

**CUSTOMER RELATIONSHIP MANAGEMENT (CRM) IN THE
INDIAN CONTEXT- A STUDY OF SELECT ORGANIZATIONS**

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DECLARATION

I hereby declare that the thesis entitled, “Customer Relationship Management (CRM) in the Indian Context- A Study of Select Organizations”, being submitted at School of Management Studies, University of Hyderabad, is the result of my own work carried out as a research scholar (Reg. no. 01MBPH03) at School of Management Studies, University of Hyderabad, and that it has not been wholly or in part, been submitted for any other degree. Due acknowledgement for the sources of information referred has been made wherever applicable.

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List of Abbreviations Used

S. No.	Abbreviation	Expanded Form
1	APM	Administered Pricing Mechanism
2	AP	Andhra Pradesh
3	ATM	Automated Teller Machines
4	bhp	brake horse power
5	BPCL	Bharat Petroleum Corporation Ltd.
6	BRPL	Bongaigaon Refinery & Petrochemicals Ltd.
7	CAGR	Compounded Annual Growth Rate
8	CBU	Completely Built Unit
9	CC	Cubic Centimetres
10	CCMS	Customer Complaint Management System
11	CDMA	Code Division Multiple Access
12	CIS	Customer Information System
13	CIS	Common Wealth of Independent States
14	CLV	Customer Life time Value
15	CMR	Customer Management of Relationships
16	CMS	Call Management System
17	CNG	Compressed Natural Gas
18	CPCL	Chennai Petroleum Corporation Limited
19	CRE	Customer Relations Executive
20	CRG	Customer Relations Group
21	CRM	Customer Relationship Management
22	CRP	Customers' Relationship Perceptions
23	CRU	Catalytic Reformer Unit
24	CSA	Customer Service Assistants
25	CVM	Customer Value Management
26	DGH	Directorate General of Hydrocarbons
27	DMT	Di-Methyl Terephthalate
28	DTSi	Digital Twin Spark Technology
29	E&P	Exploration and Production
30	EFS	Equated Freight Scheme
31	EIA	Energy Information Administration
32	FDI	Foreign Direct Investment
33	FMCG	Fast Moving Consumer Goods
34	FO	Furance Oil

S. No.	Abbreviation	Expanded Form
35	FTF	Face to Face
36	FY	Financial Year
37	GAIL	Gas Authority of India Ltd.
38	GGCL	Gujarat Gas Company Limited
39	GoI	Government of India
40	GRM	Gross Refining Margin
41	GSM	Global System for Mobile Communications
42	GSPC	Gujarat State Petroleum Corporation Limited
43	HHML	Hero Honda Motors Ltd.
44	HMSI	Honda Motorcycle & Scooter India (P) Ltd
45	HPCL	Hindustan Petroleum Corporation Ltd.
46	HSD	High Speed Diesel
47	ICL	Idea Cellular Ltd
48	IGL	Indraprastha Gas Limited
49	IOC	Indian Corporation Ltd.
50	ISD	International Subscriber Dialing
51	ISMS	Idea Subscriber Management System
52	IVR	Interactive Voice Response
53	KEL	Kinetic Engineering Ltd
54	KG	Krishna-Godavari
55	KL	Kilo Liters
56	Km	Kilometers (1000 meters)
57	KMCL	Kinetic Motor Company Ltd
58	KRL	Kochi Refineries Limited
59	LIC	Life Insurance Corporation of India Ltd.
60	LNG	Liquefied Natural Gas
61	LPG	Liquefied Petroleum Gas
62	LSHS	Low Sulphur Heavy Stock
63	MAN	Metro Area Network
64	MBD	Million Barrels per Day
65	MGL	Mahanagar Gas Limited
66	MMTPA	Million Metric Tonnes Per Annum
67	MoP&NG	Ministry of Petroleum and Natural Gas
68	MP	Madhya Pradesh
69	MRPL	Mangalore Refinery and Petrochemicals Limited
70	MS	Motor Spirit

S. No.	Abbreviation	Expanded Form
71	NELP	New Exploration Licensing Policy
72	NRL	Numaligarh Refinery Limited
73	O&M	Operations and Maintenance
74	OCC	Oil Co-ordination Committee
75	OEM	Original Equipment Manufacturers
76	OIDB	Oil Industry Development Board
77	OMC	Oil Marketing Companies
78	ONGC	Oil and Natural Gas Corporation of India
79	PLL	Petronet LNG Limited
80	PPAC	Petroleum Planning and Analysis Cell
81	PSC	Production Sharing Contract
82	PSF	Polyester Staple Fiber
83	PSU	Public Sector Undertaking
84	RBI	Reserve Bank of India
85	REL	Royal Enfield Ltd
86	RIL	Reliance Industries Limited
87	RoCE	Return on Capital Employed
88	RPL	Reliance Petroleum Ltd.
89	RTP	Refinery Transfer Price
90	RVI	Retail Visual Identity
91	SBI	State Bank of India
92	SEZ	Special Economic Zone
93	SIAM	Society of Indian Automobile Manufacturers
94	SKO	Superior Kerosene Oil
95	SLA	Service Level Agreement
96	SMS	Short Message Service
97	SOL	Service on Line
98	SSS	Salary Savings Scheme
99	STD	Subscriber Trunk Dialing
100	TDSAT	Telecom Dispute Settlement and Appellate Tribunal
101	TRAI	Telecom Regulatory Authority of India
102	UP	Uttar Pradesh
103	WAN	Wide Area Network
104	yoy	year on year

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PREFACE

The research work entitled “Customer Relationship Management (CRM) in the Indian Context- A Study of Select Organizations”, deals with the study of CRM concepts, and CRM initiatives undertaken by the some of the Indian companies (selected for the study). The study aims at understanding the basis for CRM, as a strategic tool for running companies in competitive environment, particularly with reference to the Indian business environment.

