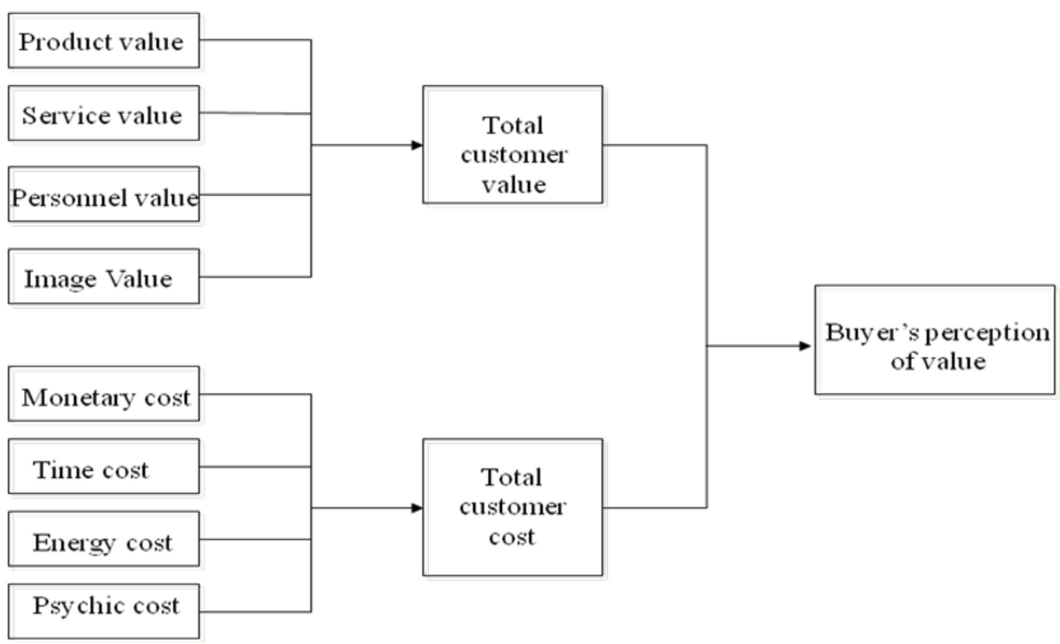


Figure 15: Buyer's perception of Value of Service

8.4 THE DIFFERENCE BETWEEN COST AND VALUE

Knowing the difference between cost and value can increase profitability:

- The cost of your product or service is the amount you spend to produce it
- The price is your financial reward for providing the product or service
- The value is what your customer believes the product or service is worth to them

- Pricing should be in line with the value of the benefits that your business provides for its customers, while also bearing in mind the prices your competitors charge. To maximize your profitability, find out:
- What benefits your customers gain from using your product or service
- The criteria your customers use for buying decisions - for example, speed of delivery, convenience or reliability
- What value your customers place on receiving the benefits you provide Wherever possible, set prices that reflect the value you provide - not just the cost.

Covering fixed and variable costs: Every business needs to cover its costs in order to make a profit. Working out your costs (fixed & variable) accurately is an essential part of working out the pricing.

Cost-plus versus value-based pricing: There are two basic methods of pricing your products and services: cost-plus and value-based pricing. The best choice depends on your type of business, what influences your customers to buy and the nature of your competition.

Cost-plus pricing: This takes the cost of producing your product or service and adds an amount that you need to make a profit. This is usually expressed as a percentage of the cost. It is generally more suited to businesses that deal with large volumes or which operate in markets dominated by competition on price. But cost-plus pricing ignores your image and market positioning. And hidden costs are easily forgotten, so your true profit per sale is often lower than you realise.

Value-based pricing: This focuses on the price you believe customers are willing to pay, based on the benefits your business offers them. Value-based pricing depends on the strength of the benefits you can prove you offer to customers. If you have clearly-defined benefits that give you an advantage over your competitors, you can charge according to the value you offer customers. While this approach can prove very profitable, it can alienate potential customers who are driven only by price and can also draw in new competitors.

8.5 DIFFERENT PRICING TACTICS

Different tactics can help you attract more customers and maximise profits.

- **Discounting:**Offering specially-reduced prices can be a powerful tool. This could be a clearance discount to sell old stock, a discount for making multiple purchases of the same or similar products, or you could offer bulk discounts to encourage larger orders. You should be able to make these more profitable through lower costs. But be careful. If you discount too much, customers may question your full-rate pricing or see you as a cheap option, making it difficult to charge full-rate prices in the future.
- **Premium Pricing:**Use a high price where there is uniqueness about the product or service. This approach is used where a substantial competitive advantage exists. Such high prices are charged for luxuries such as Cunard Cruises, Savoy Hotel rooms, and Concorde flights.
- **Economy Pricing:**This is a no-frills low price. The cost of marketing and manufacture are kept at a minimum. Supermarkets often have economy brands for soups, toiletries, etc.

- **Odd value pricing**:Using the retailer's tactic of selling products for £9.99 instead of £10 can be useful if price is an essential part of customers' buying decisions. Some customers perceive odd value prices like this as being more attractive.
- **Loss leader:**This involves selling a product at a low or even loss-making price. Although you may not make a profit selling this product, you could attract customers who will also buy other, more profitable products.
- **Skimming:**If you have a unique product or service, you can sell it at a high price. This is known as skimming - but you need to be sure that what you are selling is unique. Otherwise, you may just price yourself out of the market if there is credible competition.
- **Penetration:**This is the opposite of skimming - starting at a low price and gaining market share before competitors catch up with you. Once you have a loyal customer base, you should be able to find ways to raise prices later.
- **Psychological Pricing:** This approach is used when the marketer wants the consumer to respond on an emotional, rather than rational basis. For example, 'price point perspective' 99 paise not one Re. Ending prices with 99p is called Odd-even pricing.
- **Optional Product Pricing:**Companies will attempt to increase the amount customer spend once they start to buy. Optional 'extras' increase the overall price of the product or service. For example, airlines will charge for optional extras such as guaranteeing a window seat or reserving a row of seats next to each other.
- **Captive Product Pricing:**Where products have complements, companies will charge a premium price where the consumer is captured. For example, a razor manufacturer will charge a low price and recoup its margin (and more) from the sale of the only design of blades which fit the razor.
- **Product Bundle Pricing:**Here sellers combine several products in the same package. This also serves to move old stock. Videos and CDs are often sold using the bundle approach.
- **Geographical Pricing:**Geographical pricing is evident where there are variations in price in different parts of the world. For example, rarity value, or where shipping costs increase price.

For a large potential market for a product, the firm will adopt a Penetration price policy

Target pricing is also known as Rate of return price.

8.6 RAISING OR LOWERING PRICES

There will be times when you need to change your prices. But before you do, you should analyze the impact on your profitability of any proposed price change.

There are two key questions you will need to answer:

- What effect will the price change have on the volume of sales?
- What will the effect be on the profit per sale?

Main Constituents of Price fixation

- Pricing policy of the company
- Pricing objective and

- External constraint like Government / Regulator etc.

Selecting the Pricing objectives

- Determining demand
- Estimating costs
- Analysing competitor's costs, prices, and offers
- Selecting a Pricing method
- Selecting the final Price
- Selecting the Pricing objectives

Pricing policy should be in conformity with overall organizational objective. Company first decides where it wants to position its market offering. A Company can follow following major objectives through pricing:

- Survival
- Maximization of current profit
- Maximization of market share
- Maximum market skimming
- Product-quality leadership

Other objectives

- Tariff should be based on reasonable costs.
- Avoid adverse public reaction consequent on charging high profit, so as to have good relation with Government and public at large.
- Ethical consideration not to charge high profits.
- Maximization of prestige of the firm rather than profit and
- To safeguard against the emergence of the new products in the same line.

List of factors associated with lower price sensitivity

- The product is more distinctive
- Buyers are less aware of substitutes
- Buyers cannot easily compare the quality of substitutes
- The expenditure is a smaller part of buyer's total income
- The expenditure is small compared to the total cost of end product
- Part of the cost is borne by another party
- Product is used in assets previously bought
- Product is assumed to have more quality, prestige, or exclusiveness
- Buyers cannot store the product
- Price elasticity of demand

If demand hardly changes with a small change in price, we say demand is inelastic

If demand changes considerably, demand is elastic. Higher the elasticity, greater the volume growth with 1 % price reduction

8.7 PRICING STRATEGIES

It's important to find out what your competitors offer and what they charge. It's probably unwise to set your prices too much higher or lower without a good reason. Price too low will just be throwing away profit. Pricing too high may lose customers, unless company can offer them something they can't get elsewhere. The perception of product or service is also important. In many markets, a high price contributes to the perception of product as being of premium value.

This might encourage customers to buy - or it might deter price-conscious customers. It can be useful to charge different prices to different customers, e.g., to customers who purchase repeatedly, or buy add-on or related products, as a thank you for their loyalty. Bear in mind that customers who are expensive to satisfy will be less profitable, unless you charge them higher prices. One-off sales may cost more than repeat business.

Whatever prices are set they must cover costs and deliver a profit. Some of the pricing techniques are:

Perceived-Value Pricing: Perceived value is made up of several elements, such as the buyer’s image of the product performance, the channel deliverables, the warranty quality, customer support, and softer attributes such as the supplier’s reputation, trustworthiness, and esteem. Each potential customer places different weights on these different elements so some are price buyers, some are value buyers, and still some are loyal buyers. Companies need to provide stripped-down products and reduced services for price buyers, innovating new value and aggressively reaffirming their value for value buyers and relationship building and developing intimacy with loyal buyers.

Value Pricing: In value pricing companies win loyal customers by charging a fairly low price for a high-quality offering. An important type of value pricing is everyday low pricing (EDLP), which takes place at retail level. This strategy is adopted because constant sales and promotions are costly and it has eroded consumer confidence.

Going-Rate Pricing: In this type of pricing firm bases it’s prices largely on competitor’s prices. In oligopolistic industries that sell commodities like steel, paper, or fertilizer, firms normally charge the same price. The smaller firms follow the leader. They change their prices when the market leader changes the prices rather than their own demand or costs change.

Auction-Type Pricing: Auction-type pricing is growing more popular, especially with the growth of internet. It is used to dispose of excess inventories or used goods. Three major type of auctions are:

1. English auctions (ascending bids): One seller and many buyers
2. Dutch auctions (descending bids): One seller and many buyers or one buyer and many sellers
3. Sealed-bid auctions

Group Pricing: Internet is facilitating a method whereby consumers and business buyers can join groups to buy at a lower price. When a consumer finds a desired product he or she will see a current pool price, which is a function of the number of orders received so far.

Trade Up and Trade down Pricing: The process of adding a higher priced prestigious, product to the existing line of lower priced products is known as Trading up and the process of adding a lower priced prestigious, product to the existing line of high priced products is known as Trading down.

8.8 MAJOR INFLUENCES ON PRICING DECISIONS

- *Customers* influence prices through their effect on demand
- *Competitors* influence prices through their actions
- *Costs* influence prices because they affect supply
- Constraints on Tariff
- Multi Operator's Environment
- Competitive Tariff
- Low CAPEX for new entrants
- Competition within network due to Technological changes
- Flat rate packages Socio political pressure
- Low tariff to rural and remote areas
- No increase in the existing tariff

8.9 TELECOM SERVICES PRICING

Since the opening of Telecom sector to competition in India, there had been many changes in the way tariff is fixed by operators. In monopoly days, Department of telecom decided the tariff and the concept was pay more for using more. Basic tariff principle for telecom services is:

- Rental + usage charge
- Security deposit
- Pre-paid
- Post paid
- Life time tariff plans
- Volume of usage-based tariff plans
- Unlimited usage plans
- Special packs for Value added services such as GPRS, SMS, Voice mail, caller tunes etc.

TRAI Guidelines: Since 1997, TRAI has the role for fixing tariff for various services including interconnect tariff (inter operator). Various important guidelines/rulings of TRAI are listed below:

- All publication/Advertisements of tariffs shall be in a specified format and shall provide certain essential information.
- The websites of the service providers and the tariff brochures available in the retail outlet shall contain complete details of the tariff plans.
- No chargeable value-added service shall be provided to a customer without his explicit consent.

- The pulse rate/tariff for premium rate service shall be published in all communications/advertisements.
- Service providers shall inform customers in writing, within a week of activation of service, the complete details of his tariff plan. The changes in any item/aspect of tariff in the chosen package shall also be intimated to the customers in writing.
- A tariff plan once offered by an Access Provider shall be available to a subscriber for a minimum period of SIX MONTHS from the date of enrolment of the subscriber to that tariff plan.
- The subscriber in the said tariff plan shall be free to choose any other tariff plan, even during the said SIX MONTHS period. All requests for change of plan shall be accepted and implemented immediately or from the start of next billing cycle.
- For any tariff plan, the Access Provider shall be free to reduce tariffs at any time provided that no tariff item in that plan shall be increased within said SIX MONTHS period.
- "Floor" means the lower limit of a tariff for a telecommunication service as specified by the Authority from time to time below which such tariffs may not be offered.
- "Forbearance" denotes that the Authority has not, for the time being, notified any tariff for a particular telecommunication service and the service provider is free to fix any tariff for such service.
- "Ceiling(s)" mean(s) the upper limit(s) for tariff for telecommunication services as specified by the Authority from time to time.
- "Standard package" means a package of tariffs which inter-alia comprises rental, call charges, free calls, deposits and other charges as may be determined by the Authority for specific telecommunication services from time to time.
- TRAI collects costing data from all operators on regular basis for deciding the changes in tariff structure. All operators are required to follow segment accounting in their accounting framework. (Segment accounting implies that cost & revenue record of each licensed service is maintained separately) Recently TRAI has abolished ADC (Access deficit Charge) pay out by operators.
- Flexibility and Packages
    a) The service provider shall offer the standard package(s) to all subscribers.
    b) Where a tariff has been specified as a ceiling, no tariff shall be fixed in excess of such ceiling.
    c) Where a tariff has been specified as a floor, no tariff shall be fixed below such floor.
    d) In all other cases, a service provider may, in addition to the standard package, offer alternative combinations of tariff to different classes of subscribers in a non-discriminatory manner
    e) A limit of 25 tariff plans is imposed per license area

Pricing Strategy in BSNL: In BSNL, various data is collected, compiled and analyzed to decide tariff policies. These preforms are given at the end of this chapter. The approach of BSNL for pricing is:

a) Most of the base plans and standard plans for retail customer are decided at corporate level
b) CGMs (Head in the license area) are delegated the authority to devise specific plans depending on the nature of competition and customer profiles.
c) For enterprise customers, discounts are offered in consultation with corporate enterprise wing. Most of these cases involve submission of bids.
d) Incentives and discounts to channel partners are also decided by corporate office.
e) With the implementation of CDR project, concept of variable discounts is likely to be introduced with base tariff plan remaining same everywhere.

8.6 CONCLUSION

The different marketing strategies of telecom service providers in product differentiation, price, distribution and sales promotion, or what is known as the traditional marketing mix.

Various market forces and regulatory environment dynamically changes the tariff decisions of telecom operators.

- The price should:

- Be easy for customers to understand
- Represent value to the customer
- Encourage customer retention and facilitate the customer's relationship with the providing firm
- Reinforce customer trust
- Reduce customer uncertainty.

9 LAUNCHING A NEW PRODUCT

9.1 LEARNING OBJECTIVES

At the end of the session, the trainees will be able to learn

- Understanding product life cycle
- Strategies for marketing of new product
- BSNL 3G case study

9.2 INTRODUCTION

Customers' needs keep changing as new technologies develop and customer's knowledge updates. Marketers keep studying the customer needs to introduce new products & solutions to satisfy such needs. Many a times the company which introduces the new product is unable to reap its benefits whereas the followers benefit immensely. This chapter dwells on the various aspects of new product launch.

When a product enters the market, often unbeknownst to the consumer, it has a life cycle that carries it from being new and useful to eventually being retired out of circulation in the market. This process happens continually - taking products from their beginning introduction stages all the way through their decline and eventual retirement. New-product development starts with idea generation. Introducing a new product into the market is called commercialization. But, how does the product life cycle actually work, and how can analyzing it help companies?

9.3 WHAT IS THE PRODUCT LIFE CYCLE (PLC)?

The product life cycle is the process a product goes through from when it is first introduced into the market until it declines or is removed from the market. The life cycle has four stages - introduction, growth, maturity and decline.

While some products may stay in a prolonged maturity state, all products eventually phase out of the market due to several factors including saturation, increased competition, decreased demand and dropping sales. Additionally, companies use PLC analysis (examining their product's life cycle) to create strategies to sustain their product's longevity or change it to meet with market demand or developing technologies.

9.4 STAGES OF THE PRODUCT LIFE CYCLE

Generally, there are four stages to the product life cycle, from the product's development to its decline in value and eventual retirement from the market.

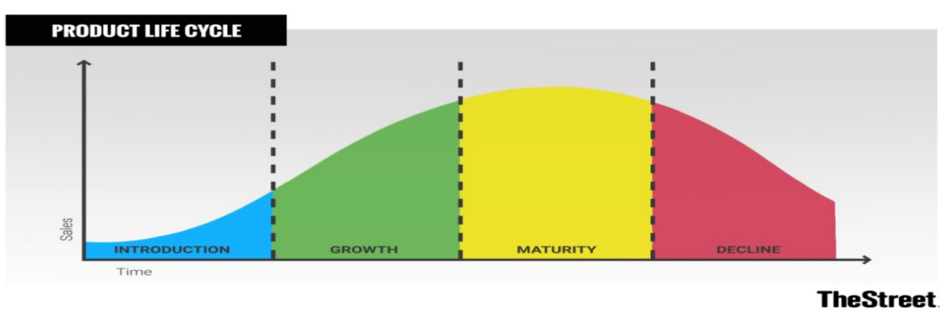


Figure 16: **Product Life Cycle**

Phase 1: Introduction

Once a product has been developed, the first stage is its introduction stage. In this stage, the product is being released into the market. When a new product is released, it is often a high-stakes time in the product's life cycle - although it does not necessarily make or break the product's eventual success.

During the introduction stage, marketing and promotion are at a high - and the company often invests the most in promoting the product and getting it into the hands of consumers.

It is in this stage that the company is first able to get a sense of how consumers respond to the product, if they like it and how successful it may be. However, it is also often a heavy-spending period for the company with no guarantee that the product will pay for itself through sales.

Costs are generally very high and there is typically little competition. The principle goals of the introduction stage are to build demand for the product and get it into the hands of consumers, hoping to later cash in on its growing popularity.

Phase 2: Growth

By the growth stage, consumers are already taking to the product and increasingly buying it. The product concept is proven and is becoming more popular - and sales are increasing.

Other companies become aware of the product and its space in the market, which is beginning to draw attention and increasingly pull in revenue. If competition for the product is especially high, the company may still heavily invest in advertising and promotion of the product to beat out competitors. As a result of the product growing, the market itself tends to expand. The product in the growth stage is typically tweaked to improve functions and features.

As the market expands, more competition often drives prices down to make the specific products competitive. However, sales are usually increasing in volume and generating revenue. Marketing in this stage is aimed at increasing the product's market share.

Phase 3: Maturity

When a product reaches maturity, its sales tend to slow or even stop - signaling a largely saturated market. At this point, sales can even start to drop. Pricing at this stage can tend to get competitive, signaling margin shrinking as prices begin falling due to the weight of outside pressures like competition or lower demand. Marketing at this point is targeted at fending off competition, and companies will often develop new or altered products to reach different market segments.

Given the highly saturated market, it is typically in the maturity stage of a product that less successful competitors are pushed out of competition - often called the "shake-out point."

In this stage, saturation is reached and sales volume is maxed out. Companies often begin innovating to maintain or increase their market share, changing or developing their product to meet with new demographics or developing technologies.

The maturity stage may last a long time or a short time depending on the product.

Phase 4:Decline

Although companies will generally attempt to keep the product alive in the maturity stage as long as possible, decline for every product is inevitable.

In the decline stage, product sales drop significantly and consumer behavior changes as there is less demand for the product. The company's product loses more and more market share, and competition tends to cause sales to deteriorate.

Marketing in the decline stage is often minimal or targeted at already loyal customers, and prices are reduced.

Eventually, the product will be retired out of the market unless it is able to redesign itself to remain relevant or in-demand. For example, products like typewriters, telegrams and muskets are deep in their decline stages (and in fact are almost or completely retired from the market).

9.5 USES OF PLC ANALYSIS

Conducting PLC analysis can help companies determine if their products are servicing the market they target efficiently, and when they might need to shift focus.

By examining their product in relation to the market on the whole, their competitors, sales and expenses, companies can better decide how to pivot and develop their product for longevity in the marketplace.

Examining their product's life cycle, specifically paying attention to where their products are in the cycle, can help companies determine if they need to develop new products to continue generating sales - especially if the majority of their products are in the maturity or decline stages of the product life cycle.

9.6 PLC STRATEGIES

For companies in an introduction stage with their product, there are several pricing models available to begin generating sales - either price skimming, which sets the price of the product initially high and lowers it to "skim" groups as the market expands, or price penetration, which sets the initial price low to penetrate the market more quickly and eventually increases it once demand grows.

Companies often run into trouble when they don't understand the introduction stage of their product's life cycle - especially when customers do not respond well to the initial product (either because of pricing or the inherent value and usefulness of the product).

It is important to examine product advertising and packaging in addition to pricing.

Is the product meeting the demands and needs of its target market? If sales are stale, many companies consider shifting their marketing strategy and focus on marketing to new demographics to help introduce their product to a potential new revenue stream.

Conducting a PLC analysis can help companies learn when they need to reinvent or pivot their product in a new direction. For example, online streaming service Netflix pivoted their product by going from a DVD-delivering service to primarily an online streaming service - which was met with great success.

By examining where their product is in the product life cycle, companies can continue innovating alongside new technology to diversify their product, keep up with competition and potentially elongate their product's life in the market.

9.7 STRATEGIES FOR MARKETING OF NEW PRODUCT

Marketing strategy for bringing a new product or service to market: Following seven important steps can help us successfully bring new products and services to market.

1. **Study your competition.** Perform a SWOT (strengths, weaknesses, opportunities and threats) analysis. Even if the new product or service is entirely unique and without existing competition, it's important to put our self in prospective customers' shoes and imagine what they might buy in lieu of what we plan to offer. After identifying the competitors, review has to be done of their marketing materials, including their ads,

brochures and websites. Evaluate how the new product or service will stand up against what's already being offered, in what ways new product can excel, and which companies or their offerings pose the greatest threats to your success.

2. **Target the ideal customer.** To successfully launch new product or service with minimum financial outlay, it's essential to focus exclusively on the prospects that are most likely to purchase from the firm. These may be customers who are currently buying something similar and will appreciate the additional features new product or service provides. The best prospects have a perceived need for what the firm offers, can afford to buy it and have demonstrated a willingness to do so--probably by purchasing from competition. Bear in mind, it's always easier to fill a need than to create one.

3. **Create a unique value proposition.** At this stage, the firm needs to have a clear understanding of what it must offer in order to stand apart from competition and who will want to take advantage of their offer. The firm needs to answer-why customers will want to buy from them vs. the vast field of competitors out there? What benefits and features are provided that prospective customers will value most? The bottom line is that new product or service "bundle" should be unique and meet the needs and desires of best prospects.

4. **Define your marketing strategy and tactics:** Next, the firm needs to choose sales and marketing channels. It may be marketed online, via catalogue or through dealers. Generally, multichannel marketers achieve the greatest success because customers who can shop when and however, they like tend to spend more and shop more often.

5. **Test your concept and marketing approach.** Any new product launch involves huge money/investments and it will be foolish to launch it in market without prior to testing. What should the firm test? It's best to examine the product or service bundle plus the marketing message and associated marketing materials. Depending on the plan to market and budget, the firm can use formal focus groups (or simply host roundtable discussions with members of the target audience), employ online research or actual shop studies, or distribute product to a select group of users for testing. Only after testing is complete, should the firm proceed to the final creation of your marketing tools and materials. Pilot projects and soft launch is a widely used strategy by telecom operators.

6. **Roll out campaign.** Public relations often play a vital role in the launch of a product or service. The firm can use media relations tactics to place articles and win interviews, get coverage by allowing key press to review the new product, hold a launch event, or use grass roots marketing to build buzz. But no matter what publicity route the firm you chaos, first make sure that the product or service is completely ready and available for purchase in order to maximize returns from the coverage it gets. And other marketing efforts should follow closely on the heels of press roll out. Monitor the results from all media, and in the first weeks and months, be prepared to adjust the campaign to take advantage of what's working best.

7. **Know the product's lifecycle.** The campaign used during the introduction and education phase of new product or service launch will need to be updated as the product or service matures. Monitoring the marketing results carefully may show diminishing returns that will indicate when it's time to revise the product or service itself, alter the media message, or even phase out this particular offering and lay the groundwork for the launch of new next great idea.

9.8 SOME CONCEPTS:

- Internationalization: Internationalization stimuli refer to internal and external factors that influence a firm's decision to initiate, develop, and sustain international business activities.
- Franchising : Franchising involves the transfer of a business concept, with corresponding operational guidelines, to non-domestic parties for a fee.

9.9 FIRST-MOVER ADVANTAGE (FMA)

FMA is the advantage gained by the initial occupant of a market segment. This advantage may stem from the fact that the first entrant can gain control of resources that followers may not be able to match. Sometimes the first mover is not able to capitalise on its advantage, leaving the opportunity for another firm to gain **second mover advantage**.

It is important to note that the first-mover advantage refers to the first significant company to move into a market, not merely the first company. In order for a company to try and become a first-mover that company needs to figure out if the overall rewards outweigh the beginning/underlying risks. Sometimes first-movers are rewarded with huge profit margins and a monopoly like status. Other times the first mover is not able to capitalize on its advantage, leaving the opportunity for other firms to compete effectively and efficiently versus their earlier entrants. These individuals then gain a second-mover advantage.

First mover advantage suggests that pioneering businesses are able to obtain higher profits and other benefits as the consequence of early market entry.

9.10 MECHANISMS LEADING TO FIRST-MOVER ADVANTAGES

First-mover advantages can arise from three primary sources. Each category is then separated into a variety of different other mechanisms. All mechanisms are theoretical and assume that other competitors trying to merge into the market are being exploited and overpowered by the first-mover company. All other things equal, the following are the three primary sources of first-mover advantages

Technological leadership

The first of the three is technological leadership. A firm can gain FMA when it has had some sort of upper-handed breakthrough in its research and development (R&D) resulting from a direct breakthrough in technology. In telecom market, in general all operators stand at the same footing as all technologies are available to willing purchasers. Telecom service providers don’t develop technology, they just deploy it.

Pre-emption of scarce assets

If the first-mover firm has superior information, it may be able to purchase assets at market prices below those that will prevail later in the evolution of the market. Pre-emption of locations in geographic and product characteristics space, in many markets there is room for only a limited number of profitable firms; the first-mover can often select the most attractive niches and may be able to take strategic actions that limit the amount of space available for subsequent entrants. Pre-emptive investment in plant and equipment, the enlarged capacity of the incumbent serves as a commitment to maintain greater output following entry, with price cuts threatened to make entrants unprofitable. When scale economies are large, first-mover advantages are typically enhanced.

Switching costs and buyer choice under uncertainty

Switching costs: Late entrants must invest extra resources to attract customers away from the first-mover firm. Buyer choice under uncertainty, buyers may rationally stick with the first brand they encounter that performs the job satisfactorily. For individual customers benefits of finding a superior brand are seldom great enough to justify the additional search costs that must be incurred. It can pay off for corporate buyers since they purchase in large amounts.

9.11 FIRST-MOVER DISADVANTAGES

Although in some cases being a first mover can create an overwhelming advantage, in some cases products that are first to market do not succeed. These products are victims of First Mover Disadvantages. These disadvantages include: "free-rider affects, resolution of technological or market uncertainty, shifts in technology or customer needs, and incumbent inertia"

Free-rider effects: Secondary or late movers to an industry or market, have the ability to study the first movers and their techniques and strategies. The basic principle of this effect is that the competition is allowed to benefit and not incur the costs which the first mover has to sustain. These "imitation costs" are much lower than the "innovation costs" the first mover had to spend, and also can cut into the profits which the pioneering firm should be enjoying.

Resolution of technological or market uncertainty: First movers must deal with the entire risk associated with creating a new market, as well as the technological uncertainties which will follow. Late movers are given the advantage of not sustaining the risks, mostly monetary, with creating a new market. While first movers have nothing to draw upon when deciding potential revenues and firm sizes, late movers are able to follow industry standards and adjust accordingly. The first mover must take on all the risk as these standards are set, and in some cases, they do not last long enough to operate under these standards.

Shifts in technology or customer needs: "New entrants exploit technological discontinuities to displace existing incumbents". In this case of first mover disadvantages, the late entrants are able to assess a market need that will replace what is currently being offered. This takes place when the first mover does not adapt or see the change in the customer needs, but also when competition develops a better, more efficient, and sometimes less expensive product. Often times this new technology is introduced while the older technology is still growing, and in this case the new technology may not be seen as an immediate threat.

Incumbent inertia: As firms enjoy the success of being the first entrant into the market, they can also become complacent and not fully capitalize on their opportunity.

"Vulnerability of the first mover is often enhanced by „incumbent inertia". Such inertia can have several root causes:

The firm may be locked in to a specific set of fixed assets,

The firm may be reluctant to cannibalize existing product lines,

or

The firm may become organizationally inflexible.

Firms that have severe fixed assets cannot adjust to the new challenges of the market as they have no room to change. Firms that simply do not wish to change their strategy or products and incur sunk costs from "cannibalizing" or changing the core of their business, fall victim to this inertia. Some firms simply will not change as it will not maximize their short-term profits to do so. Although these numbers will be higher in the long run, the organization will fail. These firms are sometimes unable to be sustained in a changing and competitive environment. They may pour too many of their early assets into what works in the beginning, and not project to what will need to work in the long run.

9.12 NEW PRODUCT MARKETING CASE: BSNL 3G SERVICE

BACKGROUND: Government of India decided to award 3G licenses long time back but due to one or the other reason, spectrum auction for 3G kept on getting delayed, BSNL & MTNL state run agencies were given spectrum to start 3G services. The condition imposed is that they shall pay the license fee as decided in the bidding process. BSNL, in anticipation to government's grant of 3G spectrum, included purchase of 3G equipment in its tender floated in 2006. Although this tender ended in a heavily curtailed P.O, it managed to place order for 3G equipment enabling it to start 3G service in 2008.

3G V/s 2G and Market scenario: Basic difference between 2G and 3G service is the data speed. Other operators are yet to get 3G license, but most claim to be 3G ready. CDMA operators like Reliance and Tata already have CDMA2000 1X network delivering data speeds of the order of 2Mbps. These operators have country wide CDMA coverage and their data cards cater to most of the market requirement from bandwidth hungry customers.

Launch of 3G: BSNL branded its 3G as BSNL 3G with punchline „Faster than your thoughts‟. The service was launched in Feb 2009 at Chennai by Tamil Nadu chief minister M Karunanidhi, who made the inaugural call to MoC A. Raja. All efforts were made to take due mileage from the event. BSNL 3G Services which include 3.6Mbps broadband, Video call and Mobile TV has been made available in 100 select cities of Northern and Eastern part of India Viz. State of Punjab, J&K, Haryana, Himachal Pradesh, Rajasthan, Uttar Pradesh, Bihar, Jharkhand, West Bengal, Orissa, Andaman & Nicobar and North East.

3G experience centres: BSNL came up with a concept of enabling the customers to a have a feel of 3G by setting up of 3G experience centres across the country. An advertising agency was assigned the task of setting up such centres.

Content tie ups: For success of 3G, it was must to have data heavy applications which are of customer interest. BSNL launched video clip service, below given is an indicative list of 3G specific content & applications

- Video on demand service, wherein video clips of 3-5 minutes (approx.) on an average are made available on demand. These videos can be accessed and downloaded from BSNL mobile. One can choose videos and download from the available huge library of content at „BSNL Live'. The categories of content vary from astrology, recipes/ cookery, entertainment, cricket to beauty tips/ clips, comics/ animation, Movies and Movie trailers, Music, multimedia games and wallpapers, and other different tones/tunes. The price of individual Video is based on its type and the price of individual videos ranges from Rs.5/- to Rs. 20/- while the full-length movie price is Rs. 40/-. For convenience BSNL splits the movies in suitable 2-6 parts of 20-30 minutes each. One can view parts at a time by clicking on each part of movie one by one. However, one needs to finish viewing all the part of the movie in specified allotted time which is 48 hours at present. The charges of the movie are deducted only once, at the start of first part. It is not necessary to watch the parts sequentially. These parts can be viewed randomly and also repeatedly many times in the allotted time. BSNL provides it subscribes with the full track audio song downloads (MP3). A user can download music from big collection of music of various genre and languages through 'BSNL Live'. So, forget about visiting music stores for buying CDs and buy it online from 'BSNL Live' and pay only for the song which you like instead of buying the whole CD. price per song = Rs. 15/-.

• Gaming: Customers can play the same games on their mobile as they play on their computers. Many categories of games from simple to premium and branded multi-player games are available on 'BSNL Live'. Games can be downloaded once and played anytime. 'BSNL Live' ensures that the user is given a game which is compatible with his/her handset and can be played on it. Simple games can be played by any 2G/2.5G as well as 3G Subscribers while Multi-media/Multi-player games are suitable for 3G Subscribes. Price of individual game may vary from Rs. 35 - Rs. 100 based on the type of game.

Important News stories:

http://www.shanzai.com/index.php/market-mayhem/asia-analysis/266-testThe3G services offered by these state owned telecom operators in India has already ran into rough weather, thanks to MTNL and BSNL"s ineptness and inexperience in offering high end wireless services like 3G. Exorbitant tariff rates offered by the 3G operators are hurting the growth of the 3G subscriber base in India. The prices are so high that its no surprise that MTNL was only able to get less than 1000 subscribers in the first six months after launch. But, the lukewarm response of 3G services in India cannot be solely attributed to the pricing factor.

One of the perennial problems that has dogged public sector units (PSU) like MTNL and BSNL in India, is that although they are good in developing the required infrastructure for 3G services, they fall behind with promoting, marketing and servicing their 3G. So consumers are not aware of the benefits of 3G. There have been instances where the customer support professionals of BSNL were unable to help customers configure their handsets with the 3G network. Both BSNL and MTNL have websites dedicated to their respective 3G services. Much to agony of their customers, there is no configuration related information, apart from some simple FAQs. Another hole in their game plan is that BSNL and MTNL have nothing attractive on their websites to lure potential customers. There is no content or applications to entice people. That needs to change. Although New Delhi and Mumbai were the first two cities to be touted as having 3G, MTNL has only limited 3G coverage in both the cities. This adds further woes to customers who can never be sure of a reliable connection, making the 3G service practically useless.