The first chapter gives an introduction to ‘Customer Relationship Management’. The basic concepts of CRM, which include the history and growth of relationship marketing, principles of CRM, challenges in implementing relationship programs, benefits of relationship marketing etc are discussed in various sections of this chapter. This part of the report also deals with various issues like the prospects of CRM in India, new application areas for CRM, drawing upon various secondary data sources.

The second chapter deals with the objectives and methodology of the study. This part of the report provides information on the various sources of data pertaining to the study. The primary and secondary objectives of the study are presented in this chapter. Research design for the study is also presented, which includes the method of the study chosen, the nature of the sample selected for the study, data collection and analysis techniques employed etc.

The third chapter deals with the case study of the company; ‘Hero Honda Motors Ltd. (HHML).’ This case is the first case study out of the two cases examined in the Indian manufacturing sector. The chapter starts with an introduction to the Indian two-wheeler industry, followed by an in introduction to Hero Honda Motors Ltd. Then the CRM initiatives undertaken by the company are discussed in detail, featuring the objectives of the CRM programs, characteristics of specific programs launched by the company. Finally the analysis of the primary data based on the customer survey conducted as a part of the research is presented.

The fourth chapter deals with the case study of the company; ‘Bharat Petroleum Corporation Ltd’ (BPCL). This case is the second case study of the two cases examined in the Indian manufacturing sector. The chapter starts with an introduction to the Indian oil (petrol) industry, followed by an in introduction to BPCL. Then the CRM initiatives undertaken by the company are discussed in detail, featuring the objectives of the CRM programs, characteristics of specific programs launched by the company. Finally the analysis of the primary data based on the customer survey conducted as a part of the research is presented.

The fifth chapter deals with the case study of the company; ‘Idea Cellular Ltd’ (ICL). This case is the first case study of the two cases examined in the Indian services sector. The chapter starts with an introduction to the Indian telecommunications industry, followed by an in introduction to ICL. Then the CRM initiatives undertaken by the

company are discussed in detail, featuring the objectives of the CRM programs, characteristics of specific programs launched by the company. Finally the analysis of the primary data based on the customer survey conducted as a part of the research is presented.

The sixth chapter deals with the case study of the company; 'Life Insurance Corporation of India' (LIC). This case is the second case study of the two cases examined in the Indian services sector. The chapter starts with an introduction to the Indian life insurance industry, followed by an introduction to LIC. Then the CRM initiatives undertaken by the company are discussed in detail, featuring the objectives of the CRM programs, characteristics of specific programs launched by the company. Finally the analysis of the primary data based on the customer survey conducted as a part of the research is presented.

The seventh chapter presents the summary of major findings and recommendations. The findings are classified into two categories i.e. findings related to secondary data and findings related to secondary data. A cross comparison between findings related to CRM initiatives in manufacturing and services sector is presented. The key factors for the success of CRM activities are also listed. Finally the recommendations based on the findings of the research are presented, which include VR model for CRM, and process flow model for CRM.

The questionnaires used for conducting survey among the customers of four companies chosen for the study are presented in the appendix, followed by the copies of news letters, gift items for various loyalty programs etc. Finally the non parametric statistical tests conducted for select parameters of the customer survey are presented.

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CHAPTER I

INTRODUCTION

1. Introduction

The economy of the world has been radically altered due to the impact of several factors like impact of information technology, round the clock connectivity through internet, liberalization, privatization, and globalization policies of the governments. The digital revolution has enabled the customers as well as companies with a whole new set of capabilities.

The major benefit for the customers is the ease of access to information related to various products, their attributes, the price ranges offered by competitors etc. They can access this information by using the internet, without practically visiting the stores. The other factor is related to the availability of greater variety of goods and services and the ease of ordering them. Buyers can log on to the websites of the companies and order these goods from anywhere in the world and get them delivered to their preferred address. Developing countries like India are also witnessing these changes, and customers are realizing the benefits of using electronic channel for the purchase of goods and services. Customers today have the capability of accessing huge amount of information related to any area of their interest. Customers also have the facility of comparing the products and services using the information available on the internet. This has resulted in an empowered customer.

On the other side companies also have undergone drastic transformation due to the factors mentioned above. Companies can operate powerful new information and sales channel with augmented geographical reach to inform and promote their businesses and products. Internet has enabled companies to transmit any amount of information to the channel partners and customers. The company's web site can itself be used as a sales channel. Companies can collect rich information about markets, customers, prospects. Even marketing research can be conducted using the internet. The companies' employees can use internet in acquiring new information, seek advice etc. Companies today have the capability of interacting directly with the customers, using internet as a medium. Companies can customize their offerings as per the needs of individual customers. They also have the ability of creating rich data bases of customers, using the information collected over the web. The internet provides a cheaper and faster way to send and receive information, orders, and payments between companies, business partners and customers.