BSNL, Micromax ink deal for 3G data cards

Press Trust of India / New Delhi March 17, 2009, 20:18 IST

As per the agreement, Micromax would sale and distributes 3G data cards in the form of USB to the BSNL subscriber in various cities, Micromax said in a statement. The data card is currently available in Ambala, Jalandhar, Jaipur, Lucknow, Agra, Patna, Durgapur, Haldia, Dehradun and Shimla, it added. The company had launched next generation 3G mobile services this year in 11 cities even as the private operators are still waiting to get spectrum through auction process.

3G market capture status-a report After MTNL, BSNL too may invite bids for 3G

20 Jul, 2009, 0121 hrs IST, Joji Thomas Philip, ET Bureau

Last week, MTNL had invited bids from international firms to run its fledgling 3G mobile services in Delhi and Mumbai for 10 years, in an apparent admission of its failure to generate interest in the service that has managed to attract just 1,000 subscribers in six months of operations in the Capital.

To make up for lost time — BSNL could muster only 10,000 3G subscribers in six months — the company has set a stiff target for ramping up the number of 3G customers and would look at foreign participation, if it fails to achieve its goal in the next couple of months, the executive added.

The company plans to increase its 3G customer base 10-fold to one lakh subscribers by September, followed by an expansion of 3G coverage from under 100 cities to 1,000 cities by year-end. It plans to launch services such as video-on-demand and games-on demand as well as offer an extensive music library for downloads in the next three months.

Late last year, both MTNL and BSNL were given 3G spectrum — the airwaves on which these high-end services can be offered — on the condition that both the operators will match the highest bid offered by private telcos during the auctions.

If BSNL invites bids for running its 3G operations, this could be a shot in the arm for several telecom players waiting to enter the Indian market, the fastest-growing market in the world. The company's state-of-the-art 3G network may also attract some of the best mobile virtual network operators (MVNO).

9.13 CONCLUSION

Launching a new product is always a challenge for any company no matter what it is. As long as you're creating something that will in turn help the consumers make their life a lot easier with the right marketing strategy. It could possibly a success for your company.

10 MARKETING PROMOTIONS

10.1 LEARNING OBJECTIVE

At the end of the session, the trainees will be able to

- Define Promotional Marketing
- Understand elements of promotion mix
- Explain the Advertising, Planning for advertising
- Describe Public Relations (PR)
- Describe Personal Selling and its Process
- Explain Sales promotion and popular sales promotions activities

10.2 INTRODUCTION

A successful product or service means nothing unless the benefit of such a service can be communicated clearly to the target market. Advertising is one of the ways to communicate with the target audience. In a time when customers are exposed daily to a nearly infinite number of promotional messages, many marketers are discovering that advertising alone is not enough to move members of a target market to take action, such as getting them to try a new product. Instead, marketers have learned that to meet their goals they must use additional promotional methods in conjunction with advertising. Other marketers have found that certain characteristics of their target market (e.g., small but geographically dispersed) or characteristics of their product (e.g., highly complex) make advertising a less attractive option. For these marketers' better results may be obtained using other promotional approaches and may lead to directing all their promotional spending to non-advertising promotions. The inner urge that prompts a person to buy a product is known as buying motive

10.3 PROMOTIONAL MARKETING

Promotional marketing is a business marketing strategy designed to stimulate a customer to take action towards a buying decision. Promotions that are aimed at intermediary in the distribution channel are known as Trade promotions

Above the line promotion: Promotion in the media (e.g. TV, radio, newspapers, Internet, Mobile Phones, and, historically, illustrated songs) in which the advertiser pays an advertising agency to place the ad

Below the line promotion: All other promotion. Much of this is intended to be subtle enough for the consumer to be unaware that promotion is taking place. E.g. sponsorship, product placement, endorsements, sales promotion, merchandising, direct mail, personal selling, public relations, trade shows Promotion**- push and pull strategies**

Push: A "push" promotional strategy makes use of a company's sales force and trade promotion activities to **create consumer demand** for a product. The producer promotes the product to wholesalers, the wholesalers promote it to retailers, and the retailers promote it to consumers. A good example of "push" selling is mobile phones, where the major handset manufacturers such as Nokia promote their products via retailers and trade promotions are often the most effective promotional tools for companies such as Nokia - for example offering subsidies on the handsets to encourage retailers to sell higher volumes.

A "push" strategy tries to sell directly to the consumer, bypassing other distribution channels (e.g. selling insurance or holidays directly). With this type of strategy, consumer promotions and advertising are the most likely promotional tools.

Pull: A "pull" selling strategy is one that requires high spending on advertising and consumer promotion to build up consumer demand for a product. If the strategy is successful, consumers will ask their retailers for the product, the retailers will ask the wholesalers, and the wholesalers will ask the producers. A good example of a pull is the heavy advertising and promotion of children's' toys – mainly on television.

10.4 PROMOTION MIX

Broadly following four variables are used to create marketing promotions.

(1) Advertising: Any paid form of non-personal communication of ideas or products in the "prime media": i.e. television, newspapers, magazines, billboard posters, radio, cinema etc. Advertising is intended to persuade and to inform. Evaluation of an ad before it is transmitted to the audience is known as Pre testing. The two basic aspects of advertising are the message (what you want your communication to say) and the medium (how you get your message across)

(2) Publicity: The communication of a product, brand or business by placing information about it in the media without paying for the time or media space directly. Otherwise known as "public relations" or PR.

(3) Personal Selling: Oral communication with potential buyers of a product with the intention of making a sale. The personal selling may focus initially on developing a relationship with the potential buyer, but will always ultimately end with an attempt to "close the sale".

(4) Sales Promotion: Providing incentives to customers or to the distribution channel to stimulate demand for a product.

The specification of these four variables creates a promotional mix or promotional plan. A promotional mix specifies how much attention to pay to each of the four subcategories, and how much money to budget for each. A promotional plan can have a wide range of objectives, including: sales increases, new product acceptance, creation of brand equity, positioning, competitive retaliations, or creation of a corporate image. Each variable has its speciality and has to be used appropriately depending on the situation and objectives.

The four elements; channels of distribution ,transportation, warehousing and inventory constitute Distribution mix.

Advertising is an important element of the marketing communications mix. Put simply, advertising directs a message at large numbers of people with a single communication. It is a mass medium. Advertising has a number of benefits for the advertiser. The advertiser has control over the message. The advert and its message, to an extent, would be designed to the specifications of the advertiser. So, the advertiser can focus its message at a huge number of potential consumers in a single hit, at a relatively low cost per head. Advertising is quick relative to other elements of the marketing communications mix (for example personal selling, where an entire sales force would need to be briefed - or even recruited). Therefore, an advertiser has the opportunity to communicate with all (or many of) its target audience simultaneously.

The first step in developing an advertising program should be to set advertising objectives.After determining its advertising objectives, a company next sets its Advertising budgetfor each product.

ATL is a type of advertising through media such as television, cinema, radio, print, web banners and web search engines to promote brands. This type of communication is conventional in nature and is considered impersonal to customers. It is much more effective when the target group is very large and difficult to define.

BTL advertising uses unconventional brand-building strategies such as samples, road show, Door to door, Direct mail, events and printed media etc. BTL promotion is an immediate or delayed incentive to purchase, expressed in cash or in kind, and having short duration. It is efficient and cost-effective for targeting a limited and specific group.

10.5 PLANNING FOR ADVERTISING

Advertising agencies and their clients plan for advertising. Any plan should address the following stages:

- Who is the potential TARGET AUDIENCE of the advert?
- WHAT do I wish to communicate to this target audience?
- Why is this message so IMPORTANT to them?
- What is the BEST MEDIUM for this message to take (see some of the possible media above)?
- What would be the most appropriate TIMING?
- What RESOURCES will the advertising campaign need?
- How do we CONTROL our advertising and monitor success?

10.6 PUBLIC RELATIONS

It is a single, broad concept. It is broad since it contains so many elements, many of which will be outlined in this lesson. Public Relations (PR) are any purposeful communications between an organisation and its publics that aim to generate goodwill. Publics, put simply, are its stakeholders. PR is proactive and future orientated, and has the goal of building and maintaining a positive perception of an organisation in the mind of its publics. This is often referred to as goodwill. It is difficult to see the difference between marketing communications and PR since there is a lot of crossover. This makes it a tricky concept to learn. Below are some of the approaches that are often considered under the PR banner.

Interviews and photo-calls: It is important that company executives are available to generate goodwill for their organisation. Many undertake training in how to deal with the media, and how to behave in front of a camera. There are many key industrial figures that proactively deal with the media in a positive way for example Bill Gates (Microsoft) or Richard Branson (Virgin). Interviews with the business or mass media often allow a company to put its own perspective on matters that could be misleading if simply left to dwell untended the public domain.

Speeches, presentations and speech writing: Key figures from within an organisation will write speeches to be delivered at corporate events, public awards and industry gatherings. PR company officials in liaison with company managers often write speeches and design corporate presentations. They are part of the planned and coherent strategy to build goodwill with publics. Presentations can be designed and pre-prepared by PR companies, ultimately to be delivered by company executives.

Corporate literature e.g. financial reports: Corporate literature includes financial reports, in-house magazines, brochures, catalogues, price lists and any other piece of corporate derived literature. They communicate with a variety of publics. For example, financial reports will be of great interest to investors and the stock market, since they give all sorts of indicators of the health of a business. A company Chief Executive Officer CEO will often write the forward to an annual financial report where he or she has the opportunity to put a business case to the reader. This is all part of Public Relations.

10.7 PERSONAL SELLING

It occurs where an individual salesperson sells a product, service or solution to a client. Salespeople match the benefits of their offering to the specific needs of a client. Today, personal selling involves the development of longstanding client relationships. In comparison to other marketing communications tools such as advertising, personal selling tends to:

- Use fewer resources, pricing is often negotiated.
- Products tend to be fairly complex (e.g. financial services or new cars).
- There is some contact between buyer and seller after the sale so that an ongoing relationship is built.
- Client/prospects need specific information.
- The purchase tends to involve large sums of money.

There are exceptions of course, but most personal selling takes place in this way. Personal selling involves a selling process that is summarised in the following Five Stage Personal Selling Process. The five stages are:

1. Prospecting.
2. Making first contact.
3. The sales call.
4. Objection handling.
5. Closing the sale.

STAGE ONE– Prospecting: Prospecting is all about finding prospects, or potential new customers. Prospects should be 'qualified,' which means that they need to be assessed to see if there is business potential, otherwise you could be wasting your time. In order to qualify your prospects, one needs to:

- Plan a sales approach focused upon the needs of the customer.
- Determine which products or services best meet their needs.
- In order to save time, rank the prospects and leave out those that are least likely to buy.

STAGE TWO- Making First Contact. This is the preparation that a salesperson goes through before they meet with the client, for example via e-mail, telephone or letter. Preparation will make a call more focused. Make sure that you are on time.

- Before meeting with the client, set some objectives for the sales call. What is the purpose of the call? What outcome is desirable before you leave?
- Make sure that you've done some homework before meeting your prospect. This will show that you are committed in the eyes of your customer.
- To save time, send some information before you visit. This will wet the prospect's appetite.

- Keep a set of samples at hand, and make sure that they are in very good condition.
- Within the first minute or two, state the purpose of your call so that time with the client is maximised, and also to demonstrate to the client that you are not wasting his or her time.
- Humour is fine, but tries to be sincere and friendly.
- STAGE THREE- The Sales Call (or Sales Presentation).
- It is best to be enthusiastic about your product or service. If you are not excited about it, don't expect your prospect to be excited.
- Focus on the real benefits of the product or service to the specific needs of your client, rather than listing endless lists of features.
- Try to be relaxed during the call, and put your client at ease.
- Let the client do at least 80% of the talking. This will give you invaluable information on your client's needs.
- Remember to ask plenty of questions. Use open questions, e.g. TED's, and closed questions i.e. questions that will only give the answer 'yes' or the answer 'no.' This way you can dictate the direction of the conversation.
- Never be too afraid to ask for the business straight off.

STAGE FOUR- Objection Handling is the way in which salespeople tackle obstacles put in their way by clients. Some objections may prove too difficult to handle, and sometimes the client may just take a dislike to you (aka the hidden objection). Here are some approaches for overcoming objections: Firstly, try to anticipate them before they arise.

- 'Yes but' technique allows you to accept the objection and then to divert it. For example, a client may say that they do not like a particular colour, to which the salesperson counters 'Yes but X is also available in many other colours.'
- Ask 'why' the client feels the way that they do.
- 'Restate' the objection, and put it back into the client's lap. For example, the client may say, 'I don't like the taste of X,' to which the salesperson responds, 'You don't like the taste of X,' generating the response 'since I do not like garlic' from the client. The salesperson could suggest that X is no longer made with garlic to meet the client's needs.
- The sales person could also tactfully and respectfully contradict the client.

STAGE FIVE- Closing the Sale. This is a very important stage. Often salespeople will leave without ever successfully closing a deal. Therefore, it is vital to learn the skills of closing.

- Just ask for the business! - 'Please may I take an order?' This really works well.
- Look for buying signals (i.e. body language or comments made by the client that they want to place an order). For example, asking about availability, asking for details such as discounts, or asking for you to go over something again to clarify.
- Just stop talking, and let the client say 'yes.' Again, this really works.

- The 'summary close' allows the salesperson to summarise everything that the client needs, based upon the discussions during the call. For example, 'You need product X in blue, by Friday, packaged accordingly, and delivered to your wife's office.' Then ask for the order.
- The 'alternative close' does not give the client the opportunity to say no, but forces them towards a yes. For example, 'Do you want product X in blue or red?' Cheeky, but effective.

10.8 SALES PROMOTION

Sales promotion describes promotional methods using special short-term techniques to persuade members of a target market to respond or undertake certain activity. As a reward, marketers offer something of value to those responding generally in the form of lower cost of ownership for a purchased product (e.g., lower purchase price, money back) or the inclusion of additional value-added material (e.g., something more for the same price).

Sales promotions are often confused with advertising. For instance, a television advertisement mentioning a contest awarding winner with a free trip to a Caribbean island may give the contest the appearance of advertising. While the delivery of the marketer's message through television media is certainly labelled as advertising, what is contained in the message, namely the contest, is considered a sales promotion. The factors that distinguish between the two promotional approaches are:

1. Whether the promotion involves a short-term value proposition (e.g., the contest is only offered for a limited period of time), and
2. The customer must perform some activity in order to be eligible to receive the value proposition (e.g., customer must enter contest).

The inclusion of a timing constraint and an activity requirement are hallmarks of sales promotion.

Sales promotions are used by a wide range of organizations in both the consumer and business markets, though the frequency and spending levels are much greater for consumer products marketers.

10.8.1 OBJECTIVES OF PROMOTION

Building Product Awareness – Several sales promotion techniques are highly effective in exposing customers to products for the first time and can serve as key promotional components in the early stages of new product introduction. Additionally, as part of the effort to build product awareness, several sales promotion techniques possess the added advantage of capturing customer information at the time of exposure to the promotion. In this way sales promotion can act as an effective customer information gathering tool (i.e., sales lead generation), which can then be used as part of follow-up marketing efforts.

Creating Interest – Marketers find that sales promotions are very effective in creating interest in a product. In fact, creating interest is often considered the most important use of sales promotion. In the retail industry an appealing sales promotion can significantly increase customer traffic to retail outlets. Internet marketers can use similar approaches to bolster the number of website visitors. Another important way to create interest is to move customers to experience a product. Several sales promotion techniques offer the opportunity for customers to try products for free or at low cost.

Providing Information – Generally sales promotion techniques are designed to move customers to some action and are rarely simply informational in nature. However, some sales promotions do offer customers access to product information. For instance, a promotion may allow customers to try a fee-based online service for free for several days. This free access may include receiving product information via email.

Stimulating Demand – Next to building initial product awareness, the most important use of sales promotion is to build demand by convincing customers to make a purchase. Special promotions, especially those that lower the cost of ownership to the customer (e.g., price reduction), can be employed to stimulate sales.

Reinforcing the Brand – Once customers have made a purchase sales promotion can be used to both encourage additional purchasing and also as a reward for purchase loyalty (see loyalty programs below). Many companies, including airlines and retail stores, reward good or "preferred" customers with special promotions, such as email "special deals" and surprise price reductions at the cash register.

10.8.2 TYPES OF SALES PROMOTION

Sales promotion can be classified based on the primary target audience to whom the promotion is directed. These include:

- Consumer Market Directed - Possibly the most well-known methods of sales promotion are those intended to appeal to the final consumer. Consumers are exposed to sales promotions nearly every day, and as discussed later, many buyers are conditioned to look for sales promotions prior to making purchase decisions.
- Trade Market Directed – Marketers use sales promotions to target all customers including partners within their channel of distribution. Trade promotions are initially used to entice channel members to carry a marketer's products and, once products are stocked, marketers utilize promotions to strengthen the channel relationship.
- Business-to-Business Market Directed – A small, but important, sub-set of sales promotions are targeted to the business-to-business market. While these promotions may not carry the glamour associated with consumer or trade promotions, B-to-B promotions are used in many industries.

Consumer Sales promotions

1. Coupons
2. Rebates
3. Promotional Pricing
4. Trade-In
5. Loyalty Programs
6. Sampling and Free Trials
7. Free Product
8. Premiums
9. Contests and Sweepstakes
10. Demonstrations
11. Personal Appearances

Trade Sales Promotions

Many sales promotions aimed at building relationships with channel partners follow similar designs as those directed to consumers including promotional pricing, contests and free product. In addition to these, several other promotional approaches are specifically designed to appeal to trade partners. These approaches include:

1. Point-of-Purchase Displays
2. Advertising Support Programs
3. Short Term Allowances
4. Sales Incentives or Push Money
5. Promotional Products
6. Trade Shows

Business-to-Business Sales Promotions

The use of sales promotion is not limited to consumer products marketing. In business-to-business markets sales promotions are also used as a means of moving customers to action. However, the promotional choices available to the B-to-B marketer are not as extensive as those found in the consumer or trade markets. For example, most B-to-B marketers do not use coupons as a vehicle for sales promotion with the exception of companies that sell to both consumer and business customers (e.g., products sold through office supply retailers). Rather, the techniques more likely to be utilized include:

1. price-reductions
2. free product
3. trade-in
4. promotional products
5. trade shows

Of the promotions listed, trade shows are by far the mostly widely used sales promotion for B-to-B marketers.

10.9 CONCLUSION

Various promotional methods are available to the marketer. Success depends on selection of appropriate mix of these variables.

11 SALES MANAGEMENT

11.1 LEARNING OBJECTIVES

At the end of the session, the trainees will be able to learn

- Sales
- Sales Management.
- Sales Cycle.
- Sales Forecasts.
- Sales Funnel.
- Introduction to SFA
- Sales Report
- Sales Pipeline
- Territory
- Fundamental of Sales Success
- Knowledge and Sales
- Sales Performance
- Types of Sales
- BAVA

11.2 SALES

Simply stated it is the Exchange of Goods or Services for an amount of money or its equivalent. A sale is a process which involves the buying and selling. One buys a product (or service) which solves his problem or satisfies a need. We do not buy the product as such; but the benefits that it will bring to us. Thus, SALES is basically a need satisfying process or a problem-solving activity.

Linkage of Need and Want to Sale: Problem/ discomforts /deprivation means presence of **Need.** Need May be **Implied**/dormant or **Active.** Active Need turns into **Want/Desire.** Want backed by Money Generates **Demand** *Remember! Salesperson don't invent or create the Need; they make the Latent Need Obvious…How they do is their selling skill!*

Understanding Sales: Exchange, Need Satisfaction or Problem Solving by exchanging the Benefits/Solution that the Product or Services offer to money/considerations which the customer part with. Products or services are Solutions to someone's Problem.

11.3 SALES MANAGEMENT

It is the management process of establishing, directing, and coordinating the sales development activities for the company products. Strategically plan for, develop and profitably penetrate the market to which the products, services and capabilities of the company can be directed ensuring the sales to customers, distributors and resellers achieve the budgeted target.

The scope of the sales management, in broad terms includes, the following

- Establish Sales force objectives
- Organizing the Sales force
- Recruiting and Selecting Salespeople
- Training Sales Personnel

- Compensating Sales People
- Motivating Sales People
- Developing Sales plans
- Developing Sales development programs

Sales Process:

Six steps can be identified in any type of sales; these are:

- **Prospecting**: A Prospect is an individual or group capable of making the decision on the product or service intended to be sold.
- **Pre-approach & Approach**: Gathering information about the Prospect & his Organization
- **Presentation**: Present and propose the product, rather the BENEFITS of the product.
- **Overcoming objections** (negotiation): Handle the concern of the customers, clarify the doubts and apprehensions emphasize the benefit of the products
- **Closing and order**: To Gain Agreement of the customer to sign the order form and ensure successful order
- **Follow up and maintenance**: For ensuring customer satisfaction & repeat business. Details on delivery time, purchase terms, follow up calls to obtain feedback, ensuring proper installation, Instructions and servicing, Maintenance & growth plan for the account etc.

Some important terms associated with sales are explained below:

11.4 SALES STRUCTURE

VMS: Vertical Marketing Structure

HMS: Horizontal Marketing Structure

11.5 SALES CYCLE

The Sales Cycle term generally describes the time and/or process between first contacts with the customer to when the sale is made. Sales Cycle times and processes vary enormously depending on the company, type of business (product/service), the effectiveness of the sales process, the market and the particular situation applying to the customer at the time of the enquiry. A typical Sales Cycle for a product might be:

1. Receive Enquiry
2. Qualify Details
3. Arrange Appointment
4. Customer Appointment
5. Arrange Survey
6. Conduct Survey
7. Presentation Of Proposal And Close Sale

11.6 SALES FORECASTS

Also called sales projections, these are the predictions that sales people and sales managers are required to make about future business levels, necessary for their own organisation to plan and budget everything from stock levels, production, staffing levels, to advertising and promotion, financial performance and market strategies.

11.7 SALES FUNNEL

Describes the pattern, plan or actual achievement of conversion of prospects into sales, pre-enquiry and then through the sales cycle, so-called because it includes the conversion ratio at each stage of the sales cycle, which has a funnelling effect. Prospects are said to be fed into the top of the funnel, and converted sales drop out at the bottom. The extent of conversion success (i.e. the tightness of each ratio) reflects the quality of prospects fed into the top, and the sales skill at each conversion stage. Marketing funnel has **target market** as its input and output as **leads**. Sales funnel has leads as inputs and customers as the output.

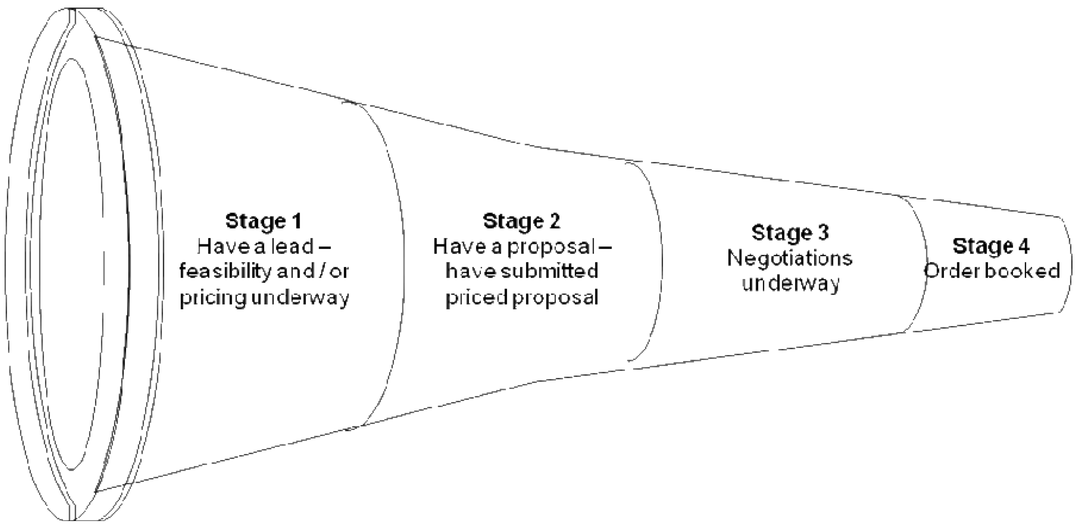


Figure 17: Sales funnel

11.8 SALES FORCE AUTOMATION SYSTEM (SFA)

It is a system that automatically records all the stages in a sales process. SFA includes a contact management system which tracks all contact that has been made with a given customer, the purpose of the contact, and any follow up that might be required. This ensures that sales efforts are not duplicated, reducing the risk of irritating customers. SFA also includes a sales lead tracking system, which lists potential customers through paid phone lists, or customers of related products. Other elements of an SFA system can include sales forecasting, order management and product knowledge.

11.9 SALES REPORT

Sales report is a business report of sales results, activities, trends, etc., traditionally completed by a sales manager and sales executives.

11.10 SALES PIPELINE

Sales Pipeline is a linear equivalent of the Sales Funnel principle. Prospects need to be fed into the pipeline in order to drop out of the other end as sales. The length of the pipeline is the sales cycle time, which depends on business type, market situation, and the effectiveness of the sales process.

11.11 TERRITORY

Territory isthe geographical area of responsibility of a sales person or a team or a sales organization.

11.11.1 TERRITORY PLANNING

It is the process of planning optimum and most cost-effective coverage (particularly for making appointments or personal calling) of a sales territory by the available sales resources, given prospect numbers, density, buying patterns, etc., even if one territory by one sales person; for one person this used to be called journey planning, and was often based on a four- or six-day cycle, so as to avoid always missing prospects who might never be available on one particular day of the week.

11.12 FUNDAMENTALS OF SALES SUCCESS

To gain credibility and foster customer loyalty, sales professionals must practice principles of ethical conduct, such as fairness and integrity. These principles increase the prestige and reputation of the sales profession.

Three principles in particular are fundamental to sales success.

Principle 1: Serve with Fairness and Integrity.

The first principle of ethical conduct is to serve your customers with fairness and integrity, striving always to subordinate your personal goals and ambitions to those of your customers.

Principle 2: Gain Trust and Respect.

The second principle of ethical conduct is to gain trust and respect. You demonstrate respect for your customers and earn their trust by maintaining strict customer confidentiality.

Principle 3: Pursue Excellence.

The third principle of ethical conduct is to pursue excellence through a regularly scheduled plan of personal development and continuous improvement.

11.13 KNOWLEDGE AND SALE

In terms of knowledge, the essential elements required to achieve lasting success are: self-knowledge, product knowledge, market knowledge, industry knowledge, and professional selling knowledge.

Self-Knowledge

Self-knowledge is the first of the five essential elements of knowledge required to achieve lasting success. To succeed, you must be aware of your vision, values, presence, and communication skills.

Product Knowledge

Product knowledge is the second of the five essential elements of knowledge required to achieve lasting success. Whether you sell products or services, you must possess a commanding knowledge of the product or service features, function, and value.

Market Knowledge

Market knowledge encompasses a wide range of specific knowledge about the customer and their buying habits. One of the most important aspects of market knowledge concerns "buying influencers," such as the champion, economic buyer, end user, technical buyer, and the individual responsible for procurement. Each of these people plays a vital role in the sales process.

Industry Knowledge

A good sales professional must also possess industry knowledge—knowledge of an industry's history, future trends, competitors, and the strengths and weaknesses of these competitors.

Professional Selling Knowledge

The fifth of the five essential elements of knowledge are professional selling knowledge. There are four components of professional selling knowledge.

The first component is understanding the hallmarks of professionalism, which include all the elements of professional selling knowledge and incorporating them into your personal and professional demeanour.

The second component is understanding time and territory management. Time and knowledge are the only real assets you have to sell. Your success will be measured by how effectively you sell in the time you have to invest and, in the area, you have to cover.

The third component for success is having a sound base of knowledge in the sales process. Top professionals understand that there is a process by which their prospective customers buy.

The fourth component is possessing a firm foundation in the principles and skills of interpersonal communication, as well as the ability to clearly communicate the value proposition that you, your firm, and your products or services offer.

11.14 SALES PERFORMANCE:

Sales performance can be measured with the following ratios:

- Contact Ratio
- Lead Generation Ratio
- Lead Conversion Ratio
- Qualification Ratio
- Proposal Ratio
- Closing Ratio

Contact Ratio: Contact ratio is achieved by dividing the number of contacts actually made to total number of call attempts. If one makes 100 calls and engage ten people in a conversation, the contact ratio is 10 percent.

Lead Generation Ratio: Lead generation ratio is found by dividing number of sales leads by the number of sale contacts. If one engages 100 contacts in a substantive conversation, from which 20 indicate that they wish to learn more about the offerings, the lead generation ratio is 20 percent.

Lead Conversion Ratio: It measures the new leads that are converted into sales opportunities. If we have 20 leads, and 10 of these become prequalified sales opportunities, the lead conversion ratio is 50 percent.

Qualification Ratio: It measures the success at bringing new sales opportunities through the initial relationship-building and qualification process. If one has generated ten new sales opportunities and four become fully qualified and viable prospects, the qualification ratio is 4:10, or 40 percent.

Proposal Ratio: The proposal ratio measures the number of proposals presented against the number of viable prospects you've identified in the qualification stage of sales cycle. If we have fully qualified ten sales opportunities and six of these turn into viable sales proposals, the proposal ratio is 6:10, or 60 percent.

Closing Ratio: The closing ratio measures the number of closed sales made against the outstanding proposals. If we have ten viable proposals outstanding and close four of these, then the closing ratio is 4:10, or 40 percent.

11.15 TYPES OF SALES

On the basis of process, sellers and buyer's relationship and volume of sales, two types of sales can be identified. These are:

1. **Retail sales**
2. **Enterprise Sales**

Main difference between these two types of Sale processes are:

Table 12. difference between Retail sale and Enterprise sale

Factor	Retail	Enterprise	Remarks
Buyer & Seller Interaction	Buyer goes to seller	Seller goes to Buyer	Normally
Scale	Small value mass selling	Big ticket, big value customised selling	
Volume	Big Volume, small margin	Small Volume, Big Margin	
Selling Process	Determined by the seller	Determined by the Buyer	Normally

11.16 RETAIL SALES MANAGEMENT

Retailing consists of the sale of goods or merchandise from a fixed location, such as a department store, boutique or kiosk, or by mail, in small or individual lots for direct consumption by the purchaser. Retailing may include subordinated services, such as delivery. Purchasers may be individuals or businesses. In commerce, a "retailer" buys goods or products in large quantities from manufacturers or importers, either directly or through a wholesaler, and then sells smaller quantities to the end-user. Retail establishments are often called shops or stores. Retailers are at the end of the supply chain. Manufacturing marketers see the process of retailing as a necessary part of their overall distribution strategy. Shops may be on residential streets, shopping streets with few or no houses or in a shopping mall. Online retailing, a type of electronic commerce used for business-to-consumer (B2C) transactions and mail order, are forms of non-shop retailing. There are several ways in which consumers can receive goods from a retailer:

Counter service, where goods are out of reach of buyers and must be obtained from the seller. This type of retail is common for small expensive items (e.g. jewellery) and controlled items like medicine and liquor. In telecom sector FWT, new mobile connection, recharge vouchers sale happens over the counters now. (activation of connections may happen later)

Delivery (commerce), where goods are shipped directly to consumer's homes or workplaces. Ordering by telephone is now common, either from a catalogue, newspaper, television advertisement or a local restaurant menu, for immediate service (especially for pizza delivery). Direct marketing, including telemarketing and television shopping channels, are also used to generate telephone orders. In telecom sector, new connections can be ordered over phone.

Door-to-door sales, where the salesperson sometimes travels with the goods or takes order for sale. DSA concept in BSNL is an example of this category.

Self-service, where goods may be handled and examined prior to purchase has become more common now.

Key issues of concern to a retailer are:

- Location of outlet
- Stock availability
- Layout of outlet
- Margins
- Incentives
- Promotional-Push, Pull techniques
- Exclusive or Multi brand outlet

Key issues of concern to a company appointing retailers are:

Reach: Number of outlets that need to be opened so that the items are available at convenient locations.

Retailer service: Activities other than sale to be handled by retailer.

Brand control: Ensuring correct branding and level of service at retail outlets.

Cost of retailing: Incentives, margins, credit stock, replacement terms, product & sales training to retailer staff, monitoring system etc.

Stock ownership: Whether retailer assumes the title or manages stock on behalf of company.

11.17 RETAIL SALES STRUCTURE & SYSTEM IN BSNL

Initially BSNL did not have a well-defined exclusive sales structure. The concept of commercial officer, CSCs and Marketing agents was expanded by introduction of franchisees with the launch of BSNL mobile services in October 2002. Since then, a strong need was felt to strengthen sales channels in BSNL and also to create sales role specific job structure in BSNL. In October 2009, as part of Project Shikhar, a new sales setup has been designed. Consumer mobility and Consumer Fixed Access verticals have dedicated GM/DGM rank officers at Corporate as well as Circle level to plan, manage and effect retail sales.

BSNL Products are defined for channel partners. It includes both primary products and secondary products of BSNL. Primary Products for the channel partners include GSM 3G / 2G, Wi-Max, Data Cards, EVDO, NIC, Blackberry, CDMA, WLL, FWT, IFWT, Value added services etc. and any other future product/ service that may be launched by BSNL from time to time. Other products such as Landline, broadband, ITC, etc. shall be Secondary Products for the channel partners, which may also be allowed by BSNL.

BSNL has put in place Franchisee Sales & Distribution policy 2009. The Sales & Distribution Policy has amended time to time and an integrated “CM Sales and Distribution Policy -2018” to be effective from 01.01.2018. This Policy is divided in four parts:

11.17.1 FRANCHISEE SALES & DISTRIBUTION POLICY:

Franchisee will be responsible for selling of all BSNL Products to BSNL subscribers directly or through Rural Distributors (RDs) / retailers within a defined territory. To facilitate retailers, provision of three tier structure has been made by including Rural Distributor between franchisee and retailers only in rural territories to serve the area within the rural BTS. The salient features of policy are:

- Franchisees are appointed through EoI route by respective SSAs.