The policies of governments related to opening of economy, privatizations etc have resulted in the tough competition for companies that had previously operated in near monopolistic environment. The new players entering various sectors started to aggressively promote their products and services, making the existing long standing players feel threatened. This has resulted in a dynamic situation where companies had to aggressively fight with one another for their survival and growth. This scenario has resulted in more choice for the customer. The customer need not depend on a single firm/ company for his needs. In fact dynamic competition has resulted in enabling the customer to switch over to any organization of his choice, the moment he feels dissatisfied with the products/ services of his current organization.

Customer expectations have also started changing in this scenario. A customer who is satisfied at the moment cannot be taken granted for the future, even if the quality of the products and other attributes that determine customer satisfaction remain consistent. This phenomenon occurs as the expectations of the customers keep on increasing over a period of time. Thus managing customer expectations has become a key issue in running a business organization.

The ultimate goal of any business organization is related to creating value for the customer, through its activities. In order to achieve this goal organizations need to create meaningful offerings, build effective distribution channels, conduct promotional activities and most importantly build relationships with the customers. It is in this context that companies have realized the importance of existing customers. The concept of relationship marketing has gained importance in the late 1990s and early 2000. Companies started focusing on creating and managing good relationships with the existing customers, in contrast to the earlier focus on continuously searching for new prospects and customers.

1.1 Customer Relationship Management (CRM)

1.1.1 Relationship Management

The concept of Relationship Management shifts the emphasis of an organization from a mere transaction focus to a relationship focus with the aim of long-term association between the parties involved. As per the above concept attracting new customers is merely the first step in the marketing process. The organization brings quality, customer service and marketing activities into closer alignment and ensures that their combined synergetic potential is realized.

In this context Jagdish N Sheth and Atul Parvatiyar, (2001) who have been the pioneers among the researchers in the area of CRM have defined Customer Relationship Management (CRM) as follows^{1.1}:

“CRM is a comprehensive strategy and process of acquiring, retaining and partnering with selective customers to create superior value for the company and the customer.”

Proactive customer business development and building relationship with most important customers are the two key processes of CRM, which lead to superior mutual value creation, both for the customer and the organization.

The purpose of CRM is to improve marketing productivity and enhance mutual values by improving marketing efficiency.

CRM helps in

1. Reducing the burden of excessive customer acquisition costs.
2. Enhancing marketing effectiveness by carefully selecting customers for various programs.
3. Streamlining order processing and inventory management.
4. Personalising the market offerings, based on the preferences of customer groups.
5. Building customer loyalty and commitment.

1.2 Transaction versus Relationship Marketing

1.2.1 Transaction Marketing:

Traditionally the focus of marketing function used to be on attracting new customers, either by adding new segments to the existing base of customers or by acquiring the competitors' customer base. Attracting new customers became the most important task for the marketing department. This process has resulted in making marketing personnel more interested in attracting new customers without caring for the existing ones, once the transaction (in most of the cases selling goods or services) is over. This phenomenon is termed as transactional marketing, since the focus is mainly on closing the transaction (sale) with the customer.

The traditional marketing approach includes the mix of four 'P's i.e. Product, Price, Place, and Promotion. The emphasis used to be more on the product features, the pricing of the product (depending on the scale of economies and the target segment), arranging for the logistics and distribution of product, so that it is made widely available to the target segments. Another component of marketing mix is 'Promotion' where communication and promotion strategies are implemented to ensure that the product gets required exposure in the market and sales are ensued. In other words, most of the marketing effort is spent on segmenting, targeting and positioning the products/ services, so that the sales targets are met.

Typical transactional marketing process starts with the process of prospecting and qualifying the customer i.e., identifying qualified potential customers. Sales people approach many prospects to get just a few sales. Qualifying a prospect means identifying better prospective customers and screening out the poor ones. This is done generally by looking at the factors like financial ability, volume of business, special needs and possibilities for growth.

The next step in transactional marketing is 'pre approach' i.e. the sales people try to learn as much as possible about their potential buyers and their buying styles, before making a sales call. 'Approach' is the next step in which the sales person meets and greets the buyer. This is followed by some key questions to learn more about the

customer's needs or by showing a display or sample to attract the buyer's attention and curiosity. Presentation is the next step in which the sales person describes the product features, but concentrates on presenting customer benefits. This is followed up by product demonstrations in most of the cases.

The next step in transactional marketing includes handling objections, which involves clarification of any objections raised by the prospective customers. The next step is called closing in which the sales person asks for the order, review points of agreement etc., thus trying to close the deal by getting the order.

Follow-up is supposed to be the final step in transactional marketing process in which the sales person follows up the customer after the sale to ensure customer satisfaction and repeat business, but unfortunately, this last step is least cared for in the process of transactional marketing, as the focus is shifted to the acquisition of new customers, once the sale is closed with the current one.

1.2.2 Relationship Marketing:

The process of creating, maintaining and enhancing strong value-laden relationships with customers is known as Relationship Marketing. The concept of relationship marketing shifts the emphasis of marketing of an organization from a mere transaction focus to a relationship focus, with the aim of long-term association between the parties involved. Attracting the new customers is treated merely as the first step in relationship marketing process. Relationship marketing over a period of time has transformed into Customer Relationship Management.

The organization that practices relationship marketing does not merely seek a sale. It would like to demonstrate that it has the capabilities to serve the customer in the long run, and develop a mutually profitable relationship. Relationship marketing goes beyond attracting customers and conducting transactions with them. It advocates companies to retain customers and build profitable, long-term relationships with them. In today's world of changing demographics, intense competition and over capacity in many industries, companies are fighting with each other for their own survival. The costs of attracting new customers are rising.

Some facts related customer retention are as follows^{1,2}:

- Acquiring new customers can cost five times more than the costs involved in satisfying and retaining current customers. It requires a great deal of effort to induce satisfied customers to switch away from their current suppliers.
- The average company loses ten percent of its customers every year.
- A five percent reduction in the customer defection rate can increase profits by twenty five percent to eighty five percent, depending on the industry.
- The customer profit rate tends to increase over the life of the retained customer.

Another factor that has lead to growing emphasis on relationship marketing is the growing emphasis on deriving 'Customer life-time value'. Losing a customer translates to losing the entire stream of purchases that the customer would make over a life time of patronage, without defecting the loyalty to the competitors. This concept lays emphasis on extracting the total life time value from a customer.

Proactive customer business development and building relationships with important customers are the two key processes of relationship marketing, which lead to superior value creation for the customer and the company.

The recent surge in the practice of relationship marketing is due to the growth of service industry (banking, insurance, air-travel, telecommunications, hotels, hospitals etc.). The expectations of the customers are changing rapidly with the availability of advanced product features and services. The best way to deal with this scenario is to maintain collaborative and co-operative relationships with the customers. Relationship marketing starts with in-depth knowledge of customers, their habits, desires and their needs. This knowledge is applied to develop and design marketing strategies to cultivate and develop long lasting relationships with the customers. The

typical examples for the relationship marketing can be found in the activities of the fruit seller, or the grocery shop person, who try to understand the habits of their regular customers and customize their products accordingly.

Marketing, sales, and after-sales personnel would be the knowledge sources of customers. Companies should harness this knowledge to make critical business decisions. In order to make the relationship marketing program a success, it is very important to identify real knowledge about different types of customers i.e. the most valuable customers, customers with the potential to add more value and customers offering little or zero value to the organization.

We can sum up the important differences between transactional marketing and relationship marketing as follows:

Transaction Marketing	Relationship Marketing
1. Focus on completing a sale	1.Focus on customer retention
2. Orientation on product features	2.Orientation on product benefits.
3. Time scale of customer orientation is relatively short	3.Long time scale
4. No emphasis on customer service area	4.Customer service is key focus
5. Limited customer commitment	5.High customer commitment
6. Moderate customer contact	6.High customer contact

Table 1.1: Transaction vs. Relationship Marketing

1.3 Evolution and Development of CRM

The practice of CRM can be traced to the period of pre-industrial revolution, where producers of agricultural products and their customers interacted directly. The advent of middlemen resulted in a setback to the direct interactions between producers and customers making the process more of transaction oriented one rather than

relationship oriented. The recent surge in CRM is due to the growth of service industry (banking, insurance, air travel etc) and the advent of sophisticated telecommunication technology and information technology, resulting in the direct contact between the customers and marketers/producers.

Another important factor, contributing to the development of CRM is the intense competition between the organizations that has forced marketers to be more concerned with customer retention and loyalty. Customer expectations with the availability of advanced product features and services are changing rapidly. Co-operative and collaborative relationship with customers is the best way to deal with the scenario.

1.4 Process Framework for CRM

Based on the work of several scholars, Jagdish N Sheth and Atul Parvatiyar (2001) have developed a four-stage CRM process framework^{1,3}. This broad framework for CRM process was sub divided into four sub-processes.

1. Customer Relationship formation Process
2. Relationship Management
3. Relationship Performance Evaluation Process
4. CRM enhancement process (evolutionary)

The relationship formation process relates to three important deciding factors, setting the objectives of implementing CRM; selecting parties (or customer groups) for the CRM program; and finally developing programs for relationship engagement with the customer.

Defining the purpose helps in providing a clear idea of CRM programs and activities that need to be performed. It would also help in identifying suitable relationship partners, their expectations and capabilities to fulfill mutual goals. The governance process addresses several issues like role specification, process alignment, communication, and common bonds. It also involves employee motivation and training regarding the effective implementation of CRM tools.

The performance evaluation process comprises the measurement of the effects of CRM process and comparison with the original objectives, which are defined at the initial stages of CRM implementation. The performance can be evaluated with respect

to different focus areas of business like strategic issues, financial aspects, the marketing areas of interest like customer retention, loyalty and customer satisfaction.

The evolutionary process involves the enhancement and improvement of the CRM process. The evolution can occur naturally on the basis of developments occurring in the external environment, where the quest for superior/alternate solutions is continuous with CRM vendors and professionals working in tandem or the evolution based on the experiences of the implementation of current CRM programs, leading to enhancement and improvement of existing programs.