- Well defined geographical area for franchisee called as primary area
    - Exclusive franchisee showroom as per design specified by BSNL
    - Franchisees to appoint Feet on Street (FoS)
    - Franchisee shop to open 0800h to 2200h
    - Financial penalty for not meeting cut off performance score
    - Selling of all BSNL Products purchased by Franchisee directly or through Rural Distributors (RDs) or retailers.
    - Two tier structure for urban and three tier structure for rural areas by incorporating intermediate channel of RDs.
    - Franchisee must appoint sufficient numbers of retailers in the territory such that:

i. Each Urban BTS areas & Rural BTS areas should have at least 8 retailers and 4 Retailers respectively.

ii. One retailer in urban commercial area at every 200 meter

iii. One retailer in urban residential area at every 500 meter

iv. At least one retailer in every Village

·Retailers in the rural areas will be appointed and served by RDs.

11.17.2 E-DISTRIBUTOR POLICY:

e-Distributor will be responsible for selling of BSNL Products to customers through web-portal/ Kiosk/ ATMs/ POS (Retailers) and other electronic mode on Zonal/ PAN India basis. The salient features of policy are:

- Serve BSNL customers through web portal / Kiosk /ATMs /POS (Retailers) and other electronic mode.
- e-Distributors will be selected on non-exclusive basis.
- The proposals from companies/ firms shall be scrutinized by Sales & Marketing–CM Cell of the BSNL corporate office, New Delhi.
- Successful firms shall be declared as empanelled in BSNL as e-Distributor and the concerned zone(s) will be intimated accordingly.

There will be three types of e-Distributors:

I.Cat -1 : who is applying for single zone

II. Cat -2 : who is applying for two zones.

III.Cat-3 : who is applying for all four zones i.e. on PAN India basis

- e-Distributor shall integrate its system with BSNL"s zonal C-top up systems

11.17.3 DSA POLICY:

Direct Selling Agents (DSAs) are individuals having direct agreement with BSNL. DSAs are responsible for selling of all BSNL Products, as assigned to them, to the customers at their door steps. Selection of DSAs will be done by SSA Head.

11.17.4 RURAL DISTRIBUTOR POLICY:

Rural Distributors are individuals having agreement directly with BSNL or through franchisee. Rural Distributors will be responsible for selling of all BSNL Products in Rural BTS areas through retailers. Rural Distributor will be preferably served by concerned franchisee or by BSNL directly.

To improve BSNL-external channel partners, monthly meetings are to be held by SSAs with franchisees along with retailers and separately with DSAs/PCOs/other channel partners.

11.17.5 BSNL OWNED SALES SETUP:

Customer Service Centres: BSNL has about 3000 CSCs across the country. CSCs are supposed to act as single window service centres and open from 8AM to 8PM. Appropriate arrangements need to be done to ensure that even cash transactions are handled till the closing hours. Staff posted at CSC has to be smart, courteous and knowledgeable about BSNL services.

BSNL has opened following dialup service across the country. This service is supposed to be centralized for whole circle and handle queries related to various services of BSNL such as billing, new facilities, on demand areas, new bookings etc. Customer queries can be made over either to BSNL sales team/franchisees/DSAs for follow up and converting it into sales.

1500/1800-345-1500 : For Landline/Broadband

1503/1800-180-1503 : For Mobile service

11.17.6 WEB SELF CARE:

Sales are possible through link provided on BSNL websitewww.bsnl.co.in . Customer can book service, pay their bills & recharge their mobile through BSNL website.

11.17.7 SALES TEAMS:

Nodal officer: Heads of SSA have to appoint a suitable BSNL executive preferable CSC in charge to act as single window interface for the franchisees. Nodal officer is required to maintain inventory, stock register and reconcile revenue and sales made by franchisees. Minimum three months inventory has to be stocked by SSAs.

Sales staff: As per BSNL Sales policy BSNL has to appoint sufficient number of Retailer Managers, Retailer Manager Coordinator (RMC), and Franchisee Managers for providing time-to-time guidance, and addressing issues/ concerns raised by franchisees. BSNL shall also appoint other members of the Sales & Marketing team at Circle and SSA level. Special teams are being appointed under Project Udaan and Project Vijay. Very lucrative reimbursement schemes have been put in place for sales people

Training Sales Personnel

A strong emphasis is being given to training of sales personnel including franchisees. Different training centres organize special sales training programs for executives and staff. Professional agencies were also engaged to impart training to BSNL officials as part of Project Vijay and Project Udaan. BSNL HQ has given a directive to provide training to all franchisee of BSNL in a time bound manner and also keep organizing such trainings to update franchisees on latest developments in BSNL. Sales training in following attributes is provided:

i) Knowledge: About:

- The organization,
- The products,
- The customer,
- Technical and commercial aspects,
- Similar products of the competitor.

ii) Communication skills: Verbal, non-verbal, listening.

iii) **Administrative skills:** Organizing, planning and prioritizing, coordinating.

iv) **Strategies or "Game plan":** Building long-term relationship, sensing customer reactions, Managing customer perception and expectations

v) **"YOU" factor**: Personal appearance, Interpersonal skills. The Sales personnel serve as the company's link to customers. In fact, *"They are the Company for the customers and the Customers for the company"*.

11.18 ENTERPRISE SALES

This sales initiative can happen from either party. Purchasers usually float request for proposal (RFP) or Expression of Interest (EOI) or Tenders. Other possibility is the seller suggesting a solution to a company for their unfulfilled need or a better solution than the existing in use.

Goal is to help a client find value in offered solutions on a long-term basis ensuring win-win for the company & client. While marketing is for masses, EB specifically targets select clients where high revenue is expected either through sale of its own services or Introduction of joint products/services. The emphasis is to make more money by selling solutions rather than just plain vanilla services.

Since it is usually a high-volume business, purchaser expects volume discounts. Seller agrees to appropriate discounts depending on the contract value and the term. Thumb rule is Higher the discount, longer is the contract period

Enterprise Customer segmentation: BSNL has segmented enterprise customers into following three categories:

Platinum customers: These customers are large corporate entities (with indicative turnover greater than Rs. 500 cr p.a.), with significant telecom spend across several locations and sophisticated product needs. It is desired that BSNL should provide highest degree of focus to these accounts through a dedicated national team.

Gold customers: These are medium-sized corporate entities (with indicative turnover of Rs. 50-500 cr p.a.). It is desired that BSNL will provide higher service levels to these customers through an in-house account management team based in the circles.

Silver customers: All corporate customers that are not a part of the Platinum or Gold accounts are designated as Silver accounts (with indicative turnover greater than Rs. 10 cr p.a.). Since the number of companies in this segment is very large, it is proposed that BSNL should use appropriate channel partners to ensure that sufficient attention is devoted to these accounts.

Enterprise Sales structure in BSNL

Career Wholesale: This unit is responsible for generation of Carrier Wholesale revenues for on BSNL's National Long Distance (NLD) network and International Long Distance (ILD) network. Primarily GM (Business Planning) at BSNL HQ deals with it with back-end support from maintenance regions.

Enterprise Business: The role of this wing, which has been created at corporate as well as circle levels is to identify the specific needs of enterprise customer which can be a mix of Voice, Data and Managed Services solutions. To give proper focus to such customers based on their potential, such customers are categorized as platinum, Gold and Silver. Another important segment of enterprise customer is BFSI i.e. banking, financial services and Insurance sector companies. Main function of this wing is to achieve profitable and sustainable growth of enterprise business by creating sales policy & strategy for Platinum, Gold and Silver enterprise customers and monitoring performance for the same. Promotion of Enterprise business to platinum customers through marketing activities such as advertisements and promotions based on focused market research is also its responsibility. This wing is supported by other related units such as leased circuit, Network operations, Core Network planning and field units of CFA, CM for execution of enterprise projects. A key difference from previous approach to enterprise sales is the creation of DGM (Service Delivery/Service Assurance) post at Circle level. Earlier this work was handled by DGM Enterprise sales thereby overloading the post with dual responsibility of bringing new business as well as handling project management for such business. Concept of National Account Manager (NAM) and Key Account Manager (KAM) has also been introduced to provide focused attention to corporate customers. Reimbursement of travel/meal/sundry expenses is allowed to NAM/KAM depending on their role and quantum of work.

System Integrators: Many of the Telecom project requirements of customers consist of a mix of following elements

- Hardware
- Software
- Bandwidth
- Integration

While BSNL has strong hold in bandwidth, yet for other three elements no in-house expertise exists. Since most customers ask for single window contact for all above items, BSNL decided to appoint system integrators for leveraging their expertise in hardware, software and integration. **SI** is appointed at national as well as Circle level. While BSNL can seek the help of System integrators, they can also bring business to BSNL. Depend upon situation, concept of front-end bidding (BSNL at front end) or back-end bidding is followed.

BSNL Channel Partners: BSNL has decided to deal with Platinum & Gold customers directly. BSNL executives have been appropriately trained in enterprise sales. For capturing silver customers, BSNL has started appointing Channel partners in the circles. These channel partners are given an exclusion list mentioning Platinum & Gold customers so that they don't waste their efforts on these customers. Two types of Channel partners are appointed:

Tier 1 Channel Partners (Tier 1 CPs')

Tier 1 CPs' will be primarily engaged in the Sales and Marketing of BSNL Voice and Data services to targeted Silver customers. In addition, CPs' may also be engaged for supply, configuration and maintenance of customer's end equipments, their network on LAN / WAN etc.

A prospective Tier 1 Channel Partner (Tier 1 CP) shall be a direct supplier of technology, hardware, telecom products or shall have a direct agreement with each of the Technology Companies, OEM's (Original equipment manufacturer) that form the core building blocks of the project. The core IT and Telecom building blocks may be classified as Routers, LAN Switches, Leased Line Modems & Converters, PC's and Servers etc. Tier 1 CP is required to have Minimum 5 number of sales personnel and 10 number of field engineers.

Tier 2 Channel Partners (Tier 2 CPs')

Tier 2 CPs' will be primarily engaged in the Sales and Marketing of BSNL Voice products. In addition, these CPs' will also be allowed to deal in a limited range of data services (e.g. 2G and 3G data cards, broadband services etc.).

Tier 2 CPs' showing exceptional growth may be given the opportunity to sell additional BSNL products / services like MPLS VPN, leased circuits etc. on a trial basis. This will be at the sole discretion of BSNL.

A prospective Tier 2 Channel Partner (Tier 2 CP) shall be a direct supplier of hardware and telecom products (e.g., Computer systems, Servers, Routers, EPABX systems etc.) to Silver customers.

Tier 2 CP is required to have Minimum 5 number of sales personnel/field engineers.

Roles and Responsibilities of Channel Partner

Sales and Marketing

The CP will actively market and promote BSNL's services using own Sales, Marketing and Distribution network. The CP is expected to acquire business from Silver customers within entire telecom Circle.

The Channel Partner is free to develop their own network in Circle either directly or through partners for Sales and Marketing of BSNL's services.

The CP is expected to achieve minimum sales targets set by BSNL.

Service Delivery

BSNL and CP will jointly address the telecom requirements of the customers.

The equipment required by the customers shall be procured and provided by the CP directly to the customers at their own cost. Time schedule will have to be adhered as per requirements of customers. In case customers require procurement of the equipment through BSNL, CP will get in touch with Channel manger to fulfil such requirements.

The CP will make all the efforts to get the services commissioned within the stipulated time frame. Any cases pending for more than a month will be reviewed separately by the Channel Manager from BSNL.

For providing last mile connectivity to the customer, CP will coordinate and pursue with concerned BSNL authorities as well as with other agencies/Departments (Like MTNL, other offices of BSNL, contact person of customer etc.) to enable the same and complete the project in time.

Service Assurance

The CP is expected to receive customer complaints and escalate these complaints for resolution to BSNL, as and when required

Tier 1 CP shall provide all assistance in restoration of the service in case of disruption of services to the customer

CP should pass on the warranty extended of OEM's products to the customer

CP should have necessary resources/capabilities to provide the AMC (Annual Maintenance Contract) to the Customer for their End Equipments, their network on LAN / WAN etc as per their requirement. The CP must give a commitment to provide AMC for a minimum period of 3 years. However, decision of the customer will be final with respect to the duration of AMC, as per his / her requirement.

The CP should provide support to existing customers by conducting periodic visits, answering queries, clarifying issues etc. The CP should solicit the support for BSNL Channel Manager as and when required for these activities

Customer lead generated by CP

Channel Partners must provide regular updates on new leads to the BSNL Channel Manager. An indicative list of details to be provided is give below:

- Name of customer
- Product / service required
- Approximate deal value
- Expected date for completion
- Current status of lead

The CP will receive a provisional lock-in code for this customer. Such a code may be given to multiple CPs at this stage for a single customer. Only the BSNL channel manager will be able to identify all the CPs' targeting a particular customer.

The CP who receives the order and collects payment against the order will receive complete lock-in for the customer and will become eligible for payment of the incentive.

Customer lead provided by BSNL

Points will be allocated for the business generated from each CP for every quarter. For example, points will be given for the number of leads generated, along with the revenues booked in the quarter.

New leads originating from BSNL will be allocated to CPs in proportion to the accrued points earned by each CP

The CPs' may choose to refuse the allocated lead, in which case the lead may then be allocated to the next CP. However, persistent refusal by the CP may lead to his disqualification.

In case BSNL is lead bidder or services from BSNL are specifically demanded by the customer, quotation from the selected CP will be taken and the same will be quoted to the customer after taking relevant taxes into consideration.

The CP will furnish a certificate to BSNL that the charges made to customers for Customer's requirement are fair and reasonable.

Incentive to CP will be applicable only on BSNL portion of services

Targets:

BSNL will fix annual targets for each CP, which will be decided through mutual agreement based on the resources deployed and competitive scenario. However, BSNL's decision in fixing the targets will be final.

Further, this target will be split into quarterly targets which will be constantly monitored. The targets can be increased / decreased depending on the performance of the CP.

Training:

BSNL provides technical / service training and product information to empanelled CPs in order to familiarize them with BSNL's product portfolio, tariffs, discounts etc. Present policy is to ensure that channel partners are provided such initial training as and when they sign agreement with BSNL followed by regular update trainings.

Sales Management Software in BSNL

Sales software in CRM module of CDR project: As part of BSNL CDR/Convergent billing project under commissioning, a centralized CRM module having sales features is also being put in place for handling all BSNL service as a single window concept. Functions like lead generation, lead qualification, selling to a retail new/existing Customer will be available.

Sancharsoft: This software has been developed and made operational by IT project circle for retail/bulk Inventory Management which is a web-based module for management of Sales & Distribution Channels. Software provides various reports for planning and redistribution of inventory, manages stock issuing, invoice management, commission pay-outs, sales data on geographical as well franchisee/retailer/DSA wise for analysis.

Sales & Distribution Module in ERP: ERP under implementation in BSNL will have this module enabling integrated handling of PBG, order management, stock issue at various levels such as Direct sales (CSC), Franchisees, Post office etc.

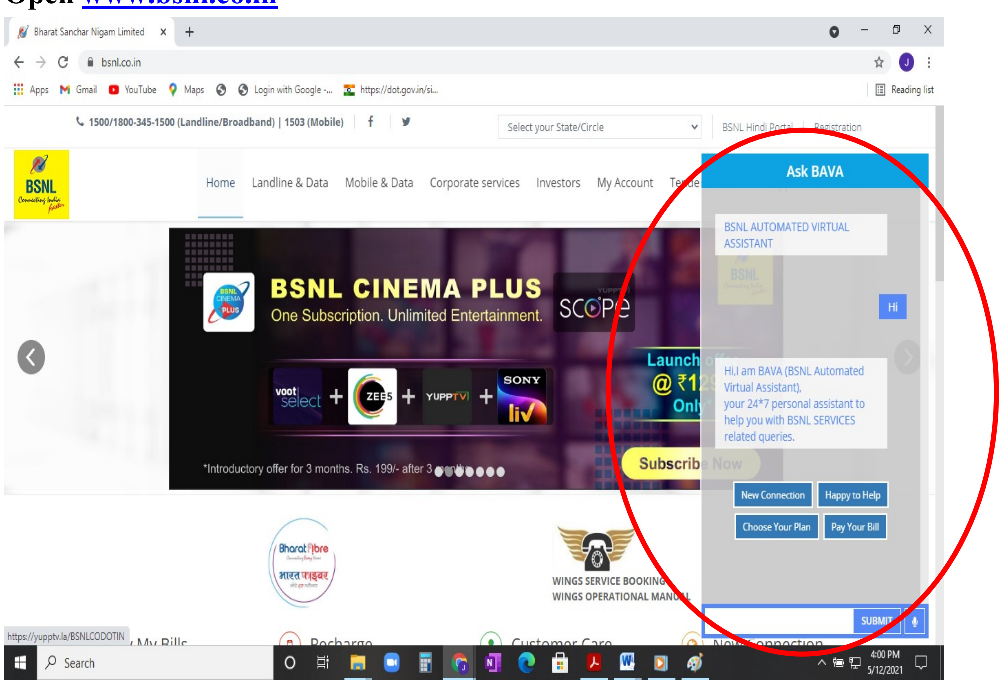
Wings software for Project Udaan: ITPC Pune has developed and launched a lead management software in Jan 2010. It enables creation, distribution and management of leads, which are then entered in to the local commercial systems. All the stages of Lead before or after its entry in the commercial system are monitored, by a system of SLA, through various report generation and SMS generation till its completion.

EB PORTAL: The Enterprise Business Portal is developed by ITPC Hydrabad. It provides the Enterprise Business Team of BSNL with a end to end web based software solution that delivers a secure, scalable and reliable tool to enter, update, manage various Enterprise Business activities with in BSNL and facilities to track and report the various activities of EB Team. This software is used enter the lead, Opportunity Data, generate Quotation, Service Orders and also keep track of the stages an opportunities are.

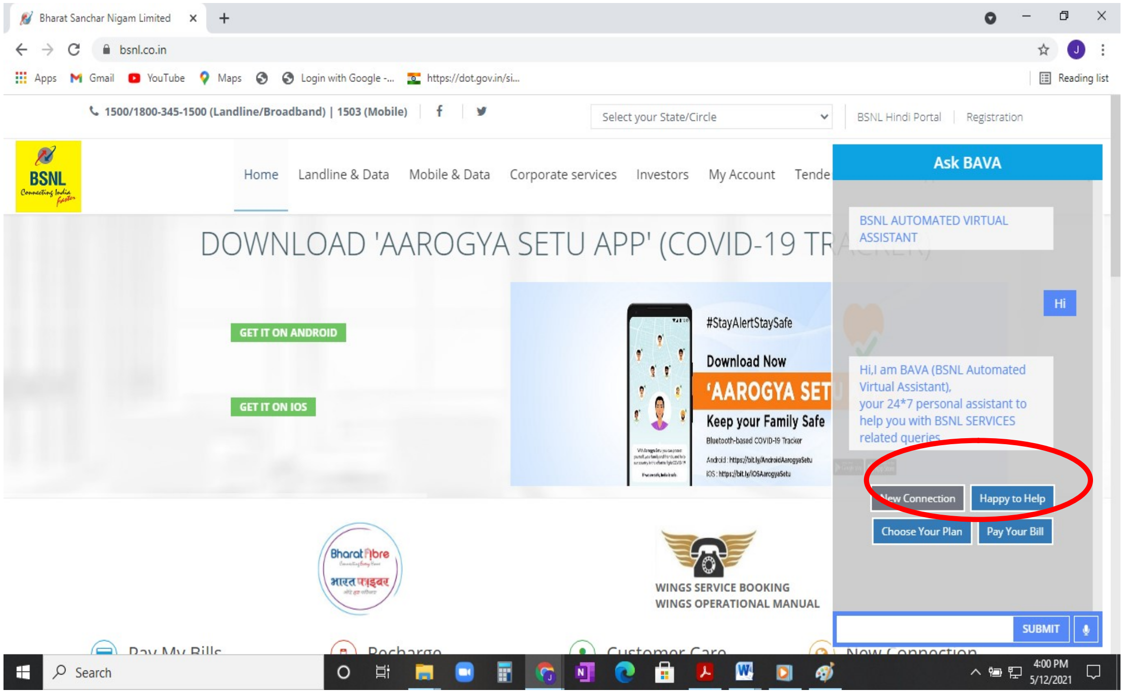
11.19 BAVA (BSNL AUTOMATED VIRTUAL ASSISTANT)

PROCESS of new CONNETION APLLICATION THROUGH BAVA (BSNL AUTOMATED VIRTUAL ASSISTANT), Step by Step Process for BAVA

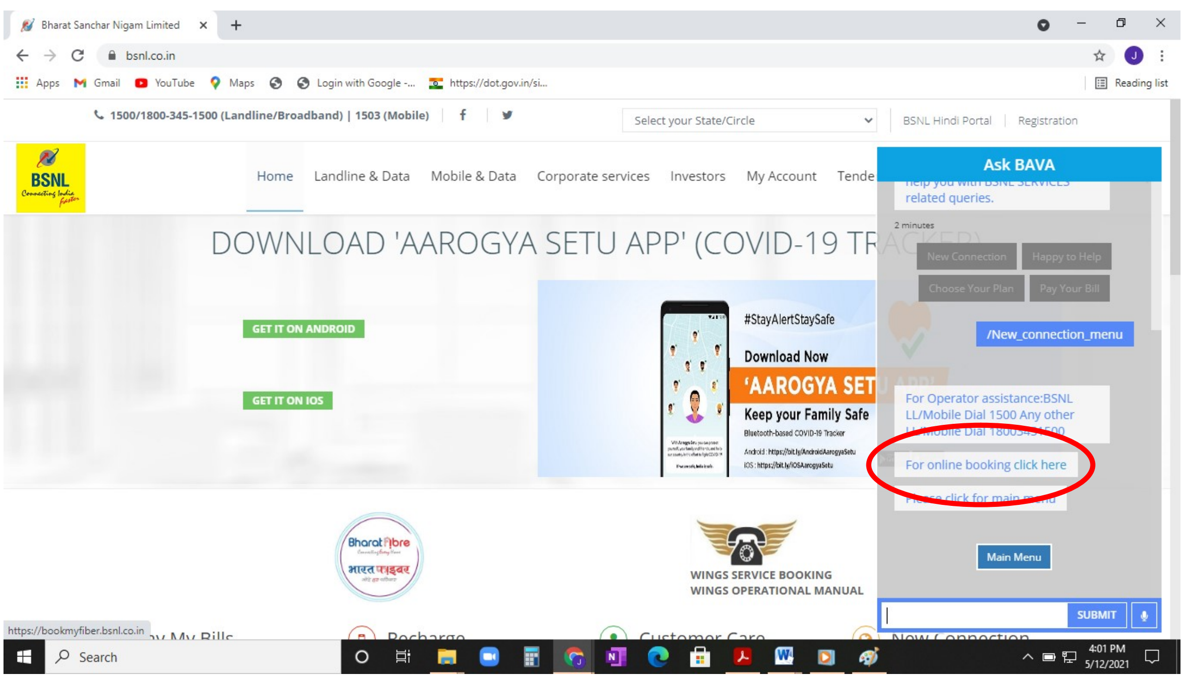
Open www.bsnl.co.in



Click on New Connection

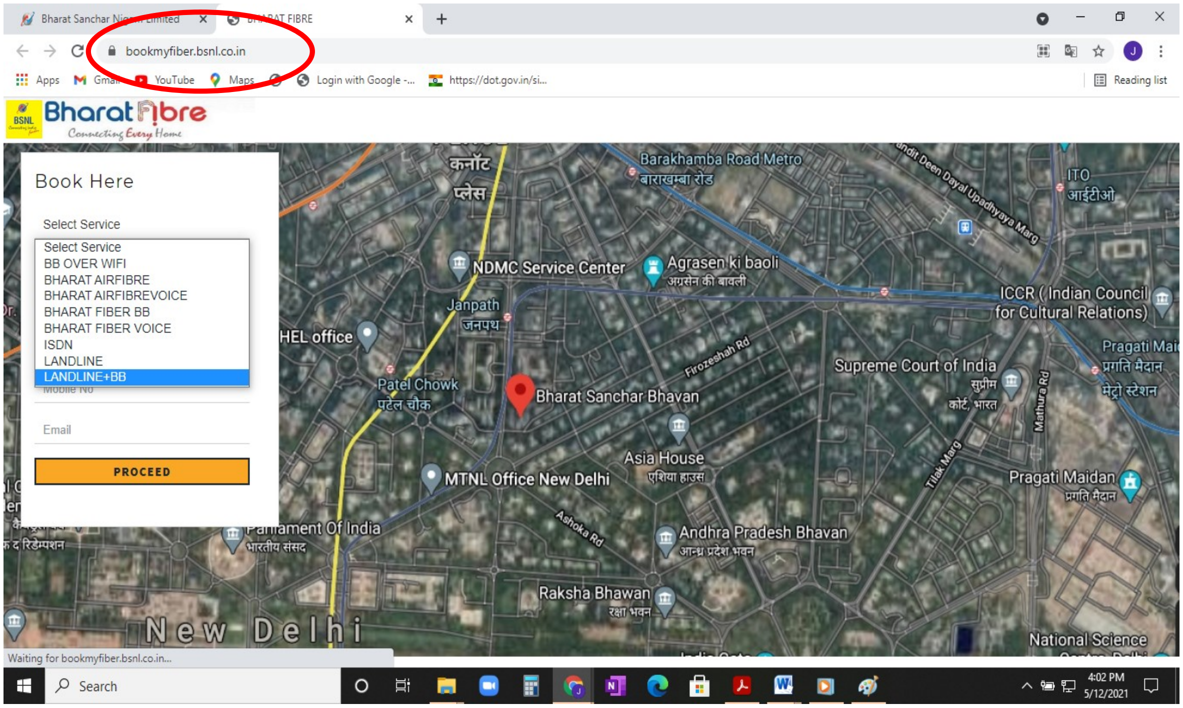


Click on online booking

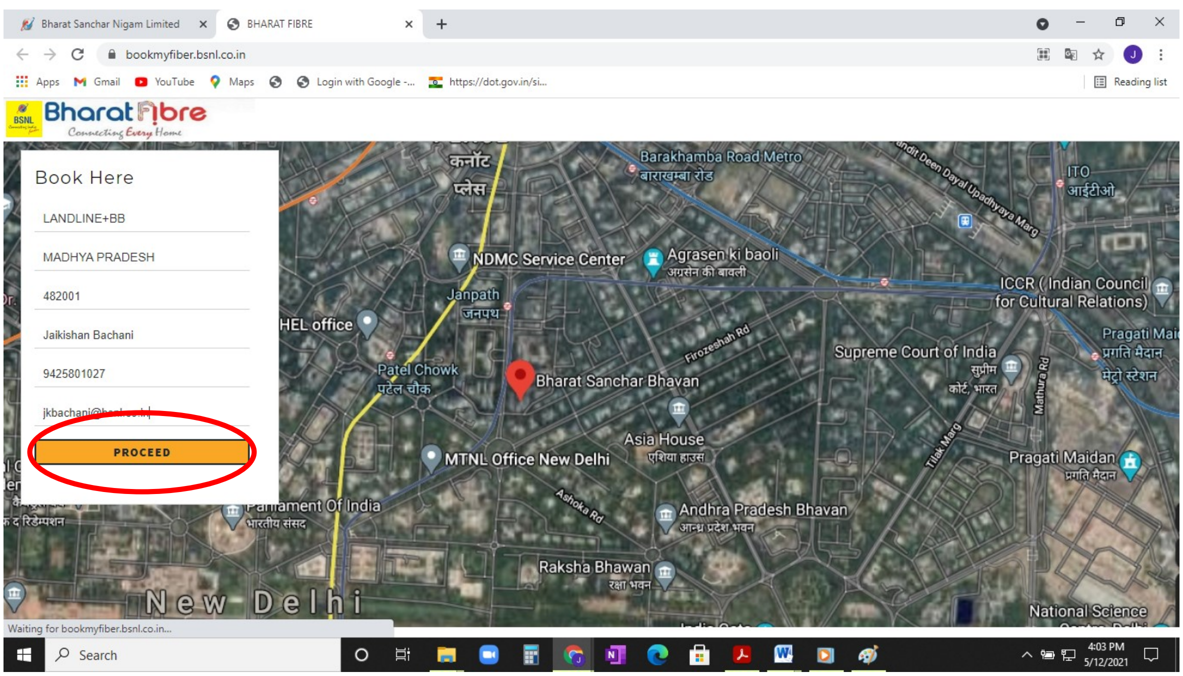


New page will open https://bookmyfiber.bsnl.co.in/

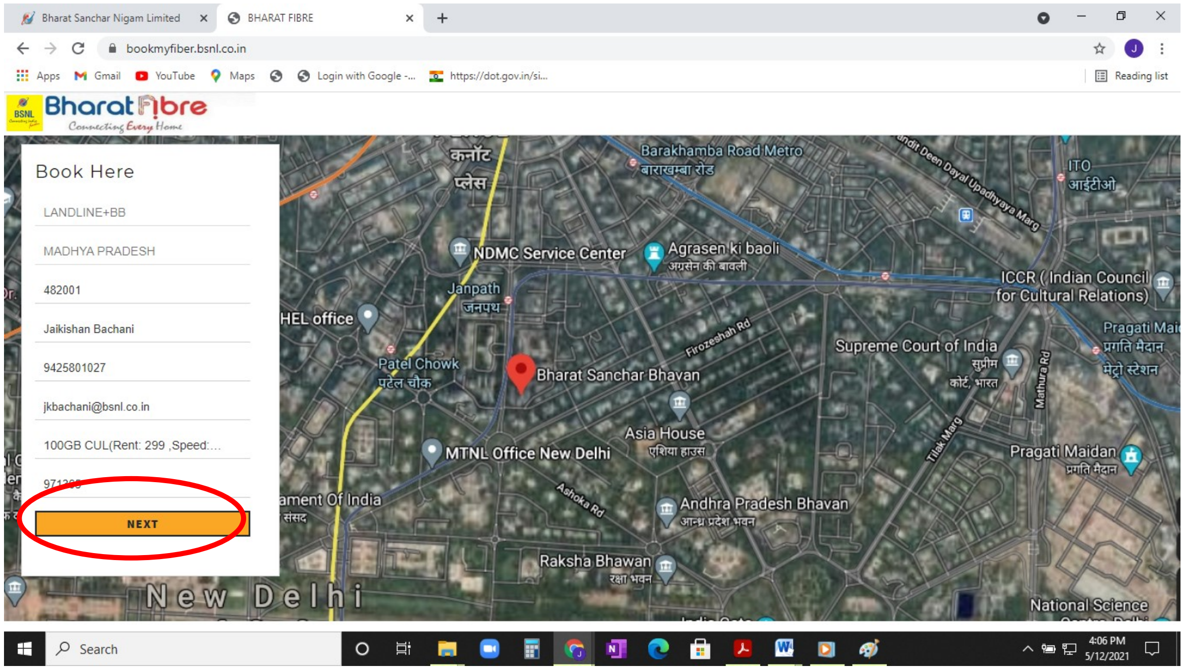
Select the Service , area and fill the name , mobile number and email ID



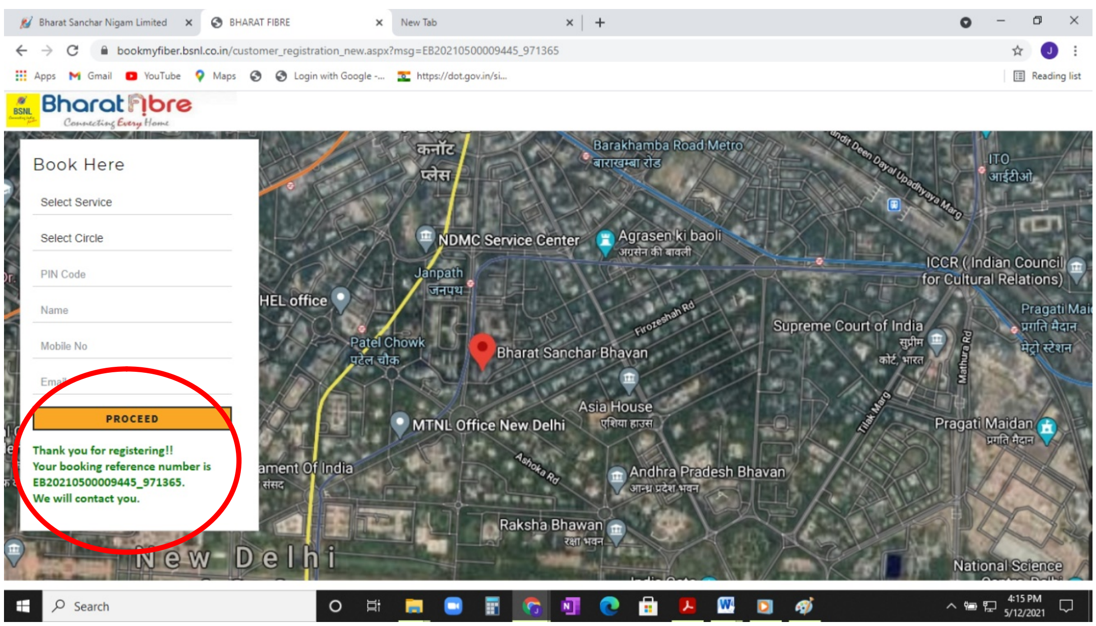
Click on Proceed



OTP will be sent for authentication, also select the desired plan



Click on next



Connection will be booked and reference number is displayed.

The BSNL team will contact customer.

11.20 CONCLUSION

Sales management is a vital part of any business organization. It not only makes the products or services available to the customers but also supports the organization to sustain competition in the long run.

12 SERVICE QUALITY AND SERVICE OPERATION

12.1 LEARNING OBJECTIVE

At the end of the session, the trainees will be able to learn

- Describe Service Quality and its key contributors
- Define service quality;
- Identify the reasons for a different approach to service quality;
- Explain the determinants of service quality;
- Understand service quality models and their application;
- Understand the linkage between service quality and profitability;
- Measure service quality.
- Explain Service Operations
- Business process reengineering of service operations
- Explain Service Quality and Service Operations for Telecom sector
- Understand the Quality-of-Service Standards: Basic Telephone (wireline), Cellular Mobile Telephone Service, Internet and Broadband Service.

12.2 INTRODUCTION:

Definition of Service Quality :

The term 'Service Quality' has been defined in different ways. Given below are some of the definitions :

- Service quality as perceived by customers, can be defined as 'the extent of discrepancy between customers' expectations or desires and their perception' (Zeithaml, Parasuraman and Berry, 1990)
- Quality is whatever customers say it is, and the quality of particular product or service is whatever the customer perceives it to be (Buzzel and Gale, 1987)
- Service quality is the delivery of excellent or superior service relative to customer expectations (Zeitharnl and Bitner, 1996)
- Quality of a service, as perceived by the customer is the result of a comparison between the expectations of the customer and his real-life experiences (Gronroos, 1982)

You will notice that all these definitions revolve around the fact that service quality is essentially what customers perceive. Only customers judge quality and all other judgments are irrelevant. Therefore, the ultimate aim of an excellent service quality system is to satisfy the customer's need and go beyond to delight the customers. The principles and practices as applied to goods quality, are not sufficient for 'Service Quality'. This is because of some basic differences between goods and services with regards to how they are produced, consumed and evaluated.

Reasons for Different Approach to Service Quality :

The reasons for different approach to service quality are explained below:

i) Services are predominantly intangible in nature. Since services are performances, acts and experiences, it is not possible to have exact specifications for them, unlike physical objects like automobile, machine tools, television set etc. for which exact specifications can be set and communicated. Further, services can't be tested prior to sale to determine its quality. That means services are low in 'search qualities'– attributes that a customer can determine before purchasing a product and stronger in 'experience qualities' - attributes that can only be discerned after purchase or during consumption.

Also, there are certain services which customers find difficult to evaluate even after purchase and consumption i.e., 'credence qualities'. Therefore, the criteria customers use to evaluate services is more complex, thereby increasing the difficulties of marketers.

ii) Another very important aspect requiring separate treatment of service quality is the 'inseparability' aspect of services, The inseparability of production and consumption in services reflect the more active part required from the service provider as well as the customer. It is in this interaction where usually the quality is judged by the customer. This is quite opposite to goods where they are engineered, produced and quality controlled prior to sending them to customer for consumption.

iii) Services are 'heterogeneous' in nature. The service performance may vary ● from producer to producer for the same service ● from customer to customer even with the same producer ● from day to day for the same producer

Therefore, ensuring consistent service quality is a big challenge to producer .

Based on what you have studied so far in this unit you will appreciate the following underlying themes about service quality as highlighted by Pasasuraman, Zeithaml & Berry (1985): ● Service quality is more difficult for the customer to evaluate than goods quality. ● Service quality evaluations are not made solely on the basis of the outcome of service, they also involve evaluation of the process of service delivery. Service quality perceptions result from a comparison of customer expectations with actual service performance.

12.2.1 SERVICE ARE CHARACTERIZED BY FOLLOWING DISTINCTIONS:

Intangible: Customers can't see, touch, smell, or handle services before deciding whether to buy.

Inseparable: Services are usually delivered and consumed simultaneously, so both the provider and the buyer influence the outcome of the service delivery.

Variable: Services vary depending on who provides them and when and where they're provided; thus, controlling their quality is difficult.

Perishable: Services are used up upon delivery, not stored for future sale.

All these characteristics can make it difficult for customers to judge the quality of a service they've purchased.

FACTORS INFLUENCING SERVICE QUALITY :

Service quality is a key differentiator for any customer when he or she has to make a choice between different retailers. High service standards create customer satisfaction and loyalty. A long term relationship evolves as a result. A low level of service quality will force the customers to look for alternatives. For example, a retailer had advertised a major sales offer wherein items purchased would entitle a customer to a free gift in the form of another product. But on visiting the store the customer found that none of the products advertised were available and were out of stock. The customer felt cheated since he had come to the store based on the advertisement for the special scheme. This is an example of poor service quality.

There are many aspects of service quality which we will see in this unit. Factors influencing service quality can be broadly broken down into two: 1) External to Customer 2) Internal to Customer 1) External to Customer factor can be further classified as a) Word of Mouth b) External Communication c) Situational Factors Interaction of buyer and seller 2) Internal to Customer factor includes the following: a) Past experience b) Personal needs

External Factors to Customers Influencing Service Quality:

Word of mouth:

Customers develop expectations of service based on what they hear from others. They will learn from the opinions of others and develop their expectations from the retail outlet. If a friend tells a customer that in a retail store the service is ordinary and the checkout is slow then customer will expect accordingly.

External communications:

All external communications by the retailer also shape the expected service quality .If a store claims that it will replace any faulty product immediately without any questions, then that will be the expectation of the customer. He will purchase products with such a belief. But if the store does not live up to its promise and argues with him when he wishes to return a faulty product, he will be disappointed and lower his expectations from the store. All forms of communications, whether they are newspaper advertisements, in store communications, posters, mails etc. will create a certain level of expectation. Situational factors: The expectations of service will also vary depending on the nature of store one is visiting. When a customer visits a self service store or a supermarket store his expectation of service may be much lower as compared to a high fashion store where he could expect highly personalised service.

Internal Factors to Customers Influencing Service Quality Past experience:

If on previous visits to the store the customers found the sales associates warm and friendly he will always carry that impression with him and expect Word of Mouth Personal Needs Past Experience External Cummunication Dimensions of Service Quality Tangibles Reliability Responsiveness Assurance Empathy Expected Service Perceived Service Perceived Service Quality.

Customer Value Management the same level of warmth on each subsequent visit. Our previous experiences in the retail outlet are a major factor in deciding our level of expectations. Personal needs: any individual has personal needs when he visits a store. These needs could be as simple as wanting to purchase a product and move out speedily. The need could also be that he wants special attention and be treated like a special guest. Needs will vary from individual to individual.

12.3 KEY STRATEGIES FOR MANAGING SERVICE QUALITY:

- Demand management
- Pre processing
- Standardization
- Managing expectations
- Capacity planning
- People management
- Differentiation

- Quality management

12.4 HOW A CUSTOMER DERIVES VALUE FROM ANY PRODUCT/SERVICE:

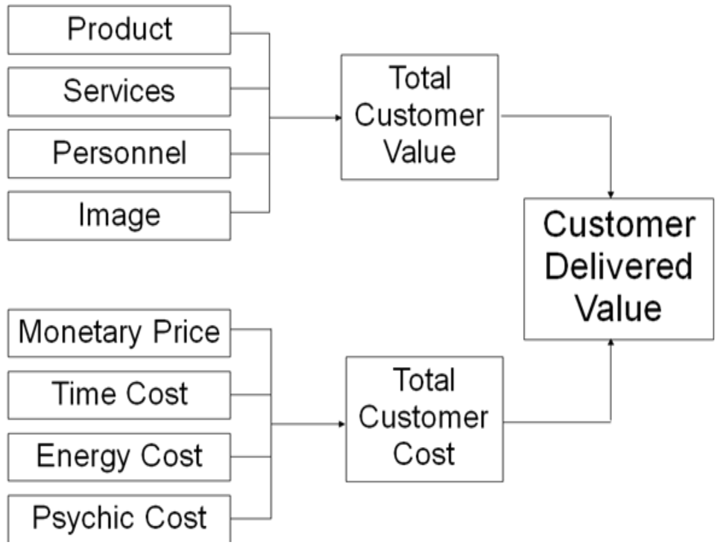


Figure 18: Customer drives values

12.4.1 VALUE OF GOOD SERVICE

- Service commands price premium
- Average happy customer tells 5 others
- Of the unhappy ones, 95% are happy if the problem is resolved quickly
- Costs 5 times as much to obtain a new customer as keep an existing one
- Service can help offset product quality

12.4.2 COST OF POOR SERVICE

- Customers are 5 times as likely to stop doing business because of poor service than quality or cost
- 96% never complain
- 90% stop being a customer
- Average unhappy customer tells 9 others
- Cost of losing a customer is 5 times his account

12.5 DIMENSIONS OF SERVICE QUALITY

- Tangibles: Appearance of physical facilities, equipment, personnel & communication materials.
- Reliability: Ability to perform the promised service dependably & accurately.
- Responsiveness: Willingness to help customers & provide prompt service.
- Assurance: Knowledge and courtesy of employees and their ability to convey trust and confidence.
- Empathy: Caring, individualized attention.
- Competence

- Courtesy
- Credibility
- Security
- Access
- Communication
- Understanding the User

12.6 SERVICES QUALITY: GAP ANALYSIS MODEL

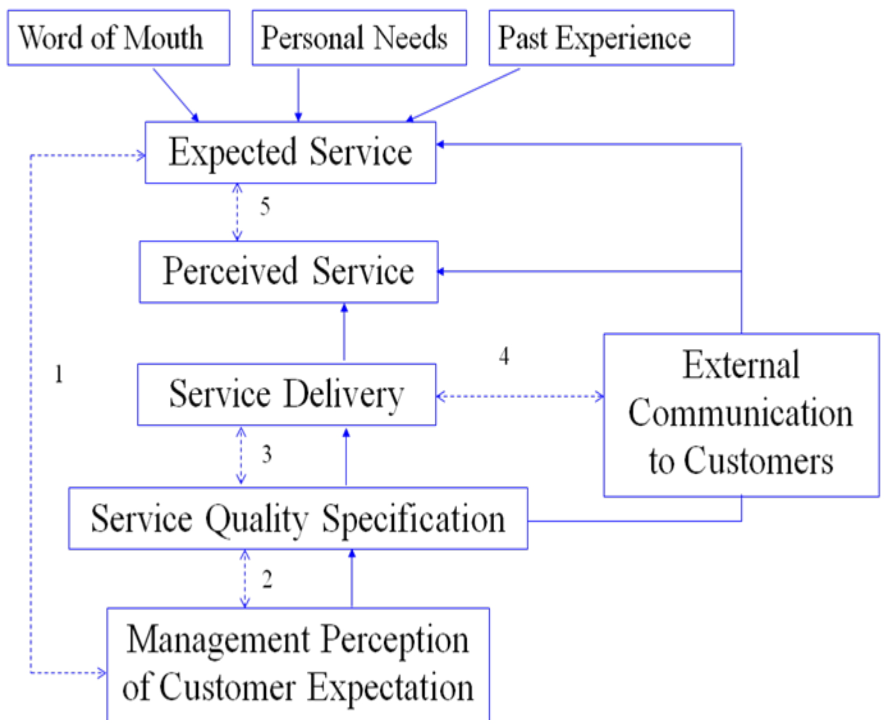


Figure 19: Service quality

Parasuraman, Zeithaml and Berry (PZB) have done extensive work in the area of service quality. According to them Perceived Service Quality can be defined as the extent of discrepancy between customers' expectations or desires and their perceptions. Put simply,

Perceived Service Quality = Perceived Service - Expected Service.

Based on their research work, they identified that customers consider five dimensions in their assessment of service quality, as given below:

Reliability : Ability to perform the promised service dependably and accurately (example: flights depart and arrive on schedule).

Responsiveness : Willingness to help customers and provide prompt service (example: no waitings at the hospital).

Assurance : Employee's knowledge and courtesy and their ability to inspire trust and confidence. (example : knowledgeable mechanics at auto service centre).

Empathy : Caring, individualised attention given to customers (example: specific type of room provided to the guest based on his previous stay, acknowledges customer by name).

Tangibles : Appearance of physical facilities, equipment, personnel and written materials (example: seating and air conditioning in a theatre).

Of the five dimensions, reliability is considered to be the most important one. It refers to the company delivering on its promises. In a competitive market place it is absolutely essential for a firm to be reliable in order to attract customer loyalty. Assurance dimension is likely to be of great importance in case of services perceived to be of high risk by the customers or services which are rich in credence qualities e.g. health services. Tangibles may be given great importance by new customers to judge service quality especially when other cues may not be available. By focusing on empathy, a retailer can make the customer feel unique and special whereas responsiveness dimension emphasizes promptness in dealing with customer's requests, complaints or problems.

PZB further focused on finding the deficiencies within companies that result in poor quality perceptions by customers. The reasons for gap between customers' perceptions and expectations (Gap5 - Customer Gap) were identified as :

Provider Gap 1 : Not knowing what customers expect

Provider Gap 2 : Not selecting the right service designs and standards

Provider Gap 3 : Not delivering the service standards

Provider Gap 4 : Not matching performance to promises

1. Provider Gap1 : Not knowing what customers expect: This gap is the difference between customer expectations of service and company understanding of these expectations. Service firms executive may not always understand what features connote high quality to customer in advance, what features a service must have in order to meet customer needs and what levels of performance on those features are needed to deliver high quality service.

2. Provider Gap 2 : Not selecting the right service designs and standards: A company might correctly perceive the customers' needs but may not set a specified performance standard. This may occur because management sometimes believes that customer expectations are unreasonable or unrealistic. Also availing of other factors like resources constraints, market conditions and/or management indifference - may result in discrepancy between company perception of customer expectation and the actual specification established for a service.

3. Provider Gap 3: Not delivering the service standards: This is the gap between service quality specifications and actual service delivery. Even if there are customer driven service standards, a high quality service delivery is not a certainty. The main reason for this gap is involvement of human beings in the service delivery - especially the role of contact personnel. The variability in employee performances makes it hard to maintain standardised quality. Failure to match demand and supply, customers not fulfilling their roles and problem with service intermediaries may also result in creating this gap.

4. Provider Gap 4: Not matching performance to promise: This is essentially a gap between what you deliver and your external communication. Media advertising and other communication by a firm can affect customer expectations. Therefore, a company must be certain not to promise more in communication that it can deliver in reality. Promising more than what can be delivered will raise initial expectations but lower perception of quality when the promises are not fulfilled.

In order to bridge the gap between customers' perceptions and expectations, the provider gaps 1 to 4 are required to be filled.

12.7 BUSINESS PROCESS RE-ENGINEERING:

It is a technique to improve services operations

- Several jobs are combined into one

- Workers make decisions
- The steps in the process are performed in a natural order
- Processes have multiple versions
- Work is performed where it makes the most sense
- Checks and controls are reduced
- Reconciliation is minimized
- A case manager provides a single point of contact
- Hybrid centralized/decentralized operations are prevalent
- Restructuring
- Customer involvement
- Use of IT
- Minimize number of steps
- Centralized information
- Decentralized decision making

12.8 SERVICE QUALITY IN TELECOM SECTOR:

Cutthroat competition and capital-intensive nature of Telecom projects provoke the service providers to think over service quality in a different perspective. In the process of faster roll out of networks to meet the demand, quality is the first probable item to be dropped from investments. In India, Telecom Regulatory Authority of India (TRAI) was established in 1997 to protect the interests of telecom customers. Now two factors force the operators to improve the quality of service, one is the competition and the other is regulator. Every quarter, TRAI conducts a Quality of Telecom Services survey and publishes its results in public domain. The QoS benchmarks for telecom services are published and amended from time to time by TRAI.

12.9 SERVICES OPERATIONS IN TELECOM SECTOR:

Most of the Telecom Operators have automated the operations part by deploying Telephone order Management Systems, Mediation devices, Element Management Systems by networking their exchanges with customer interface terminals. Call centres are computerized. All above is implemented through ERP system. In BSNL, CDR based convergent billing system which has centralized CRM for all telecom services is being used. ERP deployment has also undertaken a big BPR to improve the efficiency of various processes.

12.10 UNDERSTAND THE QUALITY-OF-SERVICE STANDARDS

Basic Telephone (wireline), Cellular Mobile Telephone Service, Internet and Broadband Service

Table 13. Some Quality-of-service parameters for Basic telephone

No.	Name of Parameter	Benchmark	Averaged over a period

(i)	Provision of a telephone after registration of demand	100% in ≤ 7 days (subject to technical feasibility)	One quarter
(ii)	Shift of Telephone Connection	≤ 3 days (95% of requests to be attended within 3 days)	One quarter
(iii)	Grade of Service	(a) Junctions between local exchanges - 0.002 (b) Outgoing junctions from Trunk Automatic Exchange (TAX) to local exchange - 0.005 (c) Incoming junctions from local exchange to TAX - 0.005 (d) Incoming or outgoing junctions between TAX's 0.005 (e) Switching network should be non-blocking or should have extremely low blocking probability.	One quarter

Table 14. Some Quality-of-service parameters for Cellular Mobile

No.	Name of Parameter	Benchmark	Method and Assessment period
1	**Network Availability**		
	(a) Base Station Accumulated downtime (not available for service)	≤ 2%	one quarter
	(b) Worst affected Base Station due to downtime	≤ 2%	one quarter
2	**Connection Establishment (Accessibility)**		
	(a) Call Set-up Success Rate and Session Establishment Success Rate for Circuit Switched Voice or VoLTE as applicable (within licensee's own network)	≥ 95%	one quarter
	(b) SDCCH/ Paging Channel Congestion / RRC Congestion	≤ 1%	one quarter
	(c) TCH, RAB and E-RAB Congestion	≤ 2%	one quarter
3	**Connection Maintenance (Retainability)**		

	(a) Network QoS DCR Spatial Distribution Measure	≤ 2%	one quarter
	(b) Network QoS DCR Temporal Distribution Measure	≤ 3%	one quarter
	(c) connections with good voice quality, Circuit Switched Voice Quality and Voice over LTE (VoLTE) quality	≥ 95%	one quarter
	(d) DL Packet Drop Rate	≤ 2%	one quarter
	(e) UL Packet Drop Rate	≤ 2%	one quarter
	Point of Interconnection (POI) Congestion (on individual POI)	≤ 0.5%	one quarter
4	**Customer Service Quality Parameters:**		
	Metering and billing credibility - postpaid	Not more than 0.1% of bills issued should be disputed over a billing cycle	One Billing Cycle
	Metering and billing credibility -- pre-paid	Not more than 1 complaint per 1000 customers i.e. 0.1% complaints for metering, charging, credit, and validity	One Quarter
	(a) Resolution of billing/ charging complaints	≥ 98% within four weeks and 100% with six weeks	One Quarter
	(b) Period of applying credit/ waiver/ adjustment to customer's account from the date of resolution of complaints	within 1 week of resolution of complaint	One Quarter

Table 15. Some Quality-of-service parameters for Broadband

Sl.No.	Qos Parameters	Benchmarks	Averaged over a period of
(i)	Service	100% cases in=<15 working days	15 days

	Provisioning/Activation Time	(subject to technical feasibility). In all cases where payment towards installation charge and security deposit is taken and the Broadband connection is not provided within 15 working days, a credit at the rate of Rs. 10 per day, subject to a maximum of installation charge or equivalent usage allowance shall be given to the customer, at the time of issue of first bill.	
(ii)	Fault Repair/Restoration Time	By next working day:>90% and within 3 working days: 99% Rebate: (a) Faults Pending for>3 working days and <7 working days: rebate equivalent to 7 days of minimum monthly charge or equivalent usage allowance (b) Faults Pending for>7 working days and <15 working days: rebate equivalent to 15 days of minimum monthly charge or equivalent usage allowance (c) Faults Pending for>15 working days: rebate equivalent to one month of minimum monthly charge or equivalent usage allowance	
(iii)	Billing Performance Billing complaintsper100 bills issued Percentage of Billing complaints resolved Time taken for refund of deposits after closure:	<2% 100% within 4 weeks 100% within 60 days	One month
(iv)	Response time to the customer for assistance	Percentage of calls answered by operator (Voice to Voice) Within 60 seconds>60% Within 90 seconds>80%	One month
(v)	Bandwidth Utilization/Throughput: (a) (Bandwidth Utilization) (i) POP to ISP Gateway Node [Intra-network] Link(s)	<80% link(s)/route bandwidth utilization during peak hours	

	(ii)ISP Gateway Node to IGSP/NIXI Node upstream Link(s) for International connectivity	(TCBH). If on any link(s)/route bandwidth utilization exceeds 90%, then network is considered to have congestion. For this additional provisioning of Bandwidth on immediate basis, but not later than one month, is mandated. Subscribed Broadband Connection Speed to be met>80% from ISP Node to User.	
(vi)	Service Availability/Uptime (for all users)	>90% quarter ending June 2007; >98% with effect from quarter ending September 2007 and onwards	One quarter
(vii)	Packet Loss (for wired broad-band access)	<1%	One month
(viii)	Network Latency (for wired broadband access)		One month
	User reference point at POP/ISP Gateway (IGSP/NIXI)	<120 m sec	
	User reference point at ISP Gateway Node to International nearest NAP port abroad (Terrestrial)	<350 m sec	
	User reference point at ISP Gateway Node to International nearest NAP port abroad (Satellite)	<800 m sec	
(ix)	Customer perception of services		One quarter
(a)	% satisfied with the provision of service	>90%	
(b)	% satisfied with the billing performance	>90%	
(c)	% satisfied with help services	>90%	
(d)	% satisfied with network performance, reliability and availability	>85%	
(e)	% satisfied with maintainability	>85%	
(f)	% satisfied with overall customer satisfaction	>85%	
(g)	% satisfied with customer satisfaction with offered supplementary services such	>85%	

	as allocation of static/fixed IP addresses, e-mail IDs, etc.		

12.11 CONCLUSION

Telecom services play a very significant role in strengthening National economy. The quality of service and its operations is not only important to the customers but also desirable by the operators for their survival as well as growth.

13 MANAGING GROWTH THROUGH OUTSOURCING

13.1 LEARNING OBJECTIVES

At the end of the session, the trainees will be able to learn

- Level of Outsourcing
- Advantages of outsourcing
- Importance of outsourced work
- Criteria for Selecting an Outsourcing Vendor
- Key to Outsourcing Success

13.2 INTRODUCTION

OUTSOURCING: It is shifting a company's essential operations to a third-party vendor in order to gain various benefits including better services, low cost and speedy work. The company that chooses to outsource is known as the customer or buyer while the third party that provides outsourced services is known as the supplier or vendor.

The vendor may be a firm or a group of individuals, which is generally situated at a different physical location (sometimes even a different country). In outsourcing, the vendor has complete control over the process being outsourced as compared to contracting in which the customer has more control over the process being contracted.

13.3 LEVELS OF OUTSOURCING:

Outsourcing has moved from tactical to strategic level and companies have started pursuing outsourcing as an important business strategy. Companies generally use the following three levels of outsourcing:

1. **Project level:** Discrete aspects of a project are outsourced
2. **Program level:** Different projects in a program are outsourced
3. **Division level:** The entire operation of a division is outsourced

There are various factors that govern the decision to outsource at a particular level by a customer. These factors include:

Critical nature of the work: If the work is critical to a company's core business, the company will prefer to outsource as little as possible and in discrete parts.

Faith of the customer in a vendor: The higher the faith a customer has in its vendor, the more it will outsource. In some cases, it will outsource even the operations of an entire division.

Cost advantage: Cost efficiency is an important deciding criterion, with larger work being outsourced if cost savings are large.

Proven track record of the vendor: A proven track record of the supplier inculcates a feeling of trust and the customer prefers to outsource larger work to the vendor.

Outsourcing at above-mentioned levels is achieved through various modes as detailed below. Each mode has its own specific advantages. Companies examine their core competencies and work out the right mix for outsourcing modes to maximize their returns. Modes of outsourcing are:

Table 16. Modes of Outsourcing

Outsourcing Mode	Description
On-shoring	Outsourcing to a vendor that is located at a destination domestic to the customer
Off shoring	Outsourcing to a vendor that is located in a far-off country
Near-shoring	Outsourcing to vendor in a nearby country
Home-sourcing	Outsourcing to workers who work from home

Companies are also resorting to the option of multi-sourcing where a combination of off shoring, on-shoring, near-shoring and home-shoring is used. For example, Satyam Computer Services provides its customers a global delivery mode called Right sourcing which is a combination of onsite, offshore, on-shore or near-shore delivery capabilities. This model enables Satyam's client's harness additional time and cost advantage as compared to sourcing via a single mode.

13.4 ADVANTAGES OF OUTSOURCING

Outsourcing offers numerous advantages to the customers, some of which have been elaborated below:

1. **Focus on core competencies:** Outsourcing enables customers to divert their attention from supplementary tasks and focus on their core functions. Customer care, documentation, IT up gradation and administrative tasks such as internal audit and payroll processing are the non-core tasks for many companies and consume the time of the management if handled in-house. When these tasks are outsourced, the company management can focus on the company's core competency and bring better services and products into the market. For example, Hero Honda Motors outsources its IT maintenance work so that its staff can focus on user requirements to deliver better services instead of spending time on routine complaints.

2. **Cost savings:** Cost savings is an important consideration in outsourcing decision. Outsourcing enables companies reduce their costs on resource management, labour, space, etc. According to Accenture, outsourcing leads to a cost saving of 25 percent to 30 percent. Outsource Partners International estimates the cost savings to reach up to 50 percent when the outsourced work is offshored.

3. **Quality:** Vendors have expert employees along with specialized processes and technology that ensure better quality of output for the customer. However, the customer has to carefully select a vendor that will provide it with the quality of services that it requires.

4. **Flexibility:** Outsourcing provides flexibility to the customer as the buyer can change a vendor if required. Changing a vendor in case of poor delivery is much easier than changing a full-time employee. Many outsourcing deals incorporate conditions for change in requirement or termination of contract ensuring flexibility.

5. **Time-to-Market:** Offshore outsourcing offers round the clock work benefits and hence reduces the time-to-market. Both on-shore and offshore outsourcing may also result in time saving if the vendor has skills and expertise that are not internal to the customer organization. Outsourcing also enables faster start-up, development and scalability for new operations.

6. Access to Diverse Technologies: Vendors have focus on particular services and play in volume. This enables them to keep themselves up-to-date with the technology required in these services. The customer can thus avoid technology obsolescence and leverage the vendor's access to diverse and advanced technologies.

In addition to the above advantages, outsourcing offers other benefits such as provider alternatives, transfer of risk to vendor, elimination of internal policies, elimination of recruitment, training and staff retention in non-core functions, and scalability (faster scale-up or scale-down capability).

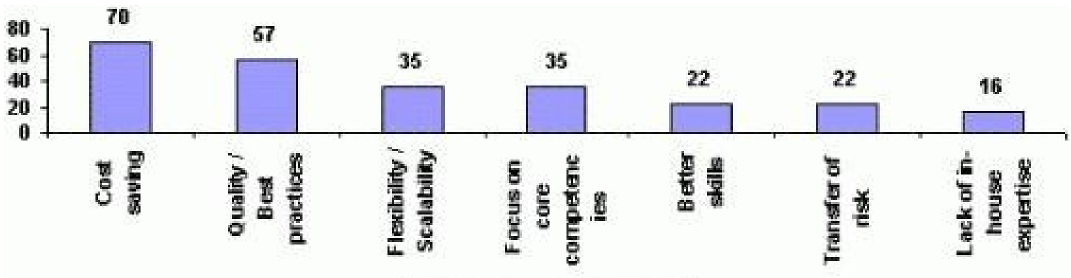


Figure 20: Reasons for Outsourcing

13.5 HOW IMPORTANT IS OUTSOURCED WORK?

The notion that unimportant work is being outsourced no-more holds true. The software development magazine conducted a survey in October 2003 to find what kind of work was being outsourced. A result compiled from 414 respondents (engineers and development managers) is given below:

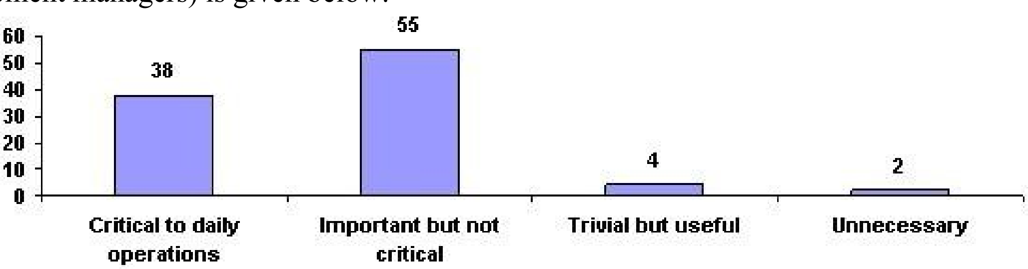


Figure 21: Outsourced work according to importance of the work

What is being outsourced?

Outsourced services can be categorized into two groups

1) Technology services 2) Business Processes

Technology Services

Companies requires advanced IT and communication technologies for their regular operations. Rapid changes in the technology sector bring new capabilities to use for companies that need to select the right kind of vendor to get the best technology at the cheapest cost. Following technology services are generally outsourced by customers:

- Software and applications
- Infrastructure
- Telecommunications
- E-commerce
- Web security and solutions

- Web hosting, website designing, development and maintenance

Business Processes

Various business processes are not core to a company's main line of business. Companies outsource such processes and focus on their core competence. The various business processes that are being outsourced include the following:

- Back-office operations
- Customer relationship management
- Sales and marketing (including telemarketing)
- Administrative support
- Payroll maintenance and other transaction processing
- Finance and Accounting
- Human Resources and Training
- Logistics, procurement and supply chain management
- Medical transcription
- Security
- Research and analysis
- Product development
- Legal services
- Intellectual property research and documentation

Synonymous with these services are various commonly used terminologies such as Business Process Outsourcing (BPO), Knowledge Process Outsourcing (KPO), Legal Process Outsourcing (LPO), Research Process Outsourcing (RPO), Recruitment Process Outsourcing (this is also called RPO) and Education Process Outsourcing (EPO). As the market for each service grows, vendors coin a term for their service to showcase a distinct presence of their industry.

13.6 CRITERIA FOR SELECTING AN OUTSOURCING VENDOR

In an outsourcing deal, buyers want to achieve superior quality service at lower cost and minimum involvement. On the other hand, outsourcing the work to an external agency exposes the customer to risks of the work being delivered poorly. In such a scenario, selection of a vendor for outsourcing is a difficult task, which becomes even more complex while selecting an offshore vendor. Customers generally follow the criteria mentioned below for selecting an outsourcing supplier:

1. **Quality Commitment:** The vendor should be quality focused.
2. **Cost:** The vendor should have prices that enable the customer sufficient cost saving.
3. **Additional Resources and Capabilities:** The vendor should have resources and capabilities that are not available to the customer internally.
4. **Prior Work:** The vendor should have experience working with other organizations and should have delivered satisfactorily to them. Checking with the references help the customer understand the vendor's capabilities properly.
5. **Contract Terms:** The terms of contract should offer flexibility to the client to modify the requirements or terminate the contract easily, if required.

6. **Confidentiality:** How secure is the customer's data at the vendor site? The vendor should have well-defined security policies in place.

In addition to these criteria, other parameters such as location, reporting methodologies, vendor processes, financial stability of the vendor and cultural similarity play a vital role in deciding the supplier.

13.7 KEY TO OUTSOURCING SUCCESS

Outsourcing involves getting work from an external firm which has limited knowledge about the customer's internal processes and operations. Hence, a customer needs to pay attention to certain considerations, apart from selecting the right vendor, to achieve outsourcing success. These considerations include the following:

1. **Setting the Right Expectations:** The customer needs to set right expectations upfront about the services that it needs (and will get) from its vendor. It should also have a proper plan in place with well defined (outsourcing) goals and objectives.
2. **Benchmarking Methodology:** The customer should establish tools or criteria to benchmark the quality of output required from the vendor. Vendor's performance should be regularly monitored using these criteria.
3. **Experience in Handling Outsourcing Projects:** If the vendor and customer both have experience in handling outsourcing projects, the chances of making the outsourcing deal a success increase significantly. Adequate planning and back-up plan for any foreseeable pitfalls will help both the client and supplier maintain a successful relationship.
4. **Internal Resistance:** The buyer's management should explain the advantages of outsourcing to its employees and ensure agreement on the outsourcing decision internally before taking the outsourcing plunge. It should gather support for its decision from the top management as well as lower ranked employees.

Last but not the least, the customer should exhibit trust towards its vendor, which in turn should ensure transparency in its operations.

Examples of Outsourcing in Indian Telecom Sector

2004: Bharti Tele-Ventures signed $400 million (around Rs 1,800 crore) contracts with Swedish technology provider Ericsson to outsource the management of its cellular network. Ericsson to provide, manage and maintain the equipment as well as provide quality assurance in Airtel's 13 mobile circles for three years. Following the deal, around 250 Bharti employees working on planning and designing of the company's network had to be absorbed by Ericsson. Bharti also outsourced all its IT needs to IBM in a $750 Million deal. In 2005 Bharti Tele-Ventures signed a Rs 1,000-crore deal with four global business process outsourcing companies to outsource its call centre operations for the next 4-5 years. In 2006, Airtel signed another $100 million deal with IBM to manage and deliver services delivery platform.

2007: Vodafone Essar an Indian cellular phone company outsourced its information technology-related work to IBM under a 5-year contract to reduce costs and improve services. About 300 of the 390 full-time employees, engaged in information technology related work at Vodafone Essar were to be transferred to IBM

2008: Tata Consultancy Services (TCS), a leading Indian IT services firm signed a multi-million Euro agreement with Nokia Siemens Networks, one of the world's foremost enablers of communications services. Under the agreement, Nokia Siemens Networks transferred its product engineering and R&D services as well as part of the operations and business unit activities to TCS. The company decided to transfer 90 employees from its development center in Dusseldorf, Germany to TCS.

2008: India-based telecom giant Reliance Communications and Alcatel-Lucent have formed a global joint venture to offer outsourced managed network services to telcos.

BSNL Outsourcing Route: BSNL is increasingly outsourcing its operations to private players. To save on capital expenditure and roll out services faster, BSNL is taking the outsourcing route in a big way for new projects. The trend is in line with what private telecom operators are doing. Majors such as Bharti Airtel have outsourced most of their operations to third party vendors.

13.8 CONCLUSION

It is shifting a company’s essential operations to a third-party vendor in order to gain various benefits including better services, low cost and speedy work. The company that chooses to outsource is known as the customer or buyer while the third party that provides outsourced services is known as the supplier or vendor. In an outsourcing deal, buyers want to achieve superior quality service at lower cost and minimum involvement. BSNL is increasingly outsourcing its operations to private players. To save on capital expenditure and roll out services faster, BSNL is taking the outsourcing route in a big way for new projects.

14 LABOUR ACT AND WORKMAN COMPENSATION ACT

14.1 LEARNING OBJECTIVE

The Act aims at regulating employment of contract labour so as to place it at par with working conditions. The Act empowers the Govt. to prohibit employment of contract labour in any process, operation or other work in any establishment if the working conditions and benefits provided to them are discriminatory.

14.2 CONTRACT LABOUR (REGULATION & ABOLITION) ACT, 1970 (AMENDED IN 2004)

An Act to regulate the employment of contract labour in certain establishments and to provide for its abolition in certain circumstances and for matters connected therewith

14.2.1 SCOPE & COVERAGE:

Section 1:

The Act extends to the whole of India. It applied to: -

a) Every establishment in which 20 or more workmen are employed or were employed on any day of the preceding 12 months as contract labour, and

b) Every contractor who employs or who employed on any day of the preceding 12 months, 20 or more workmen.

c) The Act, however, does not apply to any establishment working casually or intermittently. Work performed in an establishment shall not be deemed to be of an intermittent nature: -

- **(i)** If it was performed for more than 120 days in the preceding 12 months, or
- **(ii)** If it is of seasonal character and is performed for more than 60 days in a year.