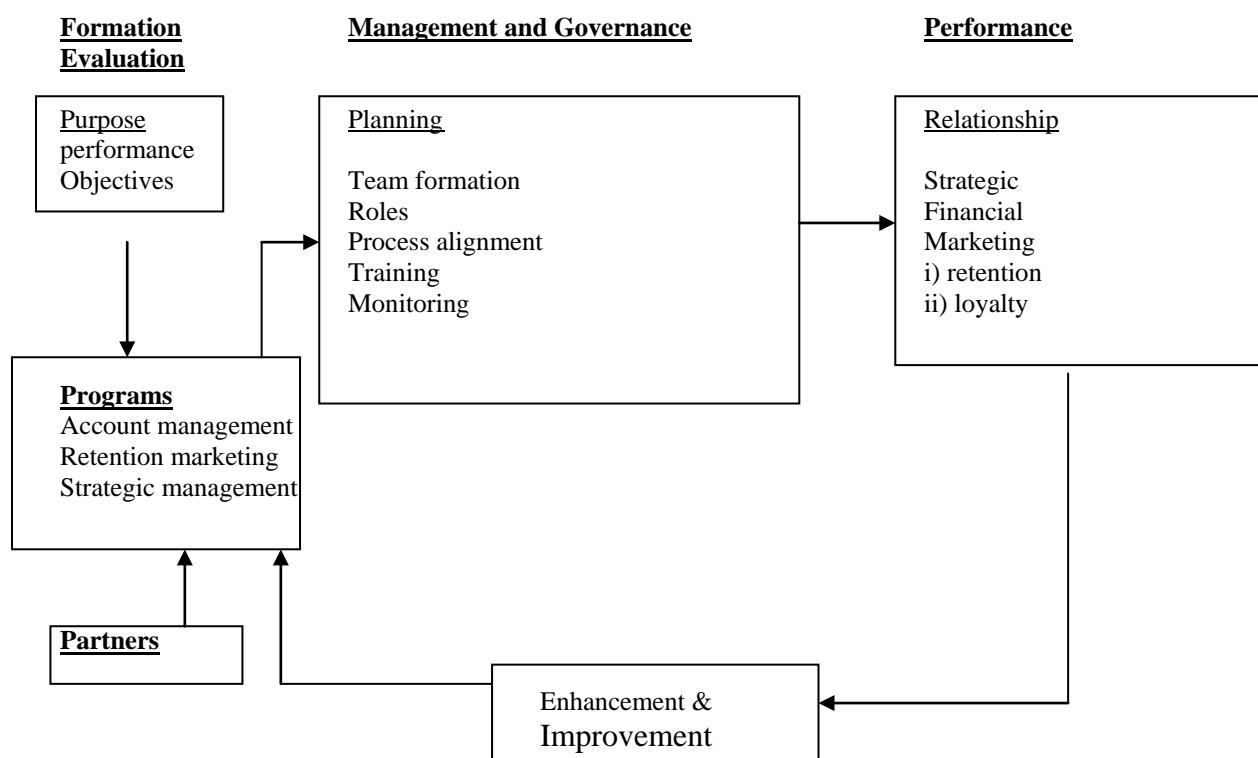


Fig: 1.1 CRM Process Frame Work

1.5 Requisites for Effective Implementation of CRM

An effective CRM implementation requires a frontline information system, which shares relevant customer information across all interface units. The interface units could be sales team, service personnel, call centers, web sites etc. Sometimes they may include cross-functional areas team-members also.

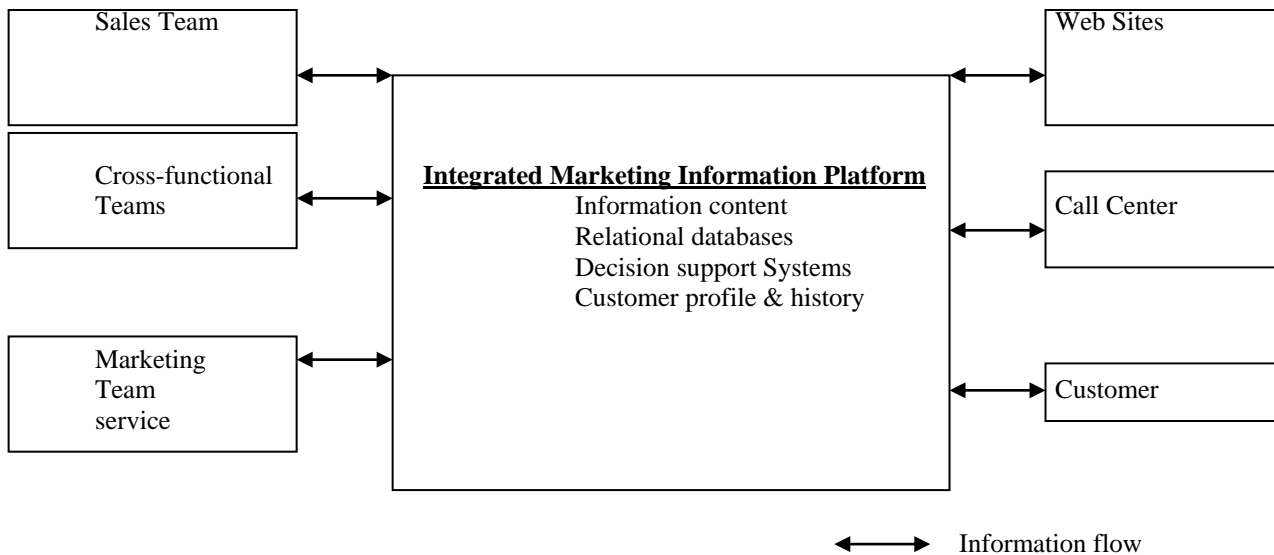


Fig: 1.2 Information Platform for CRM

A CRM platform should be based on interactive technology and processes. The system should identify appropriate data inputs at each customer interaction level and should generate appropriate data inputs for the teams interacting with customers. CRM implementation could comprise a significant IT component, but it does not mean that CRM implementation ends with the installation of CRM software solutions, without a CRM strategy in place. CRM tools are meant to supplement the company's broad strategy of an enduring and value generating relationship with the customer. The CRM process framework should be viewed in totality. The tools should also be able to support interactive solutions for customer segmentation, profitability analysis etc. An effective CRM program must include all areas where there is human contact including the staff/internal customers and the external paying customers who keep the business running.

1.6 Customer Care and Retention

Customer care refers to the service delivered to the customer after completion of the sale of any product or service. Especially in the case of services, customer care assumes greater significance, since there are more customer touch points and the service is delivered over a period of time across different areas of service delivery.

A banking service can be treated as a good example in the areas of services, where customer care is important because the service is extended over a period of time (at least a couple of months), and the areas of service include savings, loans, with drawls etc., where the customer touch points are different and it difficult to offer a uniform quality of service.

Customer care becomes an important aspect of relationship marketing, since it is only through the company's commitment towards customer care that any organization can build mutually rewarding, long-lasting relationships. Highly satisfied customers produce several benefits for the company. They are less price sensitive, spread good word of mouth and remain loyal for a longer period of time.

Studies indicate that a slight decline from complete satisfaction can create an enormous drop in loyalty^{1,4}. This means that organizations must aim high if they want to hold on to their customers. If the company exceeds the levels of customer expectations in terms of service quality and product performance, then the customer is not merely satisfied, but he/she gets delighted. This delight creates an emotional affinity for the product or service, and this creates high customer loyalty, leading to low defection rates among customers and increasing revenues and profits for the organization.

Customer care has become an important aspect of marketing strategy, as companies realize the importance of not just finding customers but of keeping and growing with them as well. Companies not only want to create customers, they want to 'own' them for life time. Unless and otherwise companies demonstrate that they care for customers (either through quality product/ services offerings or by delivering superior post-sales services and meeting customer expectations), it is very difficult to build long lasting relationships.

Retaining customers is important considering the following reasons:

- Firms can retain business, by decreasing defections
- Sales, marketing and set up costs amortized over a longer period of customer lifetime.

- Increased purchases by customers over a period of time, resulting in increase of revenues.
- Loyal Customers' willingness to pay a premium for better offerings, which enables firms to improve their profitability.

Marketing activity directed at retaining customers can be expensive, and needs to be closely evaluated against results. The most successful retention programs segment the customers into different levels of profitability and this helps to identify the type and frequency of marketing activities, which should be directed at them. The most profitable customers are the most valuable, and these are the ones on whom resources should be spent efficiently.

An additional benefit of a good customer retention program is employee satisfaction. The positive results of retaining customers can act as great motivating factors to the staff and increase their willingness to perform and deliver excellent customer satisfaction. Proper customer care not only develops life long customers, but it also spreads a positive Word-of-mouth, which results in an increase in the volume of business. In fact if the customer is properly taken care of, he/she ends up as an advocate of the product/service received.

Especially in case of services it is very important to take care of customer satisfaction and retention as the services are delivered over a period of time, and payments are paid in accordance with the service delivery. Proper communication channels should be set up so that the customers are properly communicated regarding various aspects of service delivery and it should be ensured that there are no gaps in the service delivery across different service delivery points. Every area of service delivery should have an integrated and clear picture of customer requirements and needs. There is also the problem of different perceptions by different customers regarding a similar service, and care should be taken that good word-of-mouth is spread, which would give a positive image to the organization.

Another important aspect of customer retention in area of services is to ensure that customers are satisfied, so that there is no decline in the revenues projections, estimated on the basis of existing customers, because in the case of services, the moment a customer decides to defect to a competitor or decides to stop using the

services, he/she will also stop payments, unlike the case of products where the payment is paid before the delivery of the product.

In order to see that companies do not lose customers, it is important to find out why customers are moving away from the organization. A good customer satisfaction survey can reveal the levels of satisfaction of the customers. It will also indicate the areas that are weak and need improvement. It is essential to have a good survey design that can capture the strengths and weaknesses of the current offerings. Once the gaps are identified and analyzed, effective corrective steps should be taken.

Customer care should result in the feeling among the customers that their needs are being taken care by the organization. For this to happen the company should demonstrate that serving the needs of the customers is of utmost importance to it, and it values the customers. Mere launch of a communication campaign is not sufficient for the company to demonstrate its commitment to the customer needs. It should prove its dedication to the customers needs in action. Then only the feeling of warmth is generated among the customers and they feel the sense of being cared for. This generates affinity towards the products and services they use, and it becomes very difficult for the customers to defect to competitors' products or services as they become psychologically attached to the current company. This is the stage at which an effective marketing strategy could be deployed which introduces the new products and services and would encourage the existing customers to try them. This program if successfully implemented would result in new business to the organization.

1.7 Characteristics of Good Customer Care

The following are the important features of good customer care:

1. Having a vision regarding service quality and treating it as a means for gaining competitive advantage.
2. Concern for the customers. Placing the customers over and above everything else in the organization.
3. Setting benchmarks for service standards. Importance should be given to delivery of correct service at the very first instance.
4. Integrity of the service personnel towards customer service. This should reflect in practice at every customer contact point. This is very important for building good

relationships with the customers. Mutual trust remains the key factor in any successful relationship.

5. Implementation of technology for effective and prompt service. Stress should be laid on using technology as a tool for delivering service. Deployment/ installation of technology applications should not be treated as a solution to customer problems. Ultimately service quality is determined by the appropriate combination of people and technology.
6. Training and empowering the service staff so that the field level staff can take effective decisions depending on the ground realities. They should be able to respond faster and also take initiative to get proper feedback from the customer.
7. Decentralization of service department, so that service staff are given autonomy rather than depending on top management for day to day problems.