14.2.2 DEFINITIONS:-

Workman: -

A workman is said to be employed as **Contract Labour** in or in connection with the works of an establishment when he is hired for the work by or through a contractor with or without the knowledge of principle employer.

Contractor: -

Contractor (including sub-contractor) means a person who undertakes to produce a given result for an establishment through contract labour or who supplies contract labour for any work in an establishment. Persons who merely supply goods or articles of manufacture for an establishment are not contractor.

The contractor is employed to produce the given result for the benefit of the Principal Employer in the fulfilment of the undertaking given to him by the contractor. [M/S Gammon India Ltd. Etc. Vs. U.O.I. & Othrs. (1974)1 SCC 596]. Workman hired through a contractor without a valid license and being paid by the management through that contractor, are workmen employed by the establishment and not contract labour.Workman engaged through a contractor in excess of the maximum number permitted under the license are not contract labour [Workman vs. Best & Crompton Engg. Ltd. (1985)2 LLN 169 {Mad) (D.B.): (1985) 1 LLJ 492].

Establishment: -

Establishment, for this purpose, means any place where any industry, business trade, manufacturing or occupation is carried on or any office of the Govt. or a local authority.

14.3 EMPLOYEES ENTITLED:

The Act covers every workman employed in or in connection with any of the establishment, by or through a contractor, with or without the knowledge of the principal employer but excludes:

(i) persons employed in managerial or administrative capacity,

(ii) persons employed as supervisors and receiving wages exceeding **Rs.500/- per Mensem (Month),** and

(iii) "Out – workers" to whom materials are given for manufacturing or processing at his own premises.

14.4 ADMINISTRATIVE AUTHORITY

The act is administered by the Central and the State Governments in their respective jurisdiction. The central/state Govts. have set up advisory Boards constituted by representatives of industry, contractor, workers and government nominees

The Govt. also appoints registration offices, Licensing officer and inspectors for carrying out the provisions of the Act. The Central and the State Govts. Shall make their rules for enforcement of the Act.

14.5 PROHIBITION ON EMPLOYMENT OF CONTRACT LABOUR:

The appropriate Govt. can prohibit employment of contract labourin any process, operation or other work in any establishment after considering the conditions of work and benefits provided for the contract labour in that establishment and other relevant factors.

Employment of contract labour may not be permitted for any process operation and other work if:

(a) It is incidental to, or necessary for the industry, trade, business, manufacturer or occupation that is carried on in the establishment;

(b) It is of perennial or perpetual nature of sufficient duration;

(c) It is done ordinarily through regular workmen in that establishment or an establishment similar thereto; and

(d) It is sufficient to employ considerable number of whole-time workmen.

14.6 OBLIGATIONS OF PRINCIPAL EMPLOYERS / CONTRACTORS

The obligations of the Principal Employer of an establishment and /or the contractor are as under: -

Registration of Establishment (Principal Employer):

- The principal employer should apply for registration of his establishment with the registering officer, in the prescribed form along with the prescribed fee. On being satisfied with the application the registering officer shall issue a registration certificate**.** The certificate is liable to be cancelled if it has been obtained by misrepresentation of facts or if it has become useless.

- An establishment cannot employ contract labour if it does not hold a certificate of registration or if its certificate has been revoked**.**
- Failure to obtain registration by the principal employer entails penal but does not give a right to the workers engaged by the contractor to claim employment from the principal employer. [Dena Nath & Ors. Vs. National Fertilisers Ltd. & Ors. (1992)1 LLJ 289 (S.C.)].

Licensing of Contractors:

- A contractor should apply for license for employing contractor labour, to the licensing officer, in the prescribed from containing particulars such as location of the establishment, operation of work, nature of process, particulars of contract labour, etc. On being satisfied with the application and after making necessary investigation the licensing officer grant the license on payment of the prescribed fee and security deposit. A copy of the license has to be displayed prominently at the premises where the contract work is being carried out.
- A contractor cannot undertake or execute any work through contract labour if it does not hold a valid license or its license has been revoked. Failure to obtain a license by a contractor, entails penal provisions, but in no case shall the contract labour be deemed as workman of the Principal Employer [Dena Nath 7 Vs. National fertilizers Ltd. & Ors. (1992) 1 LLJ 289 (S.C.)].
- No contractor can engage contract labour without obtaining a license or whose license has been revoked or in contradiction with the terms and conditions specified in the license. No license can be revoked unless the licensing authority gives a fair hearing.

Welfare & Health Amenities for Contract Labour:

The following amenities are required to be provided by the contractor for contract labour;

i One or more canteens where the number of contract labour ordinarily employed are **100 or more.**

ii Sufficiently lighted, well ventilated, clean and comfortable rest rooms, where contract labours are required to halt at night in connection with their work**.**

iii Supply of wholesome drinking water at convenient places, provisions for latrines, urinals and working facilities and

iv Fully equipped First-Aid Boxes readily accessible during all working hours.

Payment of Wages:

- The contractor is liable to make regular and timely payment of wages to the contract labour, in presence of an authorized representative of the principal employer.
- If however, the contractor fails to make the payment in time or makes short payment, the Principal Employer should make payment of wages in full or the unpaid balance due to the contract labour, and recover the same from the contactor**.**
- However, gratuity and bonus will not be payable by the Principal Employer since these do not come within the definition of wages. [Cominco Niani Zinc. Ltd. Vs. Pappachan 1989 LLR 12,3; (1989) 1 LLJ 452 (Ker. HC)].

Registers, Returns & Notice

- The principal employer and the contractor should maintain such registers and records containing particulars of contract labour, nature of work performed rates of wages paid and other prescribed particulars.
- The employer and contractor should also send the prescribed returns to the registering officer or licensing officer.
- The employer and the contractor should exhibit in the premises of the establishment, notices containing hours of work, wage period, nature, of duty and other prescribed particulars.

14.7 COVERAGE OF CONTRACTOR`S EMPLOYEES UNDER EPF ACT & ESI ACT:

Contractor's employees are eligible for Provident Fund benefits. If the establishment is covered under ESI, the employees engaged by a contractor have to be enrolled as members of ESI.

14.7.1 DIRECT ABSORPTION OF CONTRACT LABOUR:

Persons who get displaced, on the expiry of the contract/license period, do not get any statutory right for absorption in regular service under the employer [P. Karunakaran Vs. Chief Commercial Superintendent, southern Railway and Ors. 1989 1, LIN 898; LLJ 8 (Ker H.C.)].

14.7.2 RIGHTS OF EMPLOYERS/CONTRACTOR:

The principal employers and the contractors have the following rights:

(i) Right to appeal against an order of the registering officer or the Licensing officer refusing or revoking registration or license. The appeal should be filed to the appellate officer on the prescribed manner, within 30 days from the date on which the order is communicated to him.

(ii) Right to be represented on the Central and State advisory Boards.

14.7.3 RIGHTS OF CONTRACT LABOUR

The obligations of the contractor and the principal employer are, practically, the rights of the contract labour. Besides, the contract workmen have also the right to be represented on the Central and State Advisory Boards.

14.7.4 OFFENCE & PENALTIES

Table 17. Offences and Penalties

OFFENCE	PENALTIES
Obstructing an inspector while making inspection, inquiry or investigation, or failure to produce registers or documents before an inspector for inspection.	Imprisonment up to 3 months, or fine up to Rs. 500/- or Both.
Employing contract labour in contravention of the provisions of the Act or violating any condition of the registration certificate or license.	Imprisonment up to 3 months or fine up to Rs. 1000/- or Both. In case of a continuing offence, additional fine up to Rs. 100/- per day [Padam pd. Jain Vs. State of Bihar (1978) Lab.IC 147)].

14.8 THE WORKMEN'S COMPENSATION ACT, 1923 (AMENDED IN 2000)

1.0OBJECTIVE:

The Act aims to impose an obligation upon employers to pay compensation to workers and/or their dependents for accidents arising out of and in the course of employment, resulting in death or total or partial disablement for a period exceeding 3 days. Compensation is also payable for some occupational diseases contracted by workmen during the course of their occupation.

2.0 SCOPE & COVERAGE:

The Act extends to the whole of India. It applies to Railways and other transport establishments, factories, establishments engaged in making, altering, repairing, adapting, transport or sale of any article, mines, docks, establishment engaged in constructions, fire brigade, plantations, oil fields and other establishment listed in schedules II & III the Act.

It does not apply to casual workers, those employed in armed forces and workers covered by the Employees State Insurance Act. 1948.

3.0EMPLOYEES ENTITLED:

Every employee (including contract labour) , who is engaged for the purpose of employer's business in any such accident. There are three tests to determine whether an accident arises out of and in course of employment viz. it has to be established that:

(i) At the time of the accident the employees were in fact employed on the duties of their employment;

(ii) That accident occurred at the place where he was performing his duties; and

(iii) That the immediate act which led to the accident is so remote from the sphere of his duties that it is to be regarded as nothing but something foreign.

Now, to find out as to whether a workman is covered under the Act or not we have to see the following points:

Whether his employment was a casual nature;

Whether his employment was otherwise for the purpose of employee's trade or business and does not come under the purview. Nevertheless, where compensation has been claimed by a person, the relation between employer and the person who is claiming compensation has to be seen which can be determined on the basis of following principles:

(a) Whether the workman is having contract of service;

(b) Whether the master can only order or he can require workman what is to be done or he can also order as to how it is to be done;

(c) Whether it is obligatory on the part of the workman to obey his order;

(d) Whether workman is having any agreement to serve the employer only or employed for his trade or business.

4.0ADMINISTRATIVE AUTHORITY:

It is administered by the state Govt. through commissioners for workmen's compensation appointed by them. Govts. also makes rules for proper compliance of the Act.

5.0DEPENDENT:

The following relations of a deceased workman shall be his dependents:

(i) A widow, a minor legitimate son, an unmarried legitimate daughter, a widowed mother, whether or not dependent on the workman;

(ii) A son or daughter, who is aged 18 years or more, is infirm and wholly dependent on the workman;

(iii) Any of the following persons partially or wholly dependent on the workman; and

(iv) A widower, a parent other than a widowed mother, a minor illegitimate son, an unmarried illegitimate daughter or a daughter legitimate or illegitimate if married and a minor, or if widowed and a minor, a minor brother or unmarried sister or a widowed sister if minor, a widowed daughter in-law, a minor child of a pre-deceased daughter where no parent of the child is alive, or a paternal grand-parent if no parent of the workman is live.

6.0DISABLEMENT:

Injury caused by an accident ordinarily results into less of the earning capacity, of the workman which is called disablement. Disablement can be either total or partial which can be further subdivided as temporary or permanent. Disablement, whether permanent or temporary is said to be total when it incapacitates a worker for all work, he was capable of doing at time of the accident resulting in such disablement. Total disablement is specified in part I of schedule I or part II of schedule I (Permanent partial disablement).

7.0MAIN PROVISIONS:

The employer covered under this Act is liable to pay compensation to workman for accidents arising out of and in course of employment, resulting in death or total or partial disablement for a period exceeding 3 days or who has contracted occupational disease during the course of their occupation.

8.0ACCIDENT ARISING OUT OF & IN COURSE OF EMPLOYMENT:

If an occurrence is unexpected and without design on the part of the workman, it is accident [Devshi Bhanji Khona Vs. Smt. Mary Burno, (1985) 1 LLN 362 (Ker)]. An accident arising out of employment implies a casual connection between the injury and the accident and the work done in cause of employment. Employment should be the distinctive and the proximate cause of the injury. The tests for determining whether an accident arose out of employment are:

(i) Injury must have resulted from some risk incidental to the duties of the service, or inherent in the nature of condition of employment, and

(ii) At the time of injury workman must have been engaged in the business of the employer and must not be doing something for his personal benefit.

9.0IN COURSE OF EMPLOYMENT:connotes not only with actual work but also any other engagement natural and necessary there to, reasonable extended both as regards work-hours and work-place. Thus, an employer will be liable to pay compensation if a workman meets with an accident while proceeding to his workplace on a bicycle [**Indian Rare Earth Ltd. B. Subaida Beevi & Ors 1981 (43) FLR 293].** Heart injury when brought about by a strain due to the work in the employment (and not by natural wear and tear of employment) is compensable through pre-existing and this is irrespective of the percentage of the part played by either of them viz., the work and the condition. **[Zubida Bano & Ors. Maharashtra state Road Transport corp. & Ors. (1992) 1 LLJ 66 (Bom)].**

10.0THE EVIDENCE ACTas such does not apply to the proceedings under the workman's compensation Act. The phrase "in course of employment" is understood to mean that the injury has resulted during the course of employment from some risk incidental to the duties of the service, which unless engaged in the duty owing to the master, it is reasonable to believe the workman would not otherwise have suffered. In other words, there must be causal relationship between accident and the employment **[Director (T&M) DNK Projects Vs. Smt. D. Buchitali (1989) 1 LLJ 259 (Ori)].**

A factory worker suffering from a heart disease, while coming out of the factory, died inside the factory premises. The stress and strain of work were the accelerating factor to death and therefore the employer was liable to pay compensation**. [Director (T & M) DNK Projects Vs. Smt. D. Buchitali (1989) 1 LLJ 259 (Ori)].**

The workman on duty went to canteen for bringing tea and he died. Held, the accidental injury arose in course of the employment and the period of recess did not disrupt the continuity of employment **[Reg. Dir. ESIC Vs. Batulbibi, 1988 (58) FLR (Guj. HC) – 1990 LLR (SC), 30 Journal Sec].**

11.0 PAYMENT OF COMPENSATION TO CONTRACT LABOUR:

The principal employer is liable to pay compensation to contract labour in the same manner as his departmental labour. He is entitled to be indemnified by the contractor **[Sec. 12] [Mg. Dir., Orissa State Ware Housing Corporation Vs. Smt. Geetarani Seal & Ors. (1992) 1LLJ 619 (Ori)].** The principal employer shall not however be liable to pay any interest and penalty leviable under the Act. **[Sarjerao Unkar Jadhav Vs. Gurinder Singh & Ors. (1992) 1 LLJ. 156 (Bom.)].**

12.0OCCUPATIONAL DISEASES:

A worker contracting an occupational disease is deemed to have suffered an accident out of and in course of employment and the employer is liable to pay compensation for the same.

13.0COMPENSATION WHEN NOT PAYABLE:

(i) When disablement is for a period less than 3 days,

(ii) When accident (not resulting in death) is due to the fault of the workman or his wilful disobedienceof an order (to be proved by the employer),

(iii) The workman has contacted a disease which is not directly attributable to a specific injury caused by the accident or to that occupation, or,

(iv) When the employee has filed a suit for damages against the employer or any other person, in a civil court.

14.0 STATEMENT OF FATAL ACCIDENTS:

Where a commissioner receives information from any source that a workman has died as a result of an accident arising out of and in course of his employment, he may require the employer, by serving upon him a registered notice, to submit within 30 days of its service, a statement in the prescribed from:

(a) Giving the circumstances attending the death of the workman, &

(b) Indicating whether he is or is not liable to pay compensation. If the employer feels that he is liable to pay compensation, then he shall make the deposit to the commissioner within 30 days of the notice. If he disclaims the liability, then he should indicate the grounds for so. **[Sec. 10 (A)].**

15.0 ACCIDENT REPORT:

Employer to communicate to commissioner within 7 days of the accident leading to death or serious bodily injury.

16.0 AMOUNT OF COMPENSATION:

The Calculation for the amount of compensation shall be as follows: -

a) In case of death: **50% of the monthly wages X Relevant factor or Rs. 80,000/- whichever is more**

b) In case of total permanent disablement: **60% of the monthly wages X Relevant factor or Rs. 90,000/- whichever is more**

Note: - Relevant Factor means a Factor specified in schedule IV depending upon the age of the workman on his last birthday before accident. e.g., R.F. is 216.91 at 25 years age and 184.17 at 40 years age.

c) In case of partial permanent disablement loss specified under schedule [I]	Such % of the compensation payable in case of (b) above, as is proportionate to the of earning capacity (as assessed by a fied medical practitioner),
d) In case of partial Permanent disablement not specified under schedule [I]	Such % of the compensation payable in case of (b) above, as is proportionate to the loss of earning capacity (as assessed by a qualified medical practitioner).
e) In case of temporary Disablement (whether Total or partial)	a half-monthly instalment equal to 25% of the monthly wages, for the period of disablement or 5 year whichever is shorter.

Note: Wages for this act include any benefit or perquisite expressible in terms of money but excludes travelling allowance/ concession, employer's contribution to pension or P.F. or a sum paid to cover any special expenses incidental to his employment. It includes bonus, night out allowance, D.A., gratuity, free quarter, food allowance etc. also.

17.0 TIME & MODE OF PAYMENT:

Liability of paying compensation starts as soon as the injury was caused **[Pratap Narain singh Vs. Srinivas Sabata & Ors. (1976) AIR 222(SC)].** If payment is not made within one month from the date it fell due a simple interest @ 12% may be levied by the commissioner. A further sum not exceeding 50% of the compensation may be levied by the commissioner over and above 12% by way of penalty if there is no justification for delay. Half monthly instalments may be converted into a lump sum payment, by an agreement between the employer and the workman or by applying to the commissioner. This half monthly payment may be reviewed by the commissioner on an application.

18.0 COMPENSATION TO BE DEPOSITED WITH THE COMMISSIONER [Sec 8]:

The amount of compensation is not payable to the workman directly but to the commissioner who will then pay to the workman/their dependents.

The receipt of the deposit with the commissioner shall be sufficient proof of discharge of employer's liability.

19.0 DISTRIBUTION OF COMPENSATION BY COMMISSIONER.

The commissioner shall distribute the compensation among the dependents in such proportion as he deems fit. The employer can obtain the details of all disbursements made by the commissioner by an application to that effect.

20.0 NOTICE OF ACCIDENT

Notice of accident should be sent to the commissioner and establishment by the workmen with such particular as the names & address of person injured, the date and cause of accident etc. this notice may be served either personally or by registered post or by means of an entry in the notice-book maintained by the employer.

21.0 FILING OF CLAIMS:

No claim for compensation shall be entertained unless the notice of accident in the prescribed manner has been given by the workmen except in the following cases:

(a) In case of the death of the workman.

(b) In case the employer had knowledge of the accident from any other source, at or about the time of its occurrence;

(c) In case the failure to give notice or prefer the claim was due to sufficient cause.

The case must be preferred within 2 years from the occurrence of the accident or from the date of death. It must proceeded by (i) a notice of accident and (ii) the claimant employee must present himself for medical examination so required by the employer. Failure of employer to have the workman medically examined does not debar him from challenging the medical certificate produce by the workman. [Burhsal Sugar Mills Ltd. Vs. Ramjan (1982) Lab IC 84 (All)].

22.0ATTACHMENT AND ASSIGNMENT OF COMPENSATION:

Compensation payable under this act cannot be attached, charged or passed on to any person other than the workman by operation of law, nor can it be set-off against any other claim **.**

23.0 RETURNS AS TO COMPENSATION.

The employer is required to submit a return specifying

(a) The no. of injuries in respect of which compensation has been paid during the previous year;

(b) The amount of such compensation; and

(c) Such other particulars as to the compensation as may be prescribed.

24.0OBLIGATION OF EMPLOYER:

(i) To pay compensation for an accident to the workman under the Act,

(ii) To submit a statement to the commissioner, **within 30 days of receiving the notice**, in the prescribed form giving the circumstances attending the death of workman as result of an accident and indicating whether he is liable to deposit any compensation**.**

(iii) To submit accident report to the commissioner in the prescribed from **within 7 days** of the accident which result in death of a workman or serious bodily injury**.**

(iv) To submit an annual return of accidents specifying the number of injuries for which compensation has been paid during the year, the amount of such compensation and other prescribed particular **.**

25.0 OBLIGATION OF EMPLOYEES:

(i) To send a notice of the accident in the prescribed from, to the commissioner and the employer, within such time as soon as it practicable for him. This notice is a precondition for the admission of the claim for compensation.

(ii) To present himself for medical exam, if required by the employer.

26.0 RIGHTS OF EMPLOYERS AND EMPLOYEES:

Certain important rights of the employees and the employers are: -

(i) To apply to the commissioner for reviewing the half monthly payment (in case of temporary disablement) on the ground of change in condition of the employee, the application should be accompanied by a certificate of a medical practitioner.

(ii) To refer any dispute as to liability to pay compensation, amount or duration of the compensation, or as to nature or extent of disablement, etc. to the commissioner for settlement.

(iii) To appeal against and order of the commissioner to the High court, **within 60 days** of the order**.** The employer is required to deposit the compensation before filing the appeal [Provision to Sec. 30; see Narayanan Nair Vs U.O.I. (1990) 11 LLJ 520 (KER).].

27.0 OFFENCES AND PENALTIES

Table 18. Offences and Penalties

SL No	OFFENCES	PENALTIES
2	Unjustified delay in payment of compensation Beyond one month	(1)up to 50% of the amount of compensation besides interest @ **12% PA .**
	Failure to maintain a notice book	Fine up to **Rs. 5000/-**
	Failure to submit a statement of fatal accident	- As above-
	Failure to submit an accident report	- As above-
	Failure to file annual return of compensation**.**	- As above-

28.0 IMPORTANT SECTIONS OF ACT AND ITS PROVISIONS

Table 19. Important Sections of Act and Its Provisions

S. No.	Section No.	Provisions
1.	Sec. 2	Definitions e.g., Commissioner, Compensation, Dependent, Employer, Disablement, Wages, Workman etc.
2.	Sec. 3	Employer's Liability for compensation and compensation when not payable.
3.	Sec. 4	Amount of Compensation
4.	Sec. 4 A	Penalty and interest for delayed payment.
5.	Sec. 6	Half monthly instalments may be converted in lump sum payment.
6.	Sec. 8	Compensation to be deposited with commissioner. Commissioner shall distribute the compensation.
7.	Sec. 9	Compensation not to be assigned, attached or charged.
8.	Sec. 10	Notices and Claim
	Sec. 10(2) & (4)	Notice of accident is to send by workman to the commissioner & employer.
	Sec. 10 (A)	Employer should submit the statement in prescribed form to the commissioner within 30 days of receiving the notice
	Sec. 10 (B)	To submit Accident Report by Employer to commissioner within seven days of accident.
9.	Sec. 11	Employee is to be present for Medical Examination.
10.	Sec. 16	Returns to be submitted by Employer to the commissioner.
11.	Sec. 19	Disputes may be referred to commissioner.
12.	Sec. 18 A	Penalties.
13.	Sec. 30	Appeal against the order of commissioner to the High Court.

14.9 THE LIMITATION ACT, 1963

- Applicable from 1.1.1964
- Applicable to whole of India.

1.0LIMITATION: -

Limitation means, the time at the end of which, no action at law or suit can be maintained.

- It is a restriction of the right of action to certain periods of time, after the accruing of cause of action, beyond which, except in certain specified cases, it will not be allowed.

•Legal remedy can be exercised only up to certain period and not subsequently.

2.0CONCERNED RELEVANT ACTS WITH OUR CONTRACT

(a) Arbitration Act 1940, effective up to 24-01-1996

(b) Indian Contract Act 1872

(c) Arbitration and conciliation Act, 1996, effective from 25.01.1996

Effective means commencement of Arbitration Proceedings, i.e. the date on which the sole – Arbitration is appointed by Appointing Authority under agreement clause of contract.

3.0ARTICLES OF LIMITATION ACT FOR OUR CONTRACT, APPLICABLE FOR INITIATING ARBITRATION PROCEEDINGS

Table 20.

Article No	Description of Suits	Period of Limitation	Time from which period being to run
27	For compensation for breach of a promise to do anything at a specified time	Three years	when the time specified arrives
54	For specific performance of a contract	Three years	The date fixed for performance, or, if No such date is fixed when the plaintiff has noticed that performance is refused
55	For compensation for the breach of any contract, express or implied not herein specifically provided for.	Three years	When the contract is broken
137	Any other application for which no period of limitations provided elsewhere	Three years	When the right to apply accrues

4.0PROTECTION OF ARBITRATION CLAUSE PROVISIONS AGAINST LIMITATION PERIOD OF 3 YEARS.

- Stipulation of Time Periods as mentioned in Arbitration Agreement (Arbitration clause) will hold good till intervened by the court
- Section 37(4) of Arbitration Act 1940
- Section 43(3) of A.C. Act 1996
- As per above section, court in case of hardship or as the justice of the case, can extend the time beyond Agreement. Maximum up to 3 years.

5.0ENFORCEMENT OF ARBITRATION AWARD

As per section 36 of A.C. Act 1996, after expiry of **three months** from the date of receipt of Arbitration Award by apposite party (By Respondent), the Award will become Decree of the court

6.0SETTING ASIDE ARBITRAL AWARD

Under Section 34(3) of A.C. Act – 1996, application to set aside the award should be made within three months from the date on which the party making that application had received the Arbitration Award or, if a request had been made under section 33 (correction & interpretation of Award), from the date on which that request has been disposed of by the Arbitrator.

7.0CORRECTION AND INTERPRETATION OF AWARD, ADDITIONAL AWARD

Within 30 daysfrom date of receipt of Arbitration award, (section -33 of A&C Act 1996)

(i) A party, with notice to other party, may request Arbitrator to correct any computation, clerical or typographical error.

(ii) A party, with notice to other party, may request Arbitrator to give an interpretation of a specific point.

8.0 IMPORTANT SECTIONS OF L.A. 1963

Section 3 – Bar of Limitation: -

Every suit instituted, appeal, and application made after the prescribed period, shall be dismissed.

Section 4 – When Court is Closed: -

When prescribed period expires on a day when court is closed, application can be made on the date when the court reopens.

Section 5 – Extension of Prescribed Period in Certain Cases: -

Prescribed Period can be extended if applicant satisfies the court with sufficient cause

Sufficient Cause: -

- Illness
- Bona-fide mistake
- Wrong proceedings
- Taken in good faith
- Proceedings in wrong court through bona-fide mistake
- Ignorance of facts
- Mistaken advice of layer
- Bona-fide mistake in calculation

Insufficient Grounds

- Ignorance of Law
- Poverty
- Negligence of pleader or clerk

Section – 6 – Legal Disability

If a person is having legal disability like Minor, Insane or Idiot, prescribed period is to be reckoned after the disability is ceased (over).

Section – 9 –Continuous Running of Time

Once time has begun to run, no subsequent disability to institute a suit or make an application stop it.

Means once time has begun to run, no subsequent disability will stop it. e.g., on the date from which prescribed period is to be reckoned, a person was OK, time will start to run & if subsequently he becomes legally disabled, time will not stop.

Section 12 Exclusion of Time in Legal Proceedings

(i) The day from which such period is to be reckoned, shall be excluded.

(ii) The time requisite for obtaining a copy of judgment shall be excluded.

Section 16–Effect of Death on or Before the Accrual of the Right to Sue

The limitation period shall be computed from the day when there is a legal representative of deceased capable to sue.

Section -18 Effect of Acknowledgment in Writing:

Before expiry of prescribed limitation period, if an acknowledgment of liability has been made in writing signed by the party against whom such property or right has been claimed, a fresh period of limitation shall be computed from the date of acknowledgement. Time is reset a zero from the date of Acknowledgment. e.g. Post-dated cheque is an acknowledgement.

THE SCHEDULEPERIODS OF LIMITATION

[Section 2 (i) and 3]

Table 21. First division – suits

Article No.	Description of Suits	Period of Limitation	Time from which period deigns to run
18.	For the price of work done by the plaintiff for the defendant at his request, where no time has been fixed for payment.	Three Years	When the work is done
27.	For compensation for breach of a promise to do anything at a specified time, or upon the happening of a specified contingency.	Three Years	When the time specified arrives or the contingency happens
Article No.	**Description of Suits**	**Period of Limitation**	**Time from which period deigns to run**
54.	For specific performance of a contract	Three Years	The date fixed the performance, or, if no such date is fixed, when the plaintiff has noticed that performance is refused.
68.	For specific movable property lost, or require by theft, or dishonest misappropriation or conversion.	Three years	When the person having the right to the possession of the property first learn in whose possession it is.

80.	For compensation for wrongful seizure of movable property under legal process	One Year	The date of the seizure
. 100	To alter or set aside any decision or order of a civil court in any proceeding other than a suit or any act or order of an officer of government in his official capacity	One Year	The date of the final decision or order by the court or the date of the act or order of the officer as the case may be.
112.	Any suit (except a suit before the Supreme Court in the exercise of its	Thirty Years	When the period of limitation would begin to run under this
	original jurisdiction) by or on behalf of the Central Government or any state Government, including the Government of the State of Jammu & Kashmir		Act against a like suit by a private person.
113.	Any suit for which no period of limitation is provided elsewhere in this Schedule	Three years	When the right to sue accrues.
137.	Any other application for which no period of limitation is provided elsewhere in this division	Three Years	When the right to apply accrues.

14.10 CONCLUSION

The Contract Labour (Regulation and Abolition) Act 1970 was enacted with a view to "the regulate the employment of contract labour the certain establishment and to provide its abolition in certain circumstances and for matters connected therewith." In terms of facilities provided, there was a huge disparity in the availability of the facilities for the regular permanent workers and the contract workers of industrial establishments. The contract labour act was enacted with the specific purpose of protecting the contract labour for any exploitation by the contractors and companies.

15 CONTRACT ACT AND ARBITRATION & CONCILIATION ACT

15.1 LEARNING OBJECTIVE

At the end of the session, the trainees will be able to learn

- Indian contract act-1872
- The arbitration and conciliation act, 1996

15.2 INDIAN CONTRACT ACT- 1872 INTRODUCTION

The law of damages in India is codified in Sections 73 and 74 of the Indian Contract Act, 1872 ("**Contract Act**"). Section 73 of the Contract Act provides that a party that suffers breach of contract is entitled to receive from the party that has broken the contract, compensation for any loss or damage caused to him thereby, which naturally arose in the usual course of things from such breach or which the parties knew, when they made the contract, to be likely to result from a breach. Section 73 of the Contract Act bars the grant of compensation for remote and indirect loss or damage sustained on account of breach of contract.

Parties to a contract can, and usually do, exclude liability for certain types of losses, which may be suffered by each or either party, or limit the amount of their liability pursuant to such loss. Though clauses limiting liability are by and large enforced, this may be subject to considerations such as bargaining power of the parties and public policy.

Sec-1 Short Title

- Applicable to whole of India.
- Applicable from 01.09.1872

2Sec-2 Interpretation Clause

Proposal

When one person signifies to another his willingness to do something, with a view to obtain the assent of another person, he is said to make a proposal.

Promise

A proposal when accepted becomes a promise.

Promisor

The person making the proposal is called Promisor (Contractor)

Promisee

The person accepting the proposal is called Promisee (Deptt./BSNL)

Consideration

When, at the desire of Promisor, the Promisee has done something or promises to do something, such act of promise is called consideration.

Agreement

Every promise forming the consideration for each other, is an Agreement

Reciprocal Promises

Promises which form the consideration for each other, are called Reciprocal Promises

Contract

An Agreement enforceable by Law is a Contract.

An agreement not enforceable by Law is said to be **void**.

15.3 COMMUNICATION, ACCEPTANCE AND REVOCATION OF PROPOSALS

Sec-4 Communication When Complete

The Communication of a Proposal is Complete: - The communication of a proposal is complete when it becomes to the knowledge of the person to whom it is made.

The Communication of an Acceptance is Complete: – as against the proposer, when it is put in a course of transmission to him so as to be out of the power of the acceptor.

The Communication of a Revocation is Complete: –

- as against the person who makes it, when it is put into a course of transmission to the person to whom it is made, so as to be out of the power of the person who makes it;
- as against the person to whom it is made, when it comes to his knowledge.

Sec-5 Revocation of Proposal and Acceptance

A proposal may be revoked at any time before the communication of its acceptance is complete as against the proposer, but not afterwards.

An acceptance may be revoked at any time before the communication of the acceptance is complete as against the acceptor, but not afterwards.

15.4 CONTRACTS, VOIDABLE CONTRACTS, AND VOID AGREEMENTS

Sec-10 – What Agreements Are Contracts (Ingredients of Contract): All the agreements are contracts

- If they are made by free consent
- Parties competent to contract (Sec-11)
- For a Lawful consideration.
- With Lawful object
- Lawful objects are not expressly declared to be void

Sec-11 Who Are Competent to Contract: Every person is competent to contract who is

- major
- of sound mind (Sec-12)
- not disqualified from contracting by any law

Sec-14 Free Consent Defined

Free consent if

- No coercion (Sec-15)
- No undue influence (Sec-16)
- No Fraud (Sec-17)
- No misrepresentation of facts (Sec-18)
- No mistake (Sec-20, 21, & 22)

Sec-24 Agreement void, if consideration and objects are unlawful

Sec-25 Agreements without consideration, void

An agreement without consideration is void, **unless**

(i) it is expressed in writing and registered and is made due to natural love and affection between the parties standing in near relation to each other.

(ii) It is a promise to compensate a person who has done something for the promisor.

(iii) If a person promises to pay a debt which is time barred by Limitation Law.

Sec-29 Agreements Void for uncertainty

Agreements, the meaning of which is not certain are void.

15.5 PERFORMANCE OF CONTRACTS, CONTRACTS WHICH MUST BE PERFORMED

Performance of Reciprocal Promises

Sec-51 – Promisor not bound to perform, unless reciprocal promisee ready and willing to perform

When a contract consists of reciprocal promises to be simultaneously performed, no promisor need perform his promise unless the promisee is ready and willing to perform his reciprocal promise.

Sec-52 – Order of performance of reciprocal promises

Where the order in which reciprocal promises are to be performed is expressly fixed by the contract, they shall be performed in the order, and where the orders is not expressly fixed by the contract, they shall be performed in that order which the nature of transaction requires.

Sec-53 – Liability of party preventing event on which contract is to take effect

When a contract contains reciprocal promises, and one party to the contract prevents the other from performing his promise, the contract becomes voidable at the option of the party so prevented; and he is entitled to compensation from the other party for any loss which he may sustain in consequence of the non-performance of the contract.