1.8 Service Quality of a Firm

Research suggests that customers do not perceive quality in a unidimensional way, but rather judge quality based on multiple factors relevant to the context.^{1,5}

The service quality of a firm is assessed by the following factors:

1. The number of service points and their locations. The firm can have its own service outlets or train its dealers to provide excellent service to the customers. Care should also be taken in deciding the locations of service points. They should be as much nearer as possible to the customers, so that customers find it easy to approach a service point.
2. Creation of user-friendly environment at a service center is important. Courteous staff, clean environment good hospitality and usage of efficient technology could make a lot of difference in the perceived value of the company by the customer.
3. Reducing the gap between customers' waiting time for service and the delivery of the same.
4. Better product/ service design should ensure that the 'offering' to the customer does not fail in delivering the function, it has been designed for. Preventing a

'break-down' is advisable than allowing a lapse to occur and then making an attempt to rectify it.

5. Giving the top most priority to the customer, rather than anything else. Top management commitment towards customer service is critical for the success of any service program.

1.9 Principles of Customer Relationship Management (CRM)

Most of the customer relationship programs are developed on the basis of certain principles, which enunciate that it is necessary for organizations to maintain mutually beneficial relationships with their customers for the long-term benefits of both the parties.

The basic underlying principles are as follows:

1. Principle of 'Customer Life-time Value'(CLV)
2. Principle of 'Customer Satisfaction'
3. Principle of 'Customer Loyalty'
4. Principle of 'Share of Customer'
5. Principle of 'Cross-Selling and Up-Selling'
6. Principle of 'Customer Profitability'

1.9.1 Principle of 'Customer Life-time Value'

This principle states that the value of the entire stream of purchases that the customer would make over a lifetime of patronage is far higher than the value of a single sale. In view of this fact organizations should seek to establish good relationships with the customers for conducting repeated business with them. Value of the customer for the company can be understood as the amount by which revenues from a given customer, over time will exceed the company's costs of attracting, selling and servicing that customer. A dissatisfied customer who is moving out of any organization should not be viewed as a sale lost for one time, rather the organization should realize that it is losing the entire stream of revenues which could have been generated by the customer, if he/she were happy with the products/ services and continued to be a customer.

For example: If a customer during a year is conducting a business worth one thousand units with a firm, and the average period of his conducting business is estimated to be ten years, then it can be concluded that the value of the business the customer is going to deliver to the firm can be treated as ten thousand units. If the customer is lost at the initial stages then the value of transactions lost is ten thousand units.

1.9.2 Principle of 'Customer Satisfaction'

Customer satisfaction is defined as the extent to which a product's actual performance matches a buyer's expectations. A customer might experience various degrees of satisfaction. If the product's performance falls short of expectations, the customer is dissatisfied. If the performance matches the expectations, the customer is satisfied. If the performance exceeds expectations, the customer is highly satisfied or delighted. Therefore it is very important to ensure that the marketing and communications programs along with the offerings match the expectations of the customers.

1.9.3 Principle of 'Customer Loyalty'

This principle states that highly satisfied customers produce several benefits to the company. They are less price sensitive, spread good word-of-mouth and remain loyal to the company's products and services for a longer period. It takes a lot of effort and time to make a customer loyal to the firm's products and services. A consistent effort in delivering products and services to the expectations of the customers is the key to make the customers loyal. Once a customer becomes loyal to the company's products and services, he feels an affinity to the company and it becomes difficult to defect to competitors' products.

1.9.4. Principle of 'Share of Customer'

This principle means that if any company goes beyond the idea of attracting and retaining good customers, it can capture a greater share of the customer's purchasing in their product/service categories, either by becoming the sole supplier of the products, the customer is currently buying or by motivating the customer to purchase additional company products.

1.9.5 Principle of 'Cross-Selling and Up-Selling'

Cross-selling means getting more business from the current customers of one product or service by selling them the additional offerings. For example a banking company would like to offer additional services like insurance and vehicle/ education loans apart from regular banking services like savings and deposit schemes. Thus it can cross-sell other products to the customers. Encouraging a customer to purchase products that are higher in value and more profitable is treated as up selling. Fuel retail outlets offering products like lubricants apart from the regular fuel could be considered as an example of Up-selling.

1.9.6 Principle of 'Customer Profitability'

This principle states that while implementing a relationship program it is not wise to maintain similar relationships of high value with all the customers. The principle advocates attracting, keeping and maintaining profitable customers. In fact relationship is based on the value offered by the customer to the company and the value created by the company to the customer.

1.10 Challenges in Implementing Relationship Marketing

Although the concept of relationship marketing is quite easy to understand, the implementation part could prove difficult, due to many factors that need to be addressed during the implementation phase. Some of the critical issues in the implementation of relationship marketing are discussed below.

The first issue is related to maintaining real-time contact with the customers i.e. is reducing the time gap between customer query and the reply/ solution by the organization. Efforts should be made to reduce the time gap levels to zero at least in communicating with the customer. The next issue is related to motivating customers to switchover from low-value products to high-value products. Often incentives are provided to the customers whenever they switch to high- valued products.

Conversion of prospects into customers and making them loyal to the company's products and services is one of the key challenges of marketing. Producing customized products and services and offering them to customers, identifying the key

elements that make customers loyal, and improving the key factors that contribute to customer loyalty would address the issue.

Designing effective campaigns that appeal best to the customers, and reduce the costs to the marketer is an activity that requires complete understanding of the target customer. Anticipating the changes in products/services that customers would demand requires a continuous feed back from the customer and its analysis. Another key challenge for relationship marketing is integrating the existing systems and human resources with changing technology applications, which are dynamic in nature. Maintaining an integrated view of the customer, across all the customer touch-points requires a robust information back bone, and sharing of information across the touch points.

Another key task involved in relationship marketing is the identification of the customers who account for major chunk of business with the organization. These customers become high value customers for the organization. Once these customers are identified, they should be treated in such a way that their accounts are not lost.

Delivery of personalized services/ products to the most valuable customers becomes another critical factor, as it depends on the extent to which the organizations can personalize the products. Making available the current and updated data across all the front-end and back-end systems is critical for the success of any relationship marketing program.

1.11 Benefits of Relationship Marketing

Relationship marketing helps in:

1. Building customer loyalty and commitment.
2. Offering personalized services and products, based on customer group preferences.
3. Reducing the burden of excessive customer acquisition costs.
4. Enhancing marketing effectiveness by carefully selecting customers for various programs.
5. Developing better communication channels.
6. Collecting vital data, like customer details and order histories.

7. Creating detailed profiles such as customer preferences.
8. Delivering instant, company-wide access to customer histories.
9. Identifying new selling opportunities.
10. Providing more avenues for customers to communicate and explain their needs to the organization through numerous contact points.
11. Increasing satisfaction among the customers
12. Making customers feel important because of the increased personalization of services and customization of goods offered to them.
13. Increasing the percentage of cross-selling.
14. Attracting new customers and closing deals faster, through quicker and more efficient responses to customer leads and customer information
15. Simplifying the marketing and sales processes by better understanding customer needs.
16. Offering better customer service - through improved responsiveness and understanding that builds customer loyalty and decreases customer turn over.
17. Identifying the best revenue opportunities for the organization
18. Improving the revenue through acquisition of new customers, retaining existing customers, and increased share of customer through up-selling, cross-selling, etc.

1.12 Criticism on CRM

One of the most significant criticisms on CRM is that it lays more emphasis on technology i.e., the tool being viewed as important rather than the people and the processes involved. The tools require significant human involvement for the success of any program. In fact CRM as a business process has been in use for a long time with no technology backbone.

Another criticism on CRM is that CRM solutions seem to be more reactive than being proactive. This is especially true when companies try to rectify their mistakes, after the occurrence of a service failure. Although effective service recovery helps in bringing back the confidence the customer has about the company's products and services, it would be more beneficial to the company if it develops the capability of anticipating the problems that customers could face and rectify them before the customer has a bad experience.

Another pit fall in the area of relationship marketing is the assumption that the project needs to be in the hand of software professionals, since the project is implemented with the help of a software package. What is required in the successful implementation of a customer relationship project is the involvement of team members who are committed to customer care, whose primary objective is to take care of the customer needs. It is better to train and deploy a relationship marketing team consisting members of cross-functional expertise, so that the project implementation occurs smoothly. This requires commitment to customer service from the top management and their backing to the team members of the relationship marketing team.

Critics are of the opinion that CRM fails to capture the true change in the nature of network enabled marketing exchanges^{1.6}. Customer Relationship Management makes the implicit assumption that firms create and manage relationships, while customers play a passive role in the relationships. But in reality customers are beginning to play an active role in managing relationships. Value in marketing exchanges is no longer created by firms and delivered to customers. Rather, customers are becoming co-creators of value by participating directly in the marketing process. Relationship marketing requires firms to think about relating to customers. In contrast collaborative marketing requires firms to think about collaborating with customers and making customers an integral part of the firm's marketing activities.

Most of the marketers think that CRM is just an advanced stage of database marketing. The criticism is that marketers use customer databases for finding the customers best suited for a specific product offering. Most of the marketers who implement CRM programs fail to understand that relationship building starts with an understanding of customer's needs.

Many CRM projects failed to meet the expectations^{1.7}. The reasons for the failure included lack of strategic vision for CRM programs, inability to align existing systems with the new systems. Many companies that have undertaken CRM projects have faced significant challenges in making their CRM initiatives deliver an acceptable return on investment. CRM programs consume a lot of resources for their implementation, training for employees, and integration with other systems. A highly complex CRM installation can cost more than \$100 million and take three years to

complete. Cost overruns and delay in project implementation are the other problems with CRM initiatives.

The tools we use in the process are helpful in improving the quality of information about the customers, whereas it is the quality of interactions with the customers that results in a positive effect on the bottom lines of an organization.

1.13 Prospects of CRM in India

Indian companies have traditionally focused on processes and technologies, with the objective of optimizing these processes using enterprise applications such as ERP. The focus has always been towards the internal processes. As companies become more customer-oriented, they are realizing the benefits of including customers and business partners in their value chain. The infrastructure strategies survey conducted by Network Magazine and IMRB among Indian Chief Information officers (CIOs) of various organizations reveals that only 13 percent of the companies have CRM as a priority. Among companies which have already invested in enterprise applications or are planning to invest, only twenty three percent reported that they were planning for CRM. Nineteen percent of the companies are planning to dedicate part of their planned investments to CRM. One of the prime reasons reported for the slower adoption of CRM software is that many companies do not have adequate IT infrastructure to support these solutions. According to Ashish Kamotra