Sec-54 – Effect of default as to the promise which should be performed, in contract consisting of reciprocal promises

When a contract consists of reciprocal promises, such that one of them cannot be performed, or that its performance cannot be claimed till the other has been performed, and the promisor of the promise last mentioned fails to perform it, such promisor cannot claim the performance of the reciprocal promise, and must make compensation to the other party to the contract for any loss.

Sec-55 Effect of failure to perform at fixed time, in contract in which time is essential

When a party to a contract promises to do a certain thing at or before a specified time, or certain things at or before specified times, and fails to do any such thing at or before the specified time, the contract, or so much of it as has not been performed, becomes voidable at the option of the promisee, if the intention of the parties was that time should be of the essence of the contract.

Effect of such failure when time is not essential: -If it was not the intention of the parties that time should be of the essence of the contract, the contract does not become voidable by the failure to do such thing at or before the specified time; but the promisee is entitled to compensation from the promisor for any loss occasioned to him by such failure.

Effect of acceptance of performance at time other than that agreed upon: - If, in case of a contract voidable on account of the promisor's failure to perform his promise at the time agreed, the promisee accepts performance of such promise at any time other than that agreed, the promisee cannot claim compensation for any loss occasioned by the non-performance of the promise at the time agreed, unless, at the time of such acceptance he gives notice to the promisor of his intention to do so.

Notice under section 55 before expiry of stipulated period is must before granting any provisional Extension of Time at the request of contractor. Even if contractor does not apply and promisee intends to continue the contract, su-moto provisional extension of time with notice under section 55 should be given to the contractor. If contractor continues to work, receiving instructions & accepting measurement & bills, it is implied acceptance of contractor.

15.6 CERTAIN RELATIONS RESEMBLING THOSE CREATED BY CONTRACT

Sec-70 –Obligation of person enjoying benefit of non-gratuitous act

Where a person lawfully does anything for another person, or delivers anything to him, not intending to do so gratuitously, and such other person enjoys the benefit thereof, the later is bound to make compensation to the former in respect of, or to restore, the thing so done or delivered.

15.7 THE CONSEQUENCES OF BREACH OF CONTRACT

Sec-73 Compensation for loss or damage caused by breach of contract

When a contract has been broken, the party who suffers by such breach is entitled to receive, from the party who has broken the contract, compensation for any loss or damage caused to him thereby, which naturally arose in the usual course of things from such breach, or which the parties knew, when they made the contract, to be likely to result from the breach of it.

Such compensation is not to be given for any remote and indirect loss or damage sustained by reason of the breach.

Explanation - In estimating the loss or damage arising from a breach of contract, the means which existed of remedying the inconvenience caused-by the non-performance of the contract must be taken into account.

Sec-74 Compensation for breach of contract where penalty stipulated for

When a contract has been broken, if a sum is named in the contract as the amount to be paid in case of such breach, or if the contract contains any other stipulation by way of penalty, the party complaining of the breach is entitled, whether or not actual damage or loss is proved to have been caused thereby, to receive from the party who has broken the contract reasonable compensation not exceeding the amount so named or, as the case may be, the penalty stipulated for.

Sec-75 Party rightfully rescinding contract, entitled to compensation

A person who rightfully rescinds a contract is entitled to consideration for any damage which he has sustained through the non-fulfilment of the contract.

15.8 THE ARBITRATION AND CONCILIATION ACT, 1996

1. Sec-1 Short Title, extent and commencement

Arbitration has increasingly become a preferred option to settle commercial disputes globally for quick enforcement of contracts & settlement of monetary claims. Arbitration & Conciliation Act came into effect from 25.01.1996and was amended by Act 3 of 2016. The amended act deemed to have come into force from 23.10.15. It was further amended by Act 33 of 2019 with effect from 9th August 2019. The Key features of this amendment act are:

(1) Establishment of an independent body called the Arbitration Council of India.

(2) Appointment of arbitrators by arbitral institutions.

(3) The time restriction for arbitral tribunals to make their award within a period of 12 months is removed for international commercial arbitrations.

(4) The time limit to file written claim and the defense to the claim before an arbitral tribunal has been fixed as six months.

DIFFERENCE IN 1996 ACT ANDAMENDED ARBITRATION & CONCILIATION ACT

Table 22. Difference in Old and AMENDED Arbitration Act

Sl . No.	Point of Difference	Arbitration & Conciliation Act 1996	Arbitration & Conciliation Act 1996 as amended by Amendment Act 2015	Arbitration & Conciliation Act 1996 as amended by Amendment Act 2019
1.	Conciliation	Provision Exist	Provision Exist	Provision Exist
2.	Reasoned award	All awards	All Awards	All Awards
3.	Provision of Arbitral Institution	Does not exist	Does not exist	Inserted vide Sec-11(3A)
4.	Provision of Arbitration Council of India	Does not exist	Does not exist	Inserted vide Part –IA
5.	Time limit for completion of statement of claims and defense	No time limit prescribed but as decided by arbitration tribunal (Sec-23)	No time limit prescribed but as decided by arbitration tribunal (Sec-23)	6 Months from the date the arbitrators received notice of their appointments (Sec-23 amended)
6.	Time of Hearing & Publishing award.	No time limit	12 Months from the date of Arbitral Tribunal enters upon reference (Sec-29A inserted)	12 Months from the date of completion of pleadings (Sec-29A amended)
7.	Award become rule of Court	After 3 months of receipt of award by	No change	No change

		opposite party, award will become DECREE. (Sec-36)		
8.	**Fast track procedure**	**No Provision Exist**	**Provision added (Sec-29B).**	**No change in Sec-29B**
9.	**Fourth, Fifth, Sixth, Seventh and Eighth Schedule**	**Do not exist**	**4th to 7th Schedule existed.**	**8th Schedule Inserted.**

3. ARBITRATION

"Arbitration" means any arbitration whether or not administered by permanent arbitral institution.

4. SEC-7 ARBITRATION AGREEMENT

Means an agreement by the parties to submit to Arbitration all or certain disputes which have arisen or which may arise between them in respect of a defined legal relationship.

An arbitration agreement must be in writing. It may be in the form of an Arbitration Clause in the contract or in the form of separate agreement.

5. SEC- 8 POWER TO REFER PARTIES TO ARBITRATION WHERE THERE IS AN ARBITRATION AGREEMENT

(i) A Judicial authority before which an action is brought where Arbitration Agreement exist shall refer the parties to Arbitration.

(ii) (Sub Section-3) If same issue under Sub Section-1 is pending before the judicial authority, an arbitration may be commenced or continued and Arbitration Award made.

Composition of Arbitral Tribunal

- **<u>Sec-10 to 12</u>**

(i). A person of any nationality may be an arbitrator, unless otherwise agreed by the parties. The parties are free to determine the number of arbitrators, provided that such number shall not be an even number. They can agree for a sole arbitrator.

(ii) The parties are free to agree on a procedure for appointing the arbitrator or arbitrators. In absence of any agreement otherwise, in an arbitration with three arbitrators, each party shall appoint one arbitrator, and the two appointed arbitrators shall appoint the third arbitrator who shall act as the presiding arbitrator. As per **Sec-11**, an arbitrator should be appointed within **thirty days** from the date of receipt of request from the other party or otherwise the appointment shall be made, upon request of a party, by the Supreme/High Court or any person or institution designated by such Court. Any arbitrator so appointed is required to disclose in writing, in the form specified in the Sixth Schedule, any circumstances,—

(a) Any grounds as stated in the Fifth Schedule either direct or indirect, of any past or present relationship of any kind with any of the parties or in relation to the subject-matter in dispute which is likely to give rise to doubts as to his independence or impartiality; and also

(b) which are likely to affect his ability to devote sufficient time to the arbitration and complete entire arbitration within a period of twelve months.

6. Conduct of Arbitral Proceeding

- **Sec-18 – Equal Treatment of Parties**

The parties shall be treated with equality and each party shall be given a full opportunity to present his case.

- **Sec-19 Determination of Rules of Procedure**

The arbitral tribunal shall not be bound by the Code of Civil Procedure or the Indian Evidence Act. Parties are free to agree on the procedure to be followed by the Arbitrator in conducting proceedings. Failing any agreement, Arbitrator may conduct the proceedings in the manner it considers appropriate and shall have the power to determine the admissibility, relevance, materiality and weight of any evidence.

- **Sec-20- Place of Hearing**

(i) Parties are free to agree on the place of Arbitration.

(ii) Failing any agreement, place of arbitration shall be determined by Arbitrator as appropriate considering the circumstances of the case and convenience of the parties.

- **Sec-23- Statement of claim and defense**

(i) Within the time period agrees or so determined by the Arbitrator, claimant shall submit statement of facts supporting his claim and relief sought and respondent shall submit his statement of defense. Parties may submit with their statement all documents they consider to be relevant. The respondent may also submit a counterclaim or plead a set-off, which shall be adjudicated upon by the arbitral tribunal, if such counterclaim or set-off falls within the scope of the arbitration agreement.

(ii) Either party may amend or supplement his claim or defense during the course of proceedings, unless the tribunal considers it inappropriate to allow having regard to the delay in making it.

(iii) The statement of claim and defense under this section shall be completed within a period of **six months** from the date the arbitrator or all the arbitrators received notice, in writing of their appointment.

- **Sec-24 – Hearings and written proceedings**

(i) Unless agreed by the parties, Arbitrator shall decide whether to hold oral hearing or to decide on the basis of documents.

(ii) Arbitral tribunal shall, as far as possible, hold oral hearings for the presentation of evidence or for oral argument on day-to-day basis, and not grant any adjournments unless sufficient cause is made out, and may impose costs including exemplary costs on the party seeking adjournment without any sufficient cause.]

(iii) Parties shall be given sufficient advance notice of any hearing or inspection of records, goods or property.

(iv) All statements, documents or applications made to Arbitrator by one party **shall be communicated to other party.** Any expert report or evidence on which Arbitrator may rely in making its decision **shall be communicated to the parties.**

Sec-25 Default of a party

(a) If without sufficient cause, claimant fails to communicate his statement of claim, Arbitrator shall **Terminate the Proceedings.**

(b) If respondent fail to communicate his statement of defense, Arbitrator **shall continue the** proceedings without treating failure in itself as on admission of the allegation by the claimant and shall have the discretion to treat the right of the respondent to file such statement of defense as having been forfeited.

(c) If a party fails to appear at an oral hearing or to produce documentary evidence, Arbitrator may continue the proceedings and make the arbitral award on the evidence before it.

Section 29. Decision making by panel of arbitrators.—

(i) Unless otherwise agreed by the parties, in arbitral proceedings with more than one arbitrator, any decision of the arbitral tribunal shall be made by a majority of all its members. If so authorised by the parties or all the members of the arbitral tribunal, questions of procedure may be decided by the presiding arbitrator.

Section 29A Time limit for arbitral award.—

(1)The award in matters other than international commercial arbitration shall be made by the arbitral tribunal within a period of **twelve months** from the date of completion of pleadings.

(2) If the award is made within a period of six months, the arbitral tribunal shall be entitled to receive such amount of additional fees as the parties may agree.

(3) The parties may, by consent, extend this period specified in sub-section (1) for a further period not exceeding six months.

(4) If the award is not made within the period specified in sub-section (1) or the extended period specified under sub-section (3), the mandate of the arbitrator(s) shall terminate unless the Court has, on application of any party, either prior to or after the expiry of the period so specified, extended the period on the basis of sufficient cause, on such terms and conditions as may be imposed by the Court. Till such application is pending, the mandate of the arbitrator shall continue. Such application filed to be disposed of by the Court within a period of sixty days from the date of service of notice on the opposite party

(5) While extending the period, if the Court finds that the proceedings have been delayed for the reasons attributable to the arbitral tribunal, it may order reduction of fees of arbitrator(s) by not exceeding five per cent for each month of such delay and/or substitute any or all arbitrators. The arbitrator shall be given an opportunity of being heard before the fee is reduced. Court may also impose actual or exemplary costs upon any of the parties.

(6) If one or all of the arbitrators are substituted, the arbitral proceedings shall continue from the stage already reached and on the basis of the evidence and material already on record, and the arbitrator(s) so appointed shall be deemed to have received the said evidence and material and the arbitral tribunal thus reconstituted shall be deemed to be in continuation of the previously appointed arbitral tribunal.

Section 29B. Fast track procedure

(1) The parties may, at any stage either before or at the time of appointment of the arbitral tribunal, agree in writing to have their dispute resolved by fast track procedure specified in sub-para (3).

(2) The parties while agreeing for resolution of dispute by fast track procedure, may agree that the arbitral tribunal shall consist of a sole arbitrator who shall be chosen by the parties

(3) The arbitral tribunal shall follow the following procedure while conducting arbitration proceedings under sub-section (1):—

(a) The arbitral tribunal shall decide the dispute on the basis of written pleadings, documents and submissions filed by the parties without any oral hearing;

(b) The arbitral tribunal shall have power to call for any further information or clarification from the parties in addition to the pleadings and documents filed by them;

(c) An oral hearing may be held only, if, all the parties make a request or if the arbitral tribunal considers it necessary to have oral hearing for clarifying certain issues;

(d) The arbitral tribunal may dispense with any technical formalities, if an oral hearing is held, and adopt such procedure as deemed appropriate for expeditious disposal of the case.

(4) The award under this section shall be made within a period of **six months** from the date the arbitral tribunal enters upon the reference. If the award is not made within **six months** period, the provisions of section 29A shall apply with regard to extension of the period.

(5) The fees payable to the arbitrator and the manner of payment of the fees shall be such as may be agreed between the arbitrator and the parties.

Sec-30 Settlement

(a) Arbitrator may use mediation or conciliation during arbitral proceedings to encourage settlement

(b) If, during arbitral proceedings, the parties settled the dispute, the Arbitrator shall terminate the proceedings and, if requested by the parties, Arbitrator may record the settlement in the form of an Arbitral Award on agreed terms.

(c) An Arbitration award on **agreed terms** shall have the same status and effect as any other arbitral award.

Sec-31 Form and Contents of Arbitral Award

(i) Arbitration award shall be **in writing** and shall be **signed** by Arbitrator/ Arbitrators.

(ii) Arbitral award shall **state the reasons** upon which it is based unless it is on agreed terms or parties have agreed that no reasons are to be given.

(iii) The Arbitral award shall state **date and place** of **Arbitration** and award deemed to have been made at that place.

(iv) A signed copy shall be delivered to each party.

(v) Arbitrator may make an interim arbitral award.

(vi) (Sub-Sec-7a) Arbitrator may award **Interest as deems reasonable** on the whole or party of money, for whole or part of period between the date on which the cause of action arose and the date on which the award is made (Pre- reference Period + Pendent elite Interest)

(vii) (Sub-Sec-7b) In Arbitration award, interest on the amount of award is to be paid as directed or otherwise Award shall carry **interest at the rate of two per cent higher than the current rate of interest** prevalent on the date of award**,** from the date of award to the date of payment. Explanation.—The expression "current rate of interest" shall have the same meaning as assigned to it under clause (b) of section 2 of the Interest Act, 1978 (14 of 1978).

Section 31A. Regime for costs.—

(1) In relation to any arbitration proceedings, the Court or arbitral tribunal shall have the discretion to determine—

(a) whether costs are payable by one party to another;

(b) the amount of such costs

(c) when such costs are to be paid.

"Costs" here means reasonable costs relating to—

(i) the fees and expenses of the arbitrators, Courts and witnesses;

(ii) legal fees and expenses;

(iii) any administration fees of the institution supervising the arbitration; and

(iv) any other expenses incurred in connection with the arbitral or Court proceedings and the arbitral award.

(2) If the Court or arbitral tribunal decides to make an order as to payment of costs,—

(a) the general rule is that the unsuccessful party shall be ordered to pay the costs of the successful party; or (b) the Court or arbitral tribunal may make a different order for reasons to be recorded in writing.

(3) In determining the costs, the Court or arbitral tribunal shall have regard to all the circumstances, including—

(a) the conduct of all the parties;

(b) whether a party has succeeded partly in the case;

(c) whether the party had made a frivolous counterclaim leading to delay in the disposal of the arbitral proceedings; and

(d) whether any reasonable offer to settle the dispute is made by a party and refused by the other party.

(4) The Court or arbitral tribunal may make any order under this section including the order that a party shall pay—

(a) a proportion of another party's costs;

(b) a stated amount in respect of another party's costs;

(c) costs from or until a certain date only;

(d) costs incurred before proceedings have begun;

(e) costs relating to particular steps taken in the proceedings;

(f) costs relating only to a distinct part of the proceedings; and

(g) interest on costs from or until a certain date.

(5) An agreement which has the effect that a party is to pay the whole or part of the costs of the arbitration in any event shall be only valid if such agreement is made after the dispute in question has arisen.

Sec-32 Termination Proceedings

(i) The arbitral proceedings shall be terminated **by the Final Arbitration Award.**

(ii) Arbitrator shall issue an order for termination of Arbitral Proceedings where:-

(a) The claimant withdraws his claims.

(b) Parties agree on the termination of proceedings

(c) Arbitrator finds that the continuation of the proceedings for any reason become unnecessary or impossible.

The mandate of the arbitral tribunal shall terminate with the termination of the arbitral proceedings.

Sec-33-Correction and interpretation of award, Additional Award

(i) Within **thirty days** from the receipt of the arbitral award:

(a) A party, with notice to the other party, may request the arbitral tribunal **to correct any computational error, any clerical or typographical errors** or any other errors of similar nature occurring in the award;

(b) A party, with notice to the other party, may request the arbitral tribunal **to give an interpretation of a specific point** or part of the award. If the arbitral tribunal considers such request to be justified, it shall make the correction or give the interpretation **within thirty days from the receipt of the request** and the interpretation shall from part of the arbitral award.

(ii) The arbitral tribunal **may correct any error** of above type, o**n its own initiative, within thirty days from the date of the arbitral award.**

(iii) A party with notice to the other party may request, within **thirty days from the receipt of the arbitral award**, the arbitral tribunal to make an additional arbitral award as to claims presented in the arbitral proceedings but omitted from the arbitral award. If the arbitral tribunal considers such request to be justified, it shall make the additional arbitral award **within sixty days from the receipt of such request.**

(iv) The arbitral tribunal may extend, if necessary, the period of time within which it shall make a correction, give an interpretation or make an additional arbitral award under above sub-sections.

7. Recourse against Arbitration Award

- **Sec-34 Application for setting aside arbitral award**

(1) Recourse to a Court against an arbitral award may be made only by an application for setting aside such award.

(2) An arbitral award may be set aside by the Court only if—

(a) The party making the application establishes on the basis of the record of the arbitral tribunal that—

(i) A party was under **some incapacity**; or

(ii) The arbitration agreement is **not valid under the law**

(iii) The party making the application **was not given proper notice** of the appointment of an arbitrator or of the arbitral proceedings or was otherwise unable to present his case; or

(iv) the arbitral award deals with a dispute not contemplated by or not falling **within the terms of the submission to arbitration**, or it contains decisions on matters **beyond the scope of the submission to arbitration: or**

(v) The composition of the arbitral Tribunal or the arbitral procedure was not in accordance with the agreement of the parties.

(3) An application for setting aside **may not be made after three months have elapsed from the date on which the party making that application had received the arbitral award or**, if a request had been made under section 33, from the date on which that request had been disposed of by the arbitral Tribunal. If the Court is satisfied that the applicant was prevented by sufficient cause from making the application within the period of three months it may entertain the application within a further period of thirty days, but not thereafter.

8. Finality and Enforcement of Arbitral Awards

- **Sec-35 Finality of arbitral awards**

  Subject to this Part an arbitral award **shall be final and binding on the parties.**

- **Sec-36 - Enforcement**

  Where the time for making an application to set aside the arbitral award under section 34 has expired, **the award shall be enforced** under the Code of Civil Procedure, 1908 (5 of 1908) in the same manner **as if it were a decree of the Court.**

  Where an application to set aside the arbitral award has been filed in the Court under section 34, the filing of such an application shall not by itself render that award unenforceable, unless the Court grants an order of stay of the operation of the said arbitral award on a separate application made for that purpose.

- **Section No. 37 :- Appealable orders:-**

(*1***)**An appeal shall lie from the following orders (and from no others) to the Court authorized by law to hear appeals from original decrees of the Court passing the order, namely:**—**

(*a*) refusing to refer the parties to arbitration under section 8;

(*b*) granting or refusing to grant any measure under section 9;

(*c*) setting aside or refusing to set aside an arbitral award under section 34.

(*2*) Appeal shall also lie to a court from an order of the arbitral tribunal**—**

(*a*) accepting the plea referred to in sub-section (*2*) or sub-section (*3*) of section 16 regarding arbitral tribunal exceeding its scope or jurisdiction; or

(*b*) granting or refusing to grant an interim measure under section 17.

(3) No second appeal shall lie from an order passed in appeal under this section, but nothing in this section shall affect or take away any right to appeal to the Supreme Court.

- **Sec-40-Arbitration agreement not to be discharged by death of party thereto**

An arbitration agreement **shall not be discharged by the death** of any party thereto either, but shall in such event be enforceable **by or against the legal representative of the deceased.** The mandate of an arbitrator shall not be terminated by the death of any party by whom he was appointed.

- **Section No. 42A Confidentiality of information.-**

The arbitrator, the arbitral institution and the parties to the arbitration agreement shall maintain confidentiality of all arbitral proceedings except award where its disclosure is necessary for the purpose of implementation and enforcement of award.

9. CONCILIATION

- **Sec-62 Commencement of conciliation proceedings**

(i) The party initiating conciliation shall send to the other party a written **invitation to conciliate**.

(ii) Conciliation proceedings shall commence **when the other party accepts** in writing the invitation to conciliate. If the other party rejects the invitation, there will be no conciliation proceedings.

(iii) If the party initiating conciliation **does not receive a reply within thirty days** from the date on which he sends the invitation, he may elect to treat this as a rejection of the invitation to conciliate.

- **Sec-66** The conciliator is not bound by Code of Civil Procedure or the Indian Evidence Act.

- **Sec-67 Role of conciliator**

(i) The conciliator shall assist the parties to reach an amicable settlement of their dispute.

(ii) The conciliator may, at any stage of the conciliation proceedings, make proposals for a settlement of the dispute. Such proposals need not be in writing and need not be accompanied by a statement of the reasons thereof.

- **Sec-73 - Settlement agreement**

(i). If the parties reach agreement on a settlement of the dispute, they may draw up and **sign a written settlement agreement.** The conciliator shall authenticate the settlement agreement and furnish a copy thereof to each of the parties**.**

(ii). When the parties sign the **settlement agreement, it shall be final and binding on the parties** and persons claiming under them respectively.

- **Sec-74 Status and effect of settlement agreement**

The settlement agreement shall have the **same status and effect as if it is an arbitral award** on agreed terms on the substance of the dispute rendered by an arbitral Tribunal under section 30.

- **76. Termination of conciliation proceedings.—**

The conciliation proceedings shall be terminated—

(a) by the signing of the settlement agreement by the parties on the date of agreement; or

(b) by a written declaration of the conciliator, after consultation with the parties, to the effect that further efforts at conciliation are no longer justified, on the date of the declaration; or

(c) by a written declaration of the parties addressed to the conciliator to the effect that the conciliation proceedings are terminated, on the date of the declaration; or

(d) by a written declaration of a party to the other party and the conciliator, if appointed, to the effect that the conciliation proceedings are terminated, on the date of the declaration.

- **Sec-77 - Resort to arbitral or judicial proceedings**

The parties **shall not initiate, during the conciliation proceedings, any arbitral or judicial proceedings** in respect of a dispute that is the subject-matter of the conciliation proceedings

15.9 CONCLUSION

Arbitration has developed significantly in India and also the justice is served to the people without any delay. Nowadays most of the people are including the arbitration clause in their contracts or agreements to resolve their disputes through arbitration without court's involvement. However, there are some decisions and provisions which are not clearly interpreted. Hopefully, these would be identified and addressed by the Supreme Court and a clear interpretation and decisions are given in the near future.

16 PROJECT VIJAY

16.1 LEARNING OBJECTIVES

At the end of session, the trainees will be able to:

- Describe Project Vijay Objectives.
- Define key terms used in Project Vijay.
- Explain revised structure of Franchisee channel
- Explain team structure for Project Vijay.
- Explain the concept of market retailer survey.
- Describe role description of Project Vijay Team.
- Describe proposed process for ordering and delivery.

16.2 INTRODUCTION

Globalization has made the market competitive but the recession has the competitive market more challenging. This situation has forced companies to increase their revenue by increasing market share. BSNL is not exception to it.

BSNL is providing various kinds of services. Consumer Mobility is one service which has rising trends. To capture the market share in consumer mobility, BSNL has created some new roles and made some changes in its old strategies and processes for marketing its product to face the today's turbulent environment.

This handout deals with the strategies and processes adopted by BSNL to increase market share of the one of the products i.e. consumer mobility.

16.3 PRESENT STATUS OF BSNL

BSNL is an organization with much strength as

- Largest fibre and copper network
- Widest geographical reach
- Large base of mobile towers
- Significant potential to monetize assets through broadband
- Large existing customer base
- Long customer relationships
- Leading broadband provider
- Large, geographically distributed and experienced manpower
- Cash reserves to support bold moves

Yet, it has many challenges as

- Slowing growth leading to poor financial performance
- Facing an extremely competitive environment
- Lacking some critical skills to succeed in current market scenario

- Organization structure and processes that are not attuned to market needs
- Low employee motivation and involvement

To achieve one of the aspirations of BSNL as **“to be the leading telecom service provider in India with global presence”** Project Vijay has been implemented to increase the market share in consumer mobility.

The Project Vijay is concerned with consumer mobility. It is being implemented with a view to expand reach and capture significant share of retailer’s counter sales. This builds the distinctive channel management capabilities and nurture and build strong and viable channel partner.

16.4 OBJECTIVES OF PROJECT VIJAY

1. Expand reach – ensure availability of BSNL products at more than 95% of telecom retail outlets
2. Capture significant share (25-30%) of retailer's counter sales (increase extraction)
3. Build distinctive channel management capabilities Nurture and build strong and viable channel partner network

16.4 DEFINITIONS OF KEY TERMS USED IN PROJECT VIJAY:

FoS: Feet on street**:**

Franchise's employees:

- who will visit retailer shops,
- deliver material and
- collect CAF (Customer Application forms)

Primary Sales:

Salesof product from BSNL to franchise are defined as 'Primary Sales'.

Secondary Sales:

Any sales from franchise unit to retailer are defined as 'Secondary Sales'.

Tertiary sales:

Product sales from retailer to end-customer are defined as 'Tertiary Sales.'

Reach:

Reach defined as the ratio of telecom retail outlets (multi-brand telecom outlets) that sell BSNL products to the total number of telecom retail outlets in a particular geographical area. For example, if total number of multi brand telecom retail outlet that sell BSNL product is M and total number of multi brand telecom retail outlet is N in a particular geography then

BSNL Reach=M/N

If M=4 and N=8 then BSNL Reach=4/8=.5 or .5x100=50%

Extraction:

Extraction defined as the share of BSNL sales in the total sales of a particular multi brand telecom outlet

- By number of SIMs
- By value of recharge

For example, if BSNL sell is M (i.e., Number of SIM or value of recharge) and total sales of a particular multi-brand telecom retail outlet is N (i.e., Number of SIM or value of recharge) then

BSNL Extraction=M/N

If M=4 and N=10 Then BSNL Extraction=4/10=.4 or .4x100=40%

MBO: Multi-brand telecom outlets

16.5 REVISED STRUCTURE OF FRANCHISEE CHANNEL:

Primary sales will be made from BSNL SSA to Franchisee.

Franchisee will make the sales to Sub Franchisee and also to MBO retail Outlets through FoS.

Sub Franchisee will also make sales to MBO retail Outlets in its area.

MBO retail Outlets will make the sales to customers.

Revised structure

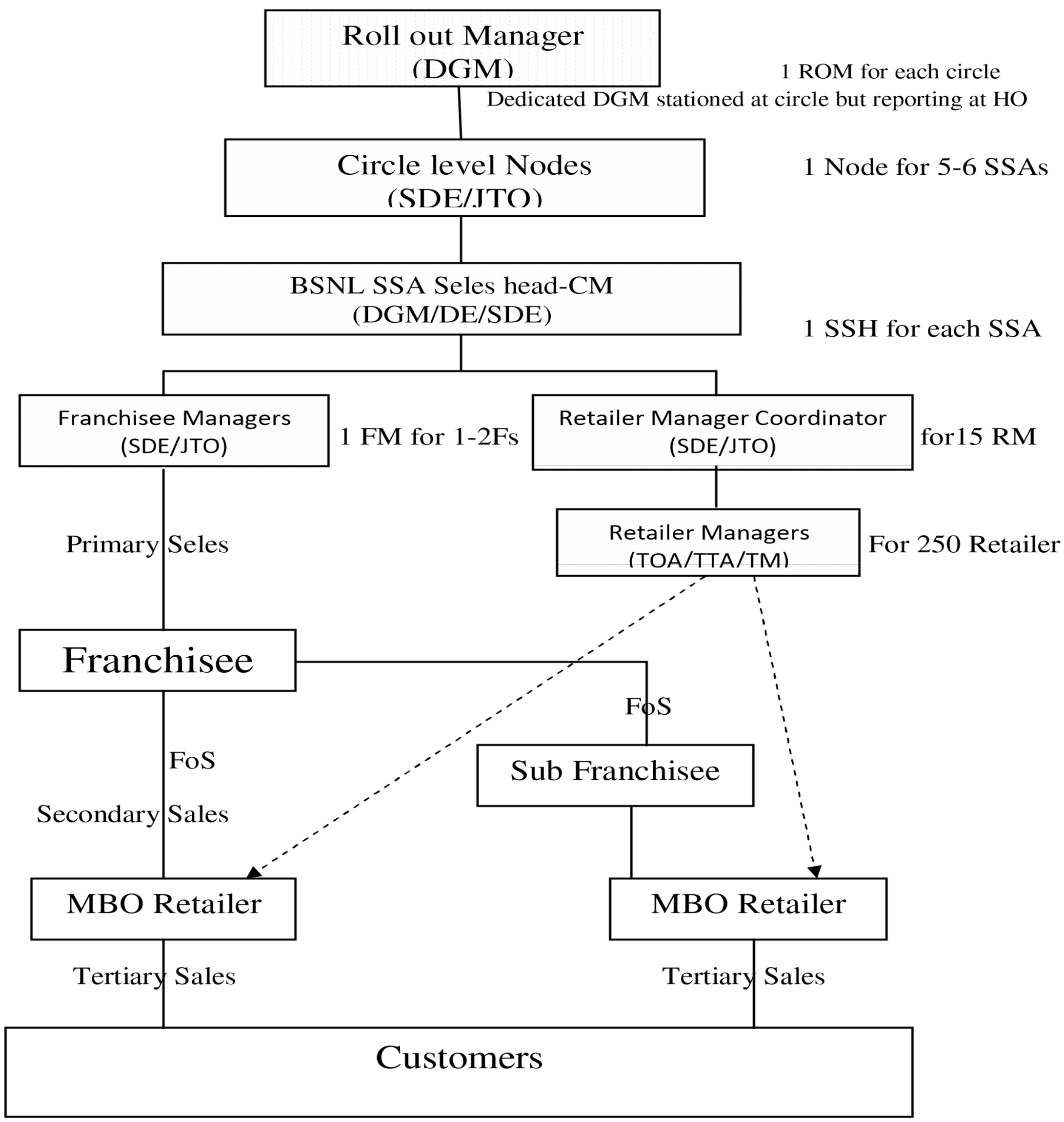


Figure 22: Structure of franchisee channel

Table 23. Team structure for Project Vijay

Roles	Designation	Details
Roll Out Mangers (ROM)	DGM	Dedicated DGM stationed at Circle but reporting at HO
Circle level Nodes	SDE / JTO	One node for 5-6 SSA's
SSA Sales Head – cons. Mobility	DGM / DE/ SDE	One per SSA /Region
Franchisee Manger (FM)	SDE/JTO	One Franchisee Manger per Franchisee
Retailer manager Coordinator (RMC)	SDE/JTO	One RMC for up to 15 RM's
Retailer manager (RM)	(TOA/TTA/TM)	One RM for up to 250 retailers

16.6 CONCEPT OF MARKET RETAILER SURVEY:

In the beginning a survey of retailers selling telecom products in a particular geographical area will be made by BSNL survey team with a purpose

- To baseline existing retailer universe before pilot launch
- To develop channel norms for franchisee FOS #s and service frequency, based on analysis of retailer universe
- Survey to be conducted in each SSA of circle
- Both urban & rural areas to be covered
- Survey to be completed in 3-4 weeks duration
- The surveyor will make survey with the help of a questionnaire in the form of a printed survey form containing details as shown below.

Details which are contained in the printed survey form in brief

1. Details of the surveyor
2. Details of the retailers with phone numbers
3. Do you sell SIMs of any brand? yes/no
4. Do you sell recharge voucher of any kind? Yes? No
5. Do you sell BSNL SIM? yes/no
6. Who sell BSNL SIM to you?
7. Details of monthly sale of telecom product.
8. Comments about BSNL services to the retailer?

Categories of retailers:

The category of retailers are different according to the characteristics which depends on number of SIMs sold per month or amount of Recharge sales per month. These categories are

- Class A

- Class B
- Class C
- Class D

Class A: The Retailers who sold more than 100 SIMs per month or Recharge sales more than Rs. 3 lakhs per month come under this category. For examples large multi-brand telecom outlets comes under this category.

Class B: The Retailers who sold between 50-100 SIMs per month or Recharge sales between Rs.13 lakhs per month come under this category. For examples large kirana shops, medium multi-brand telecom outlets, STD/ PCO shops, etc. comes under this category.

Class C: The Retailers who sold less than 50 SIMs per month or Recharge sales Between Rs. 0.5-1 lakhs per month come under this category. For examples medium kirana stores, small multi-brand telecom outlets, etc. comes under this category.

Class D: The Retailers who sold negligible (mostly nil; may sell 10-30 SIMs per month) or Recharge sales less than Rs. 50,000 per month come under this category. For examples small kirana stores, paan shop, tea stall, etc. comes under this category.

Service frequency by class

- Class A: Daily
- Class B: Every alternate day
- Class C: Twice a week
- Class D: Once a week

16.7 ROLE DESCRIPTION OF PROJECT VIJAY TEAM:

Table 24. Roles and description of project Vijay team

Roles	Role Description
Roll Out Mangers (ROM)	Responsible for overall roll-out of Project Vijay in circle. Expected to drive on-the-ground implementation in circle and escalate unresolved issues at the circle level, to HO
Circle level Nodes	Guide SSA teams with best practices, key risks at a particular stage, etc. Help SSA teams resolve and escalate issues
SSA Sales Head – cons. Mobility	Responsible for overall roll-out of Project Vijay in Region/SSA, incl. team formation, process changes and value outcome Act as Sales head, Mobility at SSA/ Region
Franchisee Manger (FM)	Provide support and manage franchisees and sub franchisees
Retailer manager Coordinator (RMC)	Provide support and manage retailer managers
Retailer manager (RM)	Act as retailer survey team, to map retailer universe (upfront) Directly interact with and provide support to retailers on an ongoing basis

16.8 PROPOSED PROCESS FOR ORDERING AND DELIVERY:

- The franchisee need not come to SSA office.

- She/he will deposit the amount in bank and intimate the Franchisee manager and AO SALES) about money deposited in BSNL account to supply the telecom product and place an order on phone or through email.
- AO (Sales) will verify whether the amount has been credited in BSNL account or not.
- After verifying, AO (Sales) and Franchisee manager will deliver the material at the door of the Franchisees.

16.9 INCENTIVE, AWARDS & FACILITIES:

There is a provision of incentives & awards to the members of PROJECT VIJAY team. A detail of incentives is given below:

Table 25. Incentive award and facility

Role	Reimbursement type Travel/meal/mobile	Reimbursement amount per month
Franchisee manager	Travel & Meal	Rs 1800/-
	Mobile	Rs 500/-
Retailer Manager coordinator	Travel & Meal	Rs 1300/-
	Mobile	Rs 500/-
Retailer Manager for visits up to 40kms/day average	Travel & Meal	Rs 1800/-
	Mobile	Rs 500/-
Retailer Manager for visits beyond 40kms/day average	Travel & Meal	Rs 2600/-
	Mobile	Rs 500/-

- Franchisee Manager is expected to manage up-to 2 Franchisees and visit them every alternate day; Franchisee Manager is also expected to visit each sub franchise once a month.
- Retailer Manager Coordinators expected to manage up to 15 Retailer Managers and does 1 inspection visit per Retailer Manager per month.
- Each retailer manager is typically assigned -200-300 retailers, depending on area geography and is expected to visit each retailer -2 times a month.
- Final decision on which category the retailer Manager falls in should be made by the SSA sales head, advised by the Retailer Manager Coordinator.
- The base reimbursement will be paid to Franchisee Manager and Retailer Manager. Coordinator upon meeting a minimum of 10% achievement on Primary sale (# of SIM and Recharge value). The base reimbursement will be paid to Retailer Manager upon meeting a minimum of 30% achievement on no. of retailer’s visits done as a proportion of the total no. of retailer’s visits assigned

16.10 AWARDS:

Table 26. Awards

Award	Level	Frequency	Amount	Criteria
Best Franchisee manager	Circle	Quarterly	Rs 3000	Highest score on average KPAs
Best Retailer Manager coordinator	Circle	Quarterly	Rs 3000	-do-
Best Retailer Manager	SSA	Quarterly	Rs 750	-do-
Best Sales Head	Circle	Quarterly	Rs 5000	-do-

- In case of a tie, the award amount may be equally split.
- In order to qualify for an award, the Franchisee Manager or Retailer Manager coordinator must meet a minimum of 10% achievement on Primary sale (# of SIM and Recharge value), Similarly in, order to qualify for the award, the Retailer. Manager must meet a minimum of 30% achievement on no. of retailer's visits done as a proportion of the total no of retailer visits assigned.
- The final decision on awards at the circle levels should be made by the PGM/GM (Consumer Mobility) at circle level at the end of the month, after taking in to the account the average score on KPAs received from SSAs'.

Table 27. Facilities:

SSA Sales Head	Office space, Desktop with broadband GSM SIM
Franchisee Manager	-do-
Retailer Manager Coordinator	-do-
Retailer Manager	GSM SIM

16.11 SANCHARSOFT:

Sancharsoft is a SIM Inventory Management Application is jointly designed and maintained by IT Cell Chennai Telephones and ITPC Hyderabad.

SIM Inventory Management is a web-based application for integrated management of O&M and Sales & Distribution Channels. Software is designed based on actual work flow for O&M and SIM/RC sales network.

Application is hosted on Zonal WEB server with oracles 8i server at back end, User access control, security features are in built. It is possible to trace all transactions. This application will be accessible on both CELLONE/Dotsoft network and MPLS networks. It is proposed to provided Sales and MIS reports through intranet WEB SITE for all the circles.

SIM Inventory Management:

Sancharsoft is SIM and RC, other Prepaid Inventory Management tool, Incorporates workflow like no other tool available in the market. It has been integrated to IN and HLR to ensure that all the activities related to SIM and RC are automated. Entire Setup is mapped to workflow right from procurement of SIM to Sale at Point of Sale, with Roles and Responsibilities well defined as per Corporate Guidelines.

Important Features

- Procurement, allotment, distribution and sale through online transactions.
- Enabling/Activation of SIM based on sale, CAF data
- CAF monitoring can provide alert to Franchisee, Retailers and customer through SMS
- Reconciliation of Sold inventory v/s stock by Scheduled Synchronization/ querying of IN and HLR
- Integration of Franchise and commission calculation based on SIM activation info as per guidelines.
- Access to Franchisee for monitoring retailers Sales if SIM card activation of SIM commission, Invoices, CAF submission status
- Handling of Damaged/Lost RC and SIM inventory. Blocking of Damaged to RC/SIM to issue replacements and their accounting
- Stock Reports to ensure availability of stores at POS
- Performance report of CSR/CSC/SSA/franchises/DSA
- Performance of various marketing schemes and live reports on day-to-day basis.
- System is configured to send this sale info to activation server, and CAF info to Billing server.
- System can be configured to accept IN info on SIM activation and deactivation, which will be used for SSA wise net additions closer analysis as per SSA. Franchises commission is computed based actual activation. Retention bonus, retention of mobiles connection as per franchise can also be computed.

16.12 CONCLUSION

The project Vijay will take care of market share in consumer mobility. The market share is the product of reach and extraction. Project Vijay will increase the reach and extraction of consumer mobility in the market through dedicated channel management. As the reach and extraction will be increased, the market share will go up. All depends on the sincerity and hard work of Project Vijay team members.

17 ENTERPRISE SERVICES & TECHNOLOGY

17.1 LEARNING OBJECTIVE

At the end of session, the trainees will be able to understand:

- Current EB scenario.
- EB Market size.
- Desire of enterprise customer.
- Enterprise services offered by BSNL.
- Salient features in brief description of each services / Solutions.

17.2 INTRODUCTION

There is a growing need of connecting various branches of an Enterprise, which might be located across the globe. Lease line & Internet bandwidth has become necessary for networking multi-site business. Today's business owner wants to focus more on its core competencies rather than trying to implement such things of their own. Such a networking solution often requires not just bandwidth, but hardware components, security solution and maintenance also.

17.3 CURRENT SCENARIO

Presently as per advice of BCG (Boston Consultancy Group) consultant activates of BSNL have been restructured as under:

Figure 23: Activities of BSNL

DESIRE OF ENTERPRISE CUSTOMER:

- Complete Reliable Services from One Interface Organization.
- Supply of not only Bandwidth but also Leased line Modems / Routers etc. i.e. Complete Telecom Solutions.
- Secured Network.
- OPEX Model instead of CAPEX
- Proactive Monitoring of the customers Network.
- Guaranteed SLA.

BSNL provides following service products to the Enterprise customers.

1. MPLS VPN Product Information
2. VSAT service of BSNL
3. ISDN PRI (Primary Rate Interface)
4. MLLN – Managed Leased Line Service
5. Domestic Leased Lines Service
6. Internet Leased Line (ILL)

7. BlackBerry Services
8. 3G Mobile Broadband Device (Data Card)
9. Free EPABX scheme
10. Wire Line Intelligent Network Services
11. Managed Network Services (MNS)

Table 28. Why do they buy – what is important to them

	Why Use a Enterprises Managed Services		MSP Selection Criteria
	Cost Reduction		Customer Service
	Better Availability		Technical Support
	Core / Context		Guaranteed SLA
	Reduce Admin Time		Price
	Single point of contact		Overall reputation and experience
	Faster technology refresh		Coverage / Footprint
	Performance		Reputation in a particular service
8	Knowledge Transfer		Breadth of Service Offerings
9	Reduce number of suppliers		Existing Relationship
10	Meet business objectives		Ability to get all services from one provider

17.4 BRIEF INTRODUCTION OF SERVICE PRODUCTS:

MPLS VPN Product Information

MPLS – a new solution to the customers

- Network can be easily implemented
- Network highly secured.
- Network built for better Traffic Engineering.
- Any differentiated Services possible.
- Network very reliable due to built in redundancy.

Why MPLS based VPNs?

- Security is the responsibility of BSNL MPLS Network.
- (Company will be responsible for the Security of the Information and network in Point to Point leased lines.)
- Simple Network Implementation.
- Easy to configure & manage.
- Better Traffic Engineering.
- Easy Network Expansion at Customer Premises.
- Easy Introduction of New Services (Multicasting, VoIP, Hosting over the same link)
- Mobile Workers can dial up on a Secure Network to access Company VPN.

VSAT service of BSNL:

VSAT service of BSNL covers all parts of India

- Available at any remote location.
- Provides voice as well as data service.
- Provides broadband services.
- Supports Internet, video multicast, video conferencing as well as voice telephony.
- Capable of providing access to MPLS VPN as well as normal leased lines.
- A range of satellite bandwidth available.
- Installation and maintenance at remote location by BSNL.
- Centralized NOC at Bangalore.
- 24 x 7 support available at NOC.

ISDN PRI (Primary Rate Interface):

- Digital telephone line as opposed to ordinary analog phone line.
- 30 (B) channels over a single pair of ordinary telephone copper wires.
- Useful for connecting private exchange (EPABX) of Corporates to the PSTN telephone network.
- Also useful for DID franchisees of BSNL and ISPs (for their incoming traffic).
- Better voice quality due to digital transmission of voice & data.
- Capable of both voice & date usage.
- Video conferencing and other data applications possible by utilizing required number of B channels.

MLLN – Managed Leased Line Service:

- The MLLN service is specially designed mainly for having effective control monitoring on the leased line so that the down time is minimized and the circuit efficiency is increased.
- This mainly deals with data circuits ranging from 64 Kbps to 2048 Kbps.

Domestic Leased Lines Service:

- It is a symmetric telecommunications line connecting two locations.
- It is a dedicated line (not shared) for a customer.
- It is a non-switched line, i.e., it is a non-exchange line.
- It passes through transmission systems only.
- Leased lines can be used for telephone (voice), data or Internet services.

However, dedicated voice circuits which were popular earlier are not in vogue now. Now a day, leased lines are mainly used for data services. Internet leased lines (ILL) is a separate service in itself.

Services on offer:

- Speech Circuits (Hot lines or Private Wire): Between two locations in one city/ different cities for the same applicant. The terminating equipment at both ends is telephone without dialling facility.
- Data Circuits: To transmit data between computers or any other type of electronic information devices.
- Features
- Full dedicated bandwidth available for exclusive use of the subscriber
- Complete privacy/ secrecy of data
- From low to high, full range of bandwidth available – 64 Kbps, n x 64 Kbps,
- 2, 4, 8, 34, 45, 140, 155 (STM-1) Mbps, STM-4/16, etc
- Bandwidth available on-demand in most cities – no registration charges
- For low-speed circuit, modem (Network Termination Equipment, NTE) is to be arranged by the customer

Internet Leased Line (ILL):

- ILL is an always on Internet connection based on leased line access (i.e. dedicated access).
- Leased lines provide the last mile access from the user premises to BSNL equipment.
- Required by heavy users like educational institutes, big cybercafé, small and medium corporate house who need to constantly remain online with Internet.
- Permanent Internet connection as compared to the temporary connectivity through dialup access.

- Far superior quality as compared to dialup, thanks to digital signalling, less noise, fewer exchanges etc.
- A scalable access method - Bandwidths starting from 64 Kbps to 2 Mbps to 8 Mbps, 10/100Mbps Ethernet connectivity, 34/45/155 Mbps and beyond can be deployed.
- Leased Internet bandwidths up to 2Mbps are provided using modems on copper pair, however, large bandwidths are provided using OFC in the last mile.

Service level:

1. 100% Network uptime 24*7*365.
2. State of art GPRS/EDGE/3G Network.
3. Only services provider of 3G Blackberry in India.
4. Guaranteed Service level through dedicated Technical Support centre, walk in Engineer, BES Engineers.

3G Mobile Broadband Device (Data Card):

- 3G are the next generation of mobile communication system. It enhances the services like multimedia, high speed mobile broadband, internet access etc.
- 3G Data Card offers High speed internet and data service while on move.
- Data rate downloading 3.6 Mbps & 7.2 Mbps.
- Simple Plug and Play type of devices.
- Single band and Tri-Band operation.

Service level

- 100% Network uptime 24*7*365
- Multimode support GPRS/EDGE/GSM/UMTS
    - Guaranteed Service support through dedicated service centre provided by Data card vendors.

Free EPABX scheme:

- BSNL provides a scheme to provide bundled telecommunication services through the provision of Voice & Data EPABX systems at customer location connected to the telecom backbone on BSNL's nationwide telecom network.
- Free deployment of EPABX systems wherein the supply, installation, operation and maintenance of the entire system are done by BSNL through its appointed and empanelled vendor(s).
- Service for all customers including Housing complexes etc. requiring Voice & Data EPABX facility for the area of operations of BSNL.
- DID enabled EPABX; (with Unlimited Free Calls within EPABX extensions).
- Rentals to be charged on a per extension basis

Service level

- State of the art fully functional full featured Voice & Data EPABX System connectivity at the customer premises
- FCBC & Batteries for adequate Power Backup
- Fully protected Main Distribution Frame
- Customer Premises Equipment (CPE) i.e. in case of xDSL Connectivity
- All related software such as fault management software, extension wise billing software, subscriber management software etc.
- Connectivity through PRI/EI/DID/CO Junctions

Product variants

Services under the scheme

- Inter Office Voice Connectivity
- Data Connectivity & Internet Access through dialup & xDSL
- Value Added Services (VAS)

Wire Line Intelligent Network Services:

- Dedicated IN platform for wire line Network.
- Services available on PAN India basis.
- Both Prepaid and Post-paid Services available.
- Prepaid Services-ITC, CALLNOW, FLPP and ACC
- Post-paid-VPN, TFS, UAN, UPN, Televoting and PRM
- Four GPIN platforms to support all IN services except Televoting.
- One dedicated MCIN platform to support Televoting Service.
- 11digit number beginning with 18.

Following Services are available through wire line Intelligent Services

- **Free Phone Service**– Charges, borne by the service subscriber, Eleven-digit No. Beginning with 1800.
- **Universal Access no**. – The payment either born by called party or shared, eleven digits no. Start from 1860.
- **Universal Personal no**. – Incoming and outgoing calls can be made on any landline BSNL mobile as well as vice-versa to UPN. The call charges shall be levied UPN subscriber. Eleven Digits no. Start from: 1868. Subscriber will get Eleven digits service management no. for management function.
- **Premium Rate** Service: Eleven Digit no. on PAN India basis to the service subscriber start from 1867, call charges to be paid by calling party. Call is billed at Premium rate and shared between service subscriber and BSNL
- **VPN Network: Combined voice VPN can be provided for fixed line telephone for MTNL/BSNL and BSNL Mobile.**
- Account Calling Card/ ITC Card: These services are also available.
- Managed Enterprise Services Solution:
- 24x7x365 proactive monitoring for Complete peace of mind.
- Guaranteed SLA
- Lower Total Cost of Ownership (TCO)
- Known cost for management & fixed price • Single point of contact
- Single supplier instead of multiple vendors
- No cost of building own management & reporting system Solution
- Private Players are having everything except Reach of Network and End Link Options.
- BSNL has nothing except Reach of Network and End Link Options.
- BSNL Advantage – Building up allied things are much easier than extending reach and scaling up end link options, provided we have proper focus for the same.

- BSNL is providing solutions for Enterprise customers as BSNL Managed services.

Managed Services

- Traditionally Bandwidth used to be taken from Service Providers and Enterprises used to keep SI (System Integrators) for taking care for Customer Premises Equipments.
- Today Enterprises want One Interface – TSP (Telecom Service Provider) that will take care of all requirements.
- This trend is growing worldwide as well as in India.
- Managed Services concept is getting popular because of these changing requirements.

BSNL Provides Managed Solutions as Under:

BSNL Managed Enterprise Solutions:

BSNL Managed Service - Product:

- Easy Com - Broadband Networking. (Broadband with Router and ADSL modem)
- Biz Com - 64 Kbps to 1 Mbps (MPLS or lease internet bandwidth with CDMA/GSM/ISDN backup)
- Ent Com - 2 Mbps and above (up to 155 Mbps). (MPLS or lease internet bandwidth with CDMA/GSM/ISDN backup)

➢ **BSNL Managed Global Network Services**

Global MPLS provides BSNL's customers with instant global reach, enabling them to use IP-VPN services globally over IPVPN QoS network, by interconnecting BSNL MPLS network with cable & wireless, which has reach to more than 153 countries.

Global MPLS is a high-speed wan service with advanced customer reporting via a web portal. It runs over a secure, dedicated, multi-protocol label switching (MPLS) backbone (cable & wireless).

The network can carry any type of traffic in ip format. It offers class of service (cos) mapping, so that time- sensitive or business-critical prioritization can be maintained across the network.

➢ **BSNL Managed SaaS (Software as a Service)**

BSNL Software as a Service (SaaS) is a model of software deployment wherein an application is licensed to you for use as a service on demand. On-demand licensing and use would alleviate your burden of equipping a device with every conceivable application. On-demand licensing enables software to become a variable expense, rather than a fixed cost at the time of purchase. Managed Business Mail is first product in the series.

➢ **BSNL Managed Business Mail:**

BSNL Managed Business Mailis the email solution designed to help companies:

- Access information, even when out of the office.
- Get more out of an email system so that employees can get more done.
- Gain the peace of mind that comes from a professionally managed service.

With Microsoft Exchange as the mail server and Microsoft Outlook as your client, your employees can do more than send and receive email – they can share calendars, folders and contacts. Outlook is available for desktop, browser, and mobile access so you're always connected, whether you're in the office, traveling, or working at home and since you always connect to the same Exchange server, your inbox stays synchronized, no matter which Outlook client you're using.

➢ **BSNL Global Conferencing:**

A reservation less, automated conferencing service designed for ad hoc quick meetings.

- Connects multiple participants across geographies simultaneously, even while some are on move.
- Over fixed line or mobile phone (GSM/WLL/CDMA)
- No investments required at customers end.
- Quick & Easy way to communicate, any time.
- An ideal tool with range of features for effective communications.
- Designed for local, national & international conference.

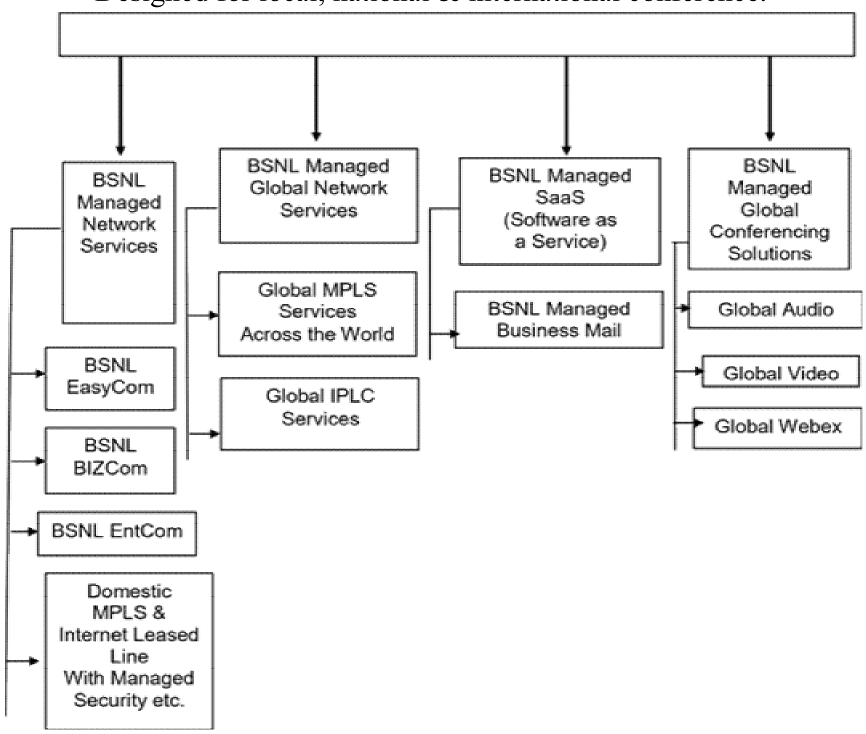


Figure 24: BSNL Services

17.5 ENTERPRISE VERTICAL TECHNOLOGY OVERVIEW:

National Internet Backbone:

The National Internet Backbone is planned on Router / Frame Relay based design. The design of the network shall allow wider usage of frame relay and ATM in the network at present or at a later date. The equipment and the network design is based on carrier scale solutions with a high degree of redundancy. Future expansion and scalability has been kept in mind with the view of easy up-gradation.

The NIB architecture is on the centralised servers at few places with distributed POPs (Points of Presence) at various places. The architecture provides sufficient scope for easy expansion and decentralised working. Most of the popular Internet applications will be supported with the option of introduction of value-added services. Roaming within the country will be possible without the need of making any change in the accessing methodology.

The equipment consists of Routers (and / or optional frame relay switches), remote access servers, LAN switches, application servers, Network Management System, Help Desk, Access Devices and Billing system. BSNL's NIB is a broad-based access network meant to provide convenient and easily accessible Internet Access Points (IAPs) for BSNL Internet Service Providers (ISP) as well as private ISPs so that they can connect their Internet Points of Presence (POP) to the Internet.

The NIB provides the following services to its end customers:

- Provide connectivity to Internet.
- Provide Internet accounts to customers. The accounts shall be of types-Shell, TCP/IP dial-up, Leased line, and Virtual Private Networks (VPNs).
- Provide different Internet services like E-mail, FTP, Telnet, Chat, WAIS etc.
- Network Management and Billing functions.
- Automatic Roaming Facility within the country.
- Multi-Homing facility for the E-mail users.

The network also gives the flexibility for the administrators to implement the following additional features in the network without additional investments:

- Saleable Security architecture which gives a framework to implement the finalised security policy.
- Global Roaming Facility
- Distributed / Centralised billing.
- Centralised NMS.
- Proxy servers for caching (to save on international bandwidth) and implementing security with the help of access list.
- Free Home Page for all the customers.
- Centralised Radius and Directory Servers.

Customer Access Mechanism:

The NIB network can be access by following means:

- PSTN Dial-up access to Internet.
- ISDN Dial-up at Basic rate interfaces (BRI).
- X.25 access through Internet Gateway.
- Frame Relay (FR) and Asynchronous Transfer Mode (ATM) access.
- Leased line access to Internet at 64 Kbps, N X 64 Kbps and 2 Mbps, N x 2 Mbps speeds using appropriate modems.

Salient Features of NIB:

NIB has been planned with the whole network architecture requirement with a tier architecture and core layer. Carrier class equipment have been planned with high redundancy features. The scalability and expandability issues have been the main factors in designing the backbone. All the equipment has been asked to be hot swappable and support high redundancy features. The entire solution is asked on the rack or chassis based. The equipment has been asked to conform to as many less chassis as possible.

The Network is planned with a structure, which can implement the security plan, which will be evolved for Internet by the Government. The firewall architecture is able to define a single, integrated security policy distributed across multiple firewall gateways and managed remotely from the central place. The architecture is also able to give central integration, configuration and management for the firewall as well as other third-party security applications.

NIB is a mission to build world-class infrastructure to help accelerate the Internet revolution in India. It has following features:

1. It provides a diversified range of Internet access services including support for VPN (Layer-2, Layer-3 and Dialup and Broadband services)
2. It also offers SLA Reports including security, QoS (quality of service) and any to any connectivity.
3. Offers fully managed services to customers.
4. It offers services like bandwidth on demand etc. over the same network.
5. The network is capable of on-line measurement and monitoring of network parameters such as latency, packet loss, jitter and availability so as to support SLAs with customers
6. The routers support value added services such as VPNs, Web and content hosting, Voice over IP, Multicast etc.
7. **Value Added Services**
   - i Encryption Services
   - ii Firewall Services
   - iii Multicast Services
   - iv Network Address Translation (NAT) Service that will enable private users to access public networks
8. Messaging Services
9. **Internet Data Centre Services at Bangalore, Delhi and Mumbai**.
10. **Broad Band Services**
    - i Broadcast TV using IP Multicasting service.
    - ii Multicast video streaming services
    - iii Interactive Distant learning using IP multicasting Services
    - iv Video on demand
    - v Interactive gaming service

Table 29. NIB-II has been implemented in four projects

Name of project	Description
Project 1	MPLS based IP Infrastructure (The backbone consisting of Core & Edge Routers)
Project 2.1	Narrowband Access (Dialup Remote Access)
Project 2.2	Broadband Access (DSL Access)
Project 3	Messaging, Storage, Provisioning, Billing, Security, Order Management, Enterprise Management, AAA, Help Desk and Inventory Management.

17.6 MPLS

Multi-Protocol Label Switching (MPLS) is a data-carrying mechanism in packet-switched networks and it operates at a TCP/IP layer that is generally considered to lie between traditional definitions of Layer 2 (data link layer) and Layer 3 (network layer or IP Layer), and thus is often referred to as a "Layer 2.5" protocol. It was designed to provide a unified data-carrying service for both circuit-based clients and packet-switching clients, which provide a datagramservice model. It can be used to carry many different kinds of traffic, including IP packets, as well as native ATM, SONET, and Ethernet frames. The Internet has emerged as the network for providing converged, differentiated classed of services to user with optimal use of resources and also to address the issues related to Class of service (CoS) and Quality of Service (QoS). MPLS is the technology that addresses all the issues in the most efficient manner.

MPLS is a packet-forwarding technology that uses labels to make data forwarding decisions. With MPLS, the Layer 3 header analysis (IP header) is done just once (when the packet enters the MPLS domain).

MPLS Applications: MPLS addresses today's network backbone requirements effectively by providing a standards-based solution that accomplishes the following:

1. Improves packet-forwarding performance in the network
2. MPLS enhances and simplifies packet forwarding through routers using Layer-2 switching paradigms.
3. MPLS is simple which allows for easy implementation.
4. MPLS increases network performance because it enables routing by switching at wireline speeds.
5. Supports QoS and CoS for service differentiation
6. MPLS uses traffic-engineered path setup and helps achieve service-level guarantees.
7. MPLS incorporates provisions for constraint-based and explicit path setup.
8. Supports network scalability
9. MPLS can be used to avoid the N2 overlay problem associated with meshed IP – ATM networks.
10. Integrates IP and ATM in the network
11. MPLS provides a bridge between access IP and core ATM.
12. MPLS can reuse existing router/ATM switch hardware, effectively joining the two disparate networks.
13. Builds interoperable networks
14. MPLS is a standards-based solution that achieves synergy between IP and ATM networks.
15. MPLS facilitates IP – over –synchronous optical network (SONET) integration in optical switching.
16. MPLS helps build scalable VPNs with traffic-engineering capability.

17.7 MPLS VPN

MPLS technology is being widely adopted by service providers worldwide to implement VPNs to connect geographically separated customer sites. VPNs were originally introduced to enable service providers to use common physical infrastructure to implement emulated point-to-point links between customer sites. A customer network implemented with any VPN technology would contain distinct regions under the customer's control called the *customer sites* connected to each other via the *service provider (SP)* network. In traditional router-based networks, different sites belonging to the same customer were connected to each other using dedicated point-to-point links. The cost of implementation depended on the number of customer sites to be connected with these dedicated links. A full mesh of connected sites would consequently imply an exponential increase in the cost associated.

Frame Relay and ATM were the first technologies widely adopted to implement VPNs. These networks consisted of various devices, belonging to either the customer or the service provider, that were components of the VPN solution. Generically, the VPN realm would consist of the following regions:

Customer network— Consisted of the routers at the various customer sites. The routers connecting individual customers' sites to the service provider network were called *customer edge (CE)* routers.

Provider network— Used by the service provider to offer dedicated point-to-point links over infrastructure owned by the service provider. Service provider devices to which the CE routers were directly attached were called provider edge (PE) routers. In addition, the service provider network might consist of devices used for forwarding data in the SP backbone called *provider (P)* routers.

Depending on the service provider's participation in customer routing, the VPN implementations can be classified broadly into one of the following:

Overlay model

1. Service provider doesn't participate in customers routing, only provides transport to customer data using virtual point-to-point links. As a result, the service provider would only provide customers with virtual circuit connectivity at Layer 2.
2. If the virtual circuit was permanent or available for use by the customer at all times, it was called a permanent virtual circuit (PVC).
3. If the circuit was established by the provider on-demand, it was called a switched virtual circuit (SVC).
4. The primary drawback of an Overlay model was the full mesh of virtual circuits between all customer sites for optimal connectivity.

Overlay VPNs were initially implemented by the SP by providing either Layer 1 (physical layer) connectivity or a Layer 2 transport circuit between customer sites. In the Layer 1 implementation, the SP would provide physical layer connectivity between customer sites, and the customer was responsible for all other layers. In the Layer 2 implementation, the SP was responsible for transportation of Layer 2 frames (or cells) between customer sites, which was traditionally implemented using either Frame Relay or ATM switches as PE devices. Therefore, the service provider was not aware of customer routing or routes. Later, overlay VPNs were also implemented using VPN services over IP (Layer 3) with tunnelling protocols like L2TP, GRE, and IPsec to interconnect customer sites. In all cases, the SP network was transparent to the customer, and the routing protocols were run directly between customer routers.

Peer-to-peer model:

The peer-to-peer model was developed to overcome the drawbacks of the Overlay model and provide customers with optimal data transport via the SP backbone. Hence, the service provider would actively participate in customer routing. In the peer-to-peer model, routing information is exchanged between the customer routers and the service provider routers, and customer data is transported across the service provider's core, optimally. Customer routing information is carried between routers in the provider network (P and PE routers) and customer network (CE routers). The peer-to-peer model, consequently, does not require the creation of virtual circuits. The CE routers exchange routes with the connected PE routers in the SP domain. Customer routing information is propagated across the SP backbone between PE and P routers and identifies the optimal path from one customer site to another.

Dial VPN Service:

Mobile users of a corporate customer need to access their Corporate Network from remote sites. Dial VPN service enables to provide secure remote access to the mobile users of the Corporate. Dial VPN service, eliminates the burden of owning and maintaining remote access servers, modems, and phone lines at the Corporate Customer side. Currently accessible from PSTN (127233) & ISDN (27225) also from Broadband.

V-SAT Network:

Most of V-SATs are customer based and support mainly digital networks. Entire network can be controlled from a single hub through appropriate commands. The network can be defined operated from the hub. The hub also takes care of billing etc.

The V-SAT application started with receive only terminals for receiving TV broadcast signals in C band. Small dishes measuring 1.5M to 3M are being widely used for receive only applications for TV broadcast for DTH services. With deregulation coming in number of private operations have been given license to operate high speed data networks.

Network Topology:

V-SAT networks can be arranged in point to point, star, mesh, star/mesh, and broadcast configurations. The preferred arrangement depends on the kind of information flow the network will service.

- **Point to PointNetwork** allows two-way communications between two V-SAT sites.
- **Star Network** allows any number of V-SAT sites to have two-way communication with a central hub.
- **Mesh Network** allows two-way communications between any V-SAT sites in a network. A central hub is not necessary. Each site communicates to another site with a single satellite hop.

Radio modems

Similar to our usual microwave systems, these links work on the wireless principle based on line-of-sight operation. It comprises of Transmitter-receiver on both sides with necessary interface for feeding in and taking out data of appropriate rate. Since there is shortage of frequency spectrum as it is already being used by so many agencies, this system uses only those bands which are available or some free bands which do not need any permissions. The design of these systems is such that they are low cost and work on easily available infrastructure at these locations.

Features of radio modem used in BSNL:

The radio modems in BSNL are of RADWIN make and the broad features are as follows:

1. Frequency band: 2 GHz (free band)
2. Data transmission: Data is transmitted in the form of ethernet on the system.
3. Interface required for interconnection: Convertors are used to connect data into the system from user side. V35 to Ethernet convertors have been used in the systems deployed.
4. Data speeds: it supports speeds up to 10 Mbps, however, it has been used for data rates up to 4 Mbps in our applications so far.
5. Distance range: up to 10 kms, but extendable. It depends on line of site and option taken from vendor.
6. Antenna height:

a. BSNL end: either exchange or BTS tower is used to give maximum height as per need. The needed height is decided by survey calculations. It also depends on the height of antenna at customer site. This varies from case to case.

b. Customer end: Antenna at customer end is fixed on roof top or any structure available. If height needed is more and no structure is available, a tripod type mast is erected for the antenna. It is available in lengths up to 20 metres. Normally the antenna height at customer end varies from 3m to 20m.

7. In the systems commissioned so far, speed up to 4 Mbps is working over distances in the range of 10-12 km.

17.8 SDH (SYNCHRONOUS DIGITAL HIERARCHY):

It is a standard for telecommunications transport formulated by the International Telecommunication Union (ITU). SDH was first introduced into the telecommunications network in 1992 and has been deployed at rapid rates since then. It is deployed at all levels of the network infrastructure, including the access network and the long-distance trunk network. It's based on overlaying a synchronous multiplexed signal onto a light stream transmitted over fibre-optic cable. SDH is also defined for use on radio relay links, satellite links, and at electrical interfaces between equipment.

The increased configuration flexibility and bandwidth availability of SDH provides significant advantages over the older telecommunications system. These advantages include:

- A reduction in the amount of equipment and an increase in network reliability.
- The provision of overhead and payload bytes – the overhead bytes permitting management of the payload bytes on an individual basis and facilitating centralized fault sectionalisation.
- The definition of a synchronous multiplexing format for carrying lower-level digital signals (such as 2 Mbit/s, 34 Mbit/s, 140 Mbit/s) which greatly simplifies the interface to digital switches, digital cross-connects, and add drop multiplexers.
- The availability of a set of generic standards, which enable multi-vendor interoperability.
- The definition of a flexible architecture capable of accommodating future applications, with a variety of transmission rates.

Logical composition of SDH equipment:

SDH transmission network is made up of different types of NEs connected via optical fibre cable and performs the transmission function of an SDH network via different NEs. These functions are add/drop services, cross-connection services, network self-healing, etc. Few of these NEs in an SDH network are Terminal Multiplexer (TM), Add-drop Multiplexer (ADM), Regenerator (REG) and Digital Cross-connection System (DXC).

Terminal Multiplexer (TM)

A TM is used at a network terminal node, as shown in Fig

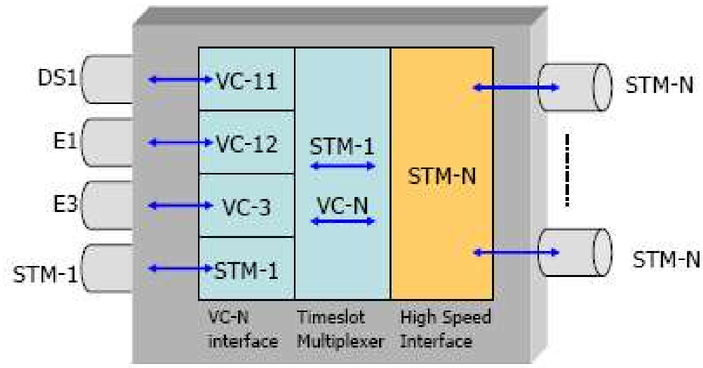


Figure 25: Schematic diagram of model of a TM

The function of a TM is to multiplex the low-speed signals of a tributary port to high-speed signal STM-N of a line port or to de-multiplex low-speed tributary signals from STM-N signals. 1-channel STM-N signals are input/output to its line port while multi-channel low-speed tributary signals can be output/input at a tributary port. When low-speed tributary signals are multiplexed into the STM-N frame of line signals, the locations of tributary signals in the line signals STM-N can be specified arbitrarily.

Add-Drop Multiplexer (ADM): ADM is used at the middle node of a link or a node in a ring, and is the most important NE used most frequently in an SDH network, as shown in Fig

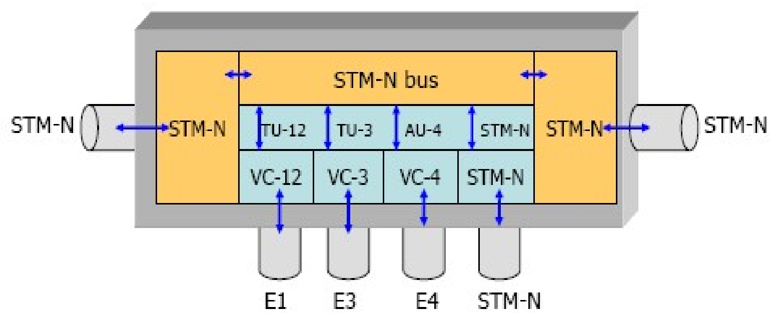


Figure 26: Schematic diagram of model of an ADM

ADM has two-line ports and one tributary port. The two-line ports are connected with optical cables on their respective sides (two trans-receiving optical fibres on each side). For the sake of description, we specify them as the West (W) line port and East (E) line port. The function of ADM is to multiplex low-speed tributary signals to lines (line singles) in cross-connection mode or de-multiplex low-speed tributary signals from the line signals received from line ports. In addition, cross-connection of the STM-N signals on Eastward/ westward line sides can be implemented. ADM is the most important NE in an SDH network and can be equivalent to other NEs, i.e., it can perform the functions of other NEs. For example, ADM may be equivalent to two TMs.

Regenerator: There are two kinds of regenerators in an optical transmission network. One is the pure optical regenerator, mainly used to amplify optical power so as to extend the optical transmission distance. The other is an electric regenerator used for pulse regeneration shaping and it can achieve the goal of accumulating no line noise and ensuring complete waveforms of transmission signals by means of Optical/electric (O/E) conversion, sampling of electric signals, regeneration, reshaping, Electric/optical and other processing. Described here is the latter one, which has only two-line ports, as shown in Fig..

Figure 27: Schematic diagram of model of a regenerator

An REG in real sense only needs to process RSOH in the STM-N frame and needs no cross-connection function. However, ADM and TM need to process both RSOH and MSOH because they are to insert low-speed tributary signals into STM-N. In addition, both ADM and TM have the cross-connection function.

Digital Cross-connection System (DXC): The DXC is mainly responsible for the cross connection of STM-N signals and is actually equivalent to a cross-connect matrix, which implements the cross-connection of various signals, as shown in Fig..

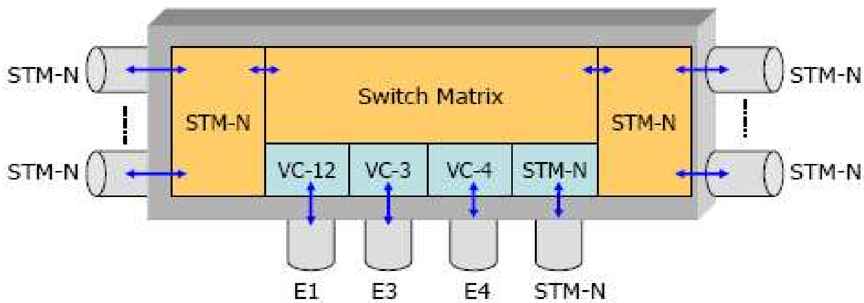


Figure 28: Schematic diagram of model of DXC

DXC can implement cross-connection of the input M-channel STM-N signals to the output N channel STM-N signals. The core of DXC is a cross-connect matrix and the powerful DXC can implement the low priority cross-connection of high-speed signals in a cross-connect matrix.

DWDM: An enormous amount of bandwidth capacity is required to provide the services demanded by consumers. At the transmission speed of one Gbps, one thousand books can be transmitted per second. However today, if one million families decide they want to see video on Web sites and sample the new emerging video applications, then network transmission rates of terabits are required. With a transmission rate of one Tbps, it is possible to transmit 20 million simultaneous 2-way phone calls or transmit the text from 300 years–worth of daily newspapers per second.

One choice is to increase the bit rate using time division multiplexing (TDM), so that more bits (data) can be transmitted per second. Traditionally, this has been the industry method of choice (STM–1, STM –4, STM –16, etc.). However, when service providers use this approach exclusively, they must make the leap to the higher bit rate in one jump, having purchased more capacity than they initially need. Based on the SDH hierarchy, the next incremental step from 10 Gbps TDM is 40 Gbps. Multiple electrical and optical signals are brought into a SDH terminal where they are terminated and multiplexed electrically before becoming part of the payload of an STM–1, the building block frame structure of the SDH hierarchy. The STM–1 payloads are then multiplexed to be sent out on the single fibre at a single rate: STM-4 to STM-16 to STM-64 and eventually to STM-256.

Dense wavelength division multiplexing (DWDM) is a fibre-optic transmission technique that employs multiple light wavelengths to transmit data in parallel through a single fibre. DWDM combines multiple optical signals so that they can be amplified as a group and transported over a single fibre to increase capacity. Each signal carried can be at a different rate and in a different format (SDH, ATM, data, etc.) For example, a DWDM network with a mix of SDH signals operating at 2.5 Gbps and 10 Gbps over a DWDM infrastructure can achieve capacities of over 40 Gbps. A system with DWDM can achieve all this gracefully while maintaining the same degree of system performance, reliability, and robustness as current transport systems. DWDM terminals of up to 80 wavelengths of STM-16, a total of 200 Gbps, which is enough capacity to transmit 40,000 volumes of an encyclopaedia in one second. The technology that allows this high-speed, high-volume transmission is in the optical amplifier. Optical amplifiers operate in a specific band of the frequency spectrum, making it possible to boost light wave signals and thereby extend their reach without converting them back to electrical form. Demonstrations have been made of ultra-wideband optical-fibre amplifiers that can boost light wave signals carrying over 100 channels (or wavelengths) of light. A network using such an amplifier could easily handle a terabit of information. At that rate, it would be possible to transmit all the world's TV channels at once or about half a million movies at the same time.

Optical Cross Connect (OXC): As huge amounts of information traveling around an optical network need to be switched through various points known as nodes. Information arriving at a node needs to be forwarded towards its final destination via the best possible path, which may be determined by such factors as distance, cost, and the reliability of specific routes. The conventional way of doing this is to switch the information is to detect the light from the input optical fibres, convert it to an electrical signal, and then convert that back to a laser light signal, which is then sent down the fibre you want the information to go back out on.

However, what we need is to just move the light itself around, without all this OEO conversion to electric signals. This is what an Optical cross connect (OXC) does. The advantages of being able to avoid the conversion stage are significant. Optical switching is cheaper, as there is no need for lots of expensive high-speed electronics. Removing this complexity also makes physically smaller switches and these optical switches are relatively future-proof. An electrically based switch will have electronics designed to detect the incoming light signal. If you increase the speed at which the light signals operate (increasing the bit-rate) then the electronics will need to be upgraded to handle the faster speeds. If you are just rerouting light, however, it doesn't matter how fast the data is coming, so you can accommodate any future upgrades of bit-rate without needing to upgrade the switch.

Optical cross connects (OXC) are designed with simplicity in mind, so that light in one fibre can be moved to a different fibre i.e., redirecting the light. However, to do so, the technology needs a major upgradation. Semiconductor amplifiers, liquid crystals, holographic crystals, and tiny moveable mirrors are few of the available technologies. One of the most common techniques being developed is that of the tiny moveable mirrors known as micro-electro-mechanical systems (MEMS).

17.9 CONCLUSION

There is a growing need of connecting various branches of an Enterprise, which might be located across the globe. Lease line & Internet bandwidth has become necessary for networking multi-site business. Today’s business owner wants to focus more on its core competencies rather than trying to implement such things of their own. Such a networking solution often requires not just bandwidth, but hardware components, security solution and maintenance also.

18 PROJECT KUBER & ENTERPRISE STRUCTURE

18.1 LEARNING OBJECTIVE

At the end of the session, the trainees will be able to learn

- Components of Project Kuber
- Background to Collection component of Project Kuber
- Billing & Collection strategy
- Components of Project Kuber
- Commercial & Billing aspects
- Collection approach

18.2 INTRODUCTION

It is an accepted industry thumb rule that 80% revenue comes from 20% customers. For survival of any organization, it must be able to meet its operating expenses i.e., by having sufficient cash in hand. For a telecom operator, this liquidity depends on the billing promptness and revenue collection. For ensured stream of revenue from customers, appropriate degree of quality service with after sales service is also must.

This chapter deals with such aspects related to BSNL"s customers.

18.3 COMMERCIAL & BILLING OF LEASE CIRCUITS, MLLN & MPLS ETC.

BSNL has a vast long-distance network and number of equipped circuits is in millions. Typical questions to be handled by the team dealing with circuits are:

- Which circuit is making how much money?
- How many are idle?
- What path has been built up to provide circuit from X to Y?
- Whether the commissioned circuit has been billed?
- What is the status of payments received for circuits provided by BSNL?
- Which & How many circuits are faulty and who is taking care of that?
- What is the mechanism to ensure SLAs and corresponding settlement of bills?

BSNL had been using an in-house developed software TAVARIT for handling commercial aspects of circuits. However, the features were limited and no linkage with billing & collection system existed. Also, the all-India inventory of circuits was not uniform and available in a common database. Following actions have been taken:

All circuits in BSNL network have been given unique ID and a database has been created.

A new software for work order management, an integrated commercial & billing application has been got developed and deployed. The salient features of new package are:

a) Exchange Level Circuit Creation Support

- You can create exchange wise circuits over and above LDCA & SDCA. This feature enables you to create circuits for different exchanges within the same

SDCA. i.e., you can precisely mention exchange details of Navarangpura exchange & Naranpura exchange involved in a circuit within the same SDCA (Ahmedabad SDCA)

- It enables you to distinguish circuits created for different exchanges within the same SDCA

b) Multiple Payment Options For All Kind Of Circuits

Facilitates users with multiple payment options such as,

- Full
- Partial
- It enables Account Officers to allow the circuits to move to the next stage with or without making full payment for the demand notes

c) Introduction of Field Work Module and Field Users

- Field Work module enables users to automate the field work flow in the system and enter details related to field work
- It allows you to create various field work users such as SDE PCM, SDE MLLN etc and assign access rights to them based on their role and designation
- Redirection of activities at any stage in Field Work Module
- This feature enables users to redirect the field work activity to the previous stage of its respective workflow hierarchy at any stage of work flow
- This feature allows Account Officer to create DNP application for discontinuing the services for the subscribers who hasn't made payment after the "Pay by date" duration specified in demand note
- Creation of RNP Application
- This feature allows Account Officer to create RNP application for reactivating services for the subscribers who has made payment after discontinuation of services
- Barring direct modification of Demand Note amount

This feature facilitates Commercial Officers to provide discounts in case there is any need to reduce Demand Note amount. Similarly for increasing the demand note amount, the CO can add an additional charge. However, the system does not allow any updates or modification of the amount itself

d) Preview Page for All Functionalities

- Enables users to preview the details of the entities before creating them
- This facilitates users to verify the details and rectify/modify them prior to creation
- Flat File Amount Calculation for MPLS-VPN Circuits
- This feature facilitates users with calculating flat file amount for MPLS-VPN circuits
- Multiple Search options for all Entities

- This feature facilitates users to search entities with multiple search criteria. For example, you can search an application based on following search criteria:
  - Date Range
  - Subscriber Name
  - Lc Id
  - Application No.
  - Application Type
  - Circuit No.
  - End An Exchange
  - End B Exchange
  - Circuit Type
  - MPLS-VPN Id
  - Bulk Id
  - Automation of Work Flow
- Facilitates users with automating the work flow. Users can assign the application to the next stage once his/her part of job is done. For example, upon selecting "Move to Next stage" check box while making payment for demand note, the system automatically generates the Work Order for the subscriber application which can be issues to Nodal Officer for Feasibility Check

e) Creation of Time Dependent Circuits for existing customers

- Time dependent circuits for both new and existing customers
- Converting Temporary Circuit into Permanent Circuit
- Converting Trial Circuit into Permanent Circuit

f) Extension of Trial & Temporary Type Circuits

- Extend the duration of Trial & Temporary type circuits
- This feature enables users to downgrade the bandwidth of circuit (i.e., from 128 Kbps to 64 Kbps) based on customer request
- Upgrading Circuits with change of Class of Service for MPLS-VPN Service
- This feature enables users to upgrade the circuits (i.e., bandwidth of circuit) with changing the class of service (i.e., From "Silver" to
- "Gold") for MPLS-VPN Service

g) Access Rights allocation of Multiple Exchanges to a single user

- Facilitates assignment of access rights of multiple exchanges to a single user. e.g., Commercial Officer of Ahmedabad SDCA can have access rights of Ahmedabad & Sanad SDCA if required
- Miscellaneous Advice Note (Before Commissioning)
- This feature generates Advise Notes in the system upon making any changes in the subscriber application before commissioning such as

change of billing & installation address, change of billing cycle, number of NTUs installed etc

- Allows to make changes in the application (edit application) with redirecting the application to the previous stage
- Performing any changes in the application via edit functionality generates a miscellaneous advice note in the system

h) Miscellaneous Advice Note (After Commissioning)

- This feature generates Advise Notes in the system upon making any changes in the subscriber application after commissioning such as change of billing & installation address, change of billing cycle, number of NTUs installed etc
- It leads to a separate work flow for circuit updating
- Where is my Circuit Module?
- This module acknowledges users about the current status of a particular circuit
- It also provides information on the next task to be performed on the circuit along with the responsible user for performing the particular task.

i) Channelized E1 Module

- This feature enables users to combine their various circuits having any one end point common into one primary circuit. This reduces their overall charges such as NTU Charges since one 2 Mbps NTU replaces NTUs used for other circuits
- Channelized E1 is special 2 Mbps mapping that is divided into 30 B Channels
- Channelized E1 can replace those circuits that have the bandwidth in multiples of 64 Kbps. At most 30 circuits of 64 Kbps can be provided in a single E1 pipe
- Inclusion of Deallocation activities in Post Connection Activities
- Enables users to specify de-allocation activities while performing post connection activities such as upgrade & downgrade bandwidth, shifting, conversion

j) R & G (Rent & Guaranteed) Application

- This feature supports new provision of special construction & contribution type of circuits

18.4 BACKGROUND TO PROJECT KUBER:

As on 31/3/08 BSNL had accumulated bad debts of Rs 4400 crore from landline, mobile and enterprise segments. Bad debt as a percentage of amount billed for was found to be 3.9% for basic, 4.8% for mobile and 10% for data circuit. Second month collection efficiency in some circle's w/s found to be even less than 50%. System for improving collections before Project Kuber is shown below:

1 Agency selection	• Experience of the agencies is proposed to be given increased focus • Organized bodies or agencies are to be selected for the job • Collection agencies shall be chosen based on their financial strength and capabilities to put in concerted effort
2 Segmentation	• Outstanding accounts needs to be segmented based on age, geography and customer type to decide right and timely strategy of persuasion • Collection agencies should be given accounts spread over predetermined, small area • Start the follow up early, do not wait till two years.
3 Commission structure	• Commission structure capped at a higher percentage, to mark it to the market rates
4 Support & monitoring	• Internal BSNL teams need to be created for supporting collection agencies • Strict review and monitoring required

Figure 29: Revenue collection

As part of Project Shikhar, BSNL launched a project titled „Kuber to take care of identified issues.

Collection efficiency was developed on the basis of customer type and age of default as described below:

	Customer segment	Typical Products	Age of outstanding	Collection methodology
1	Retail (Small and medium ticket size accounts)	Basic Services, CMTS post-paid	• 3 - 6 months • 6 - 12 months • 12 – 24 or 36 month	• Outsource to collection agencies, prioritizing on size • Appoint different agencies based on areas and age of outstanding • In-house team for continuous monitoring of performance
2	Enterprise (Large ticket size accounts)	Basic Services, CMTS post-paid, Telephone & data circuits	• 3 – 36 months	• Create in-house team for follow up on accounts • Prioritize follow up based on size and age • Weekly monitoring of progress
3	Govt. & Defense	Basic Services, Telephone & Data circuits	• All outstanding greater than 3 months	• Create in-house team for follow up on accounts • Weekly monitoring of progress

Figure 30: Collection efficiency model

18.4.1 A FOUR STEP APPROACH HAS BEEN DECIDED:

1. Identification of outstanding accounts and segmentation
2. Selection of collection agencies and allocation of outstanding accounts
3. Creation of internal teams and systems
4. Monitoring and review

1) Identification of Outstanding Accounts and Segmentation

- Identify outstanding accounts for Basic, CMTS and Data Circuits, b/w 3 months and 3 years1 old
- Segment accounts on the following dimensions
- Age: 3-6 months, 6-12 months, 12-24 months, 24-36 months
- Size of outstanding: 0-1000 Rs, 1000 – 20000 Rs, >20000 Rs
- Geography: Areas within SSAs
- Customer type: Private, Govt. & Defense

- Account size should be determined after clubbing all outstanding bills for a particular customer
- Age should correspond to the age of the latest outstanding bill
- SQL queries will be provided for getting this data for DOTSOFT, TRICHUR and CSMS
- Templates are provided for filling in this data, both at segment level and at individual bill level
- Template 1: "Outstanding Accts – Private"
- Template 2: "Outstanding Accts – Govt, Def"

2)Selection of Collection Agencies and Allocation of Outstanding Accounts

- Identify collection agencies in the SSA that are either

Debt Recovery Agents of other Telecom Service providers

Debt Recovery Agents of reputed Public Sector Banks/ Financial Institutions

- Assess identified agencies on following parameters:

Experience of working with other telecom operators

Manpower

Financial strength

➢ Ability to scale up manpower and infrastructure for BSNL requirements

Geographic area where they have strong presence

Interest in working with BSNL

- Based on this assessment finalize the set of 'Competent Agencies'

Typically, There Should Be One Agency Identified for Every 2000 Outstanding Accounts

- **Take the accounts that are <u>between 0 and 20000 Rs.,</u> for private customers only**
- **Divide these accounts to form portfolios as follows:**
    - **Divide the accounts into 3 buckets**
    - Bucket 1 (B1): 3 months – 6 months
    - Bucket 2 (B2): 6 months – 12 months
    - Bucket 3 (B3): 12 months - 24 or 36 months
    - Choice of 24 or 36 months is left to the SSAs. It should be based on the no. of competent agencies available

- **Divide the SSA into areas, on the basis of SDCA or smaller; Each SSA should be divided into at least 3 areas; Divide the outstanding by Area within the SSA to get the following portfolios (assuming there are 3 areas in the SSA – A1, A2, A3)**
- Portfolio 1: B1, A1; Portfolio 2: B1, A2; Portfolio 3: B1, A3
- Portfolio 4: B2, A1; Portfolio 5: B2, A2; Portfolio 6: B2, A3
- Portfolio 7: B3, A1; Portfolio 8: B3, A2; Portfolio 9: B3, A3
- **In case an SSA has 4 areas, then there will be 12 portfolios and so on**

•**Allocate portfolios to the 'Competent Agencies' based on area of operation, capacity etc.**

- Each portfolio of outstanding should be allocated to a minimum of 2 and maximum of 3 agencies
- Also, while allocating, it should be ensured that each agency gets at least one portfolio in each time bucket

•**Invite competent agencies to bid for portfolios allocated to them**

- Bids contain the commission percentage that the agency will charge on the collections done by them
- Each portfolio of accounts will have between 2 and 3 agencies bidding for them.

•**Once the bids are opened, the following process should be carried out:**

- For each portfolio of accounts, the agency with the lowest bid should be selected.
- If the agency with the lowest bid is unable to take on the contract, then the agency with the second lowest bid should be invited to take over the contract at the L1 rate; In case no agency agrees at L1 rate, then re-bidding should be done

• **While finalizing the allocation the following points should be kept in mind**

- No agency is allocated more than 2000 accounts for the whole SSA.
- No agency gets consecutive time buckets
- Any deviation from these rules should be made only if no competent agencies can be identified.

The entire exercise of identifying and appointing agencies was to be completed in 20 days

- **Every month, there will be new outstanding cases generated that exceed more than 3 months in age**
  - ➢ Such cases should also be passed onto agencies that have been allocated the 3–6-month bucket
  - ➢ Therefore, agencies working on the B1 bucket (3-6 months) will get more accounts added on every month

•This should be done for 3 months at a stretch; During this time the number of accounts in Bucket 1 will keep on increasing

•After 3 months, the accounts should be shifted to the next bucket

- ➢ Accounts will be moved from 3-6 months bucket to 6-12 months bucket at the end of every quarter; Similarly, they will move from 6–12-month bucket to the next bucket

•Additional incentives can be provided for achieving specific targets as follows:

•The collection should be done in a period of 1 month from date of receiving list to be eligible for incentive

- ➢ This additional incentive shall apply to the entire amount collected by the agency
- ➢ This scheme is to be measured on a monthly basis, taking into account the starting portfolio and the amount collected in that month.

3)Creation of Internal Teams and Systems

•Dedicated team of people required to support, manage and drive the external agencies. Recommended team structure is given below. All members report to SSA (IFA)

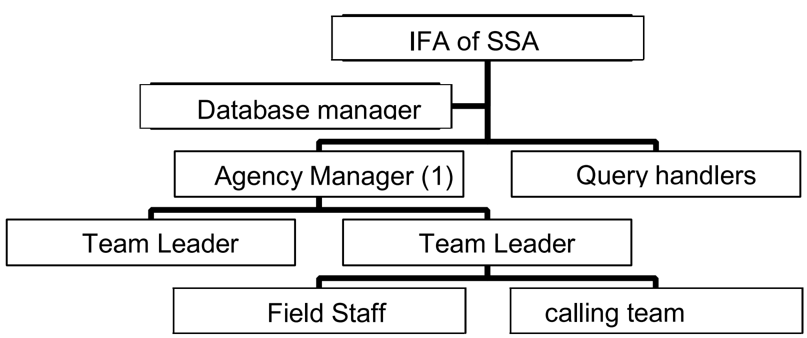


Figure 31: Team structure

Table 30. External Agencies

SL No	**Position**	**Required Designation**	**No of people required**	**Full Time/ Part time**	**Role**
1	Agency Manager	DGM / CAO as per availability	1 per SSA	Full Time	Manage all private recovery agencies Conduct weekly reviews Drive agencies towards targets Collect and consolidate daily reports from agencies
2	Database Manager (billing packages)	CAO / AO	1 per SSA	Full Time	Manage database of outstanding accounts
3	Query Handlers	SS/TOA	1 per Area	Full Time	Answer queries raised by agencies in real time
4	Enterprise / Govt. accounts manager	CAO/AO	1 per Area	Part Time	Follow up on large value and govt./defense accounts Repot weekly to IFA on progress

4) Monitoring Review and Code of Conduct

- Collection agencies to provide daily reports (hard and soft copy) on the collections done by them
- BSNL to provide collection agencies information on accounts that have been paid up on daily basis
- Query handlers to have access to terminals to answer questions from field agents in real time
- Weekly review to be conducted with the collection agencies
- Track %age of amount collected (from the total account passed onto them)
- The amount collected should include the following
- Cheque payment collected by agencies

- Payments made by customers directly at counters
- Template provided for tracking agency performance – "Agency Performance"
- • Non performing agencies should be given a warning
- Continuous non-performance should result in removal of the agency
- A new agency should be appointed for the accounts that were held by the agency that was removed
- The agencies should provide detailed feedback on the status of the accounts passed onto them
- Mechanisms in place to ensure that agencies follow proper code of conduct

Code of conduct to be followed by collection agencies

- Code of conduct created for the collection agencies in line with TRAI guidelines.
- Code of conduct to be provided as part of the approved legal contract.
- Sample audit should be carried out on the customers contacted by the agencies.
- Ensure that the collection agencies are operating as per code of conduct.
- Helpline to be created for customers to contact BSNL in case of any complaint.
- Also list of collection agencies put up on the BSNL website.
- Any serious complaint against the agency that is substantiated should lead to.
- Immediate cancellation of the contract.
- Forfeiture of the security deposit of Rs. 20000.
- Blacklisting of agency for any future contract with BSNL.
- The agency and the agents should be issues with authorization letter and ID card from BSNL.
- Collection agencies can collect payments only through cheques.
- Agents to give BSNL receipts to customers on collection of payments.

18.5 CONCLUSION

For survival of any organization, it must be able to meet its operating expenses i.e. by having sufficient cash in hand for -BSNL, this liquidity depends on the billing promptness and revenue collection. Project Kuber is ensured for stream of revenue from customers, appropriate degree of quality service with after sales service is also required.

19 SANCHARSOFT

19.1 LEARNING OBJECTIVE

This chapter deals with the following information,

- SANCHARSOFT
- SIM Inventory Management
- Important Features of SANCHARSOFT
- Description of the SANCHARSOFT modules

19.2 SANCHARSOFT

Sancharsoft is a SIM Inventory Management Application is jointly designed and maintained by IT Cell Chennai Telephones and ITPC Hyderabad.

SIM Inventory Management is a web-based application for integrated management of O&M and Sales & Distribution Channels. Software is designed based on actual work flow for O&M and SIM/RC sales network.

Application is hosted on Zonal WEB server with oracles 8i server at back end, user access control, security features are in built. It is possible to trace all transactions. It is proposed to provide Sales and MIS reports through intranet WEB SITE for all the circles.

19.2.1 SIM INVENTORY MANAGEMENT

Sancharsoft is SIM and RC, another Prepaid Inventory Management tool. It incorporates workflow like no other tool available in the market. It has been integrated to IN and HLR to ensure that all the activities related to SIM and RC are automated. Entire Setup is mapped to workflow right from procurement of SIM to Sale at Point of Sale, with Roles and Responsibilities well defined as per Corporate Guidelines.

19.2.2 IMPORTANT FEATURES

- Procurement, allotment, distribution and sale through online transactions.
- Enabling/Activation of SIM based on sale, CAF data.
- CAF monitoring can provide alerts to franchisees, Retailers and customers through SMS.
- Reconciliation of Sold inventory v/s Stock by scheduled synchronization / querying of IN and HLR.
- Integration of Franchise and commission calculation based on SIM activation info as per guidelines.
- Access to Franchisee for monitoring retailer sales of SIM card activation of SIM commission, Invoices, CAF submission status.
- Handling of Damaged/Lost RC and SIM inventory. Blocking of damaged RC/SIM to issue replacements and their accounting.
- Stock Reports to ensure availability of stores at POS.
- Performance report of CSR/CSC/SSA/franchises/DSA.
- Performance of various marketing schemes and live reports on a day-to-day basis.

- System is configured to send this sale info to the activation server and CAF info to Billing server.
- System can be configured to accept IN info on SIM activation and deactivation, which can be used for SSA wise net additions for closer analysis. Franchise commission is computed based on actual activation. Retention bonus, retention of mobiles connection as per franchise can also be computed.

19.3 BRIEF DESCRIPTION OF THE MODULES

Sancharsoft is a modular system which can provide role-based access control and rights and also based on product thus providing full functionality of Sales and Distribution Channel. Access to franchisee can be provided though Broadband VPN, franchisee user module provides required functionality to franchisee.

Following modules are provided

- Plan and Product Additions
- Prepaid SIM
- Post-paid SIM
- Dummy SIM cards
- Data cards for GSM
- GSM Vouchers Recharge/Top up/Validity
- Sales Module, Invoice Cancellation & discount
- CTOP Sales
- EPIN Sales
- Product Conversion
- User modules for
    - System Admin
    - Top management user
    - Circle Admin
    - Circle accounts & marketing
    - SSA accounts & Marketing & SSA Management
    - CSR
    - Franchisee
    - Network Elements (MSC/IN)
    - Configuration and Setup
- Management Reports available

This document describes only functions under each module and user manual provides function available to each user role. Reports are provided as per the requirement at each Role.

- **Sales Modules, Invoice Cancellation & Discount Module:** -Sales modules supports sale of SIMs, recharge vouchers, FLPP etc to customer, Franchises, DSA, PCO and other channels like circle DSA or Business associate or EPIN vendor etc.
- **Plan and Product Addition Module:-** By this module new plan and products can be added. So, this module is very beneficial to the management.
- **Prepaid SIM Module:-** This module consists of:

  - **Inventory Loading:-** Prepaid SIM cards have to be loaded into the system. There are two modes. One when PO is generated by using a system, inventory is populated including pairing information. Second method is devised for loading existing SIM cards in circle stores/ SSA stores and CSC. Circle/SSA/CSC users can load SIM card information through a one time data entry link provided in the main page. The user is prompted to select the plan, and starts the serial number of SIM and quantity. Based on this information system will retrieve pairing data from the billing server, GSM number and SIM number information along with tariff details are loaded into the system. The link supports up to 5000 SIM cards at a time.

  - **CAF Data Entry and Activation:** - SIM allotted to CSC, DSA and PCO etc (other than franchisee) can be activated through CSC user login, here by default two level control/process is available. One user may enter the CAF data and the second user or supervisor may send for activation after verification of the data fed.

  - **CAF Submission:** - Franchisee can generate a CAF list to be submitted to SSA and also CSC can generate a similar list to submit to central storage in case of bigger Cities/SSAs.

  - **CAF Data to Billing and Call Centre:** - System will capture CAF data before activation which can be updated in the billing system at the end of the day.

  - **Reports: -**

  At CSC/Franchisee: - Daily Sales List.

- **At SSA/Circle Level:** - Activation Report, Franchisee Purchase, Analysis of SIM sales up to last minute sales etc.
- **Post-paid SIM Module:** - Post-paid SIM inventory consists of dummy SIM cards and MSISDN number. Dummy SIM cards can be uploaded to the system by respective users in case of existing SIM cards. Centralized post-paid activation at SSA has to be provided as per the sales report from Sancharsoft.
- **Dummy SIM Cards for Replacement of Prepaid SIM Module:** - Dummy SIM cards can be uploaded to the system by the circle user and allotted to all field units. Existing cards can be loaded into the system by respective users.
- **Data Cards for GSM Module:** - Data Cards and USB can be configured and sold through Sancharsoft. The Procedure is similar to SIM cards. This is a separate product category hence separate commission/discount can be configured and also Sales tax etc. can be added to the value of the product as one of the Charges payable by customer.
- **Product Conversion Module:-** This tool is for reclassification of inventory in the event of any plan is withdrawn or expires. All types of products which remain as

unsold stock at Circle Level, SSA Level or CSB Level can be converted to other products by this product/plan conversion tool.

- **Management Login Module:-** This module is used by senior officers of BSNL to monitor the sales activities. There is an SSA level and Circle level user for accessing sales reports and stock status. Following reports are available to the head of the SSA and Sales team.
- **Activation Reports:-** Total SIMs activated using SMS facility, Data entered into the system, CAF submitted etc.
- **Franchisee Reports:-** List of Franchisee in any SSA, total purchase by franchisee, unsold stock with all sales outlets.
- **DSA/STD-PCO Reports:-** Available List of DSA/STD-PCO**.**
- **Retailer Sales Report:-** List of retailers in any SSA, Sales information from all SSAs, Detailed sales report of any Franchisee.
- **Sales Report:-** All types of products like SIM, Recharge, FLPP, CTOP etc.
- **Franchisee Module:-** Franchisee is provided with access using BB-VPN. Franchisee has following facilities:
    - Make sales entry and activate SIM card
    - View invoice from SSA
    - View unsold SIM cards information
    - Add retailers
    - View retailers' stock
    - Allot/Sale to retailer
    - View Allotment/Sales information
    - View CAF submission/ Pending Data entry status
    - View list of activated connections
- **SYS ADMIN Login Module:-** This module is used for the following functions:
    - Add/Edit/View of the following activities: -
    - Circle
    - All India Packages (Plans)
    - Regional Packages
    - Service Packages

19.4 INTERFACE WITH SAP

After implementation of ERP sale to Franchisee/DSA etc. is done through ERP. Inventory movement is to be tracked in SAP and updated in Sancharsoft. The Retail sale to the end customers will be done from Sancharsoft. The retail sale data will be fetched from Sancharsoft to ERP through an Inbound Interface at the end of the da

Workflow in Sancharsoft

1. Creation Order	**4. Enable/Pairing (Auth) Order**
2. Purchase Order	**5. Allotment from MKTG**
3. Delivery of Inventory	**6. Allotment to SSA**

19.5 CONCLUSION

Sancharsoft is a useful web application created for the management of SIM, Recharge Coupons & Top up Cards of Mobile Services of BSNL. It is an important tool for Inventory Management Package. Management Reports are also available as hosted on intranet.bsnl.co.in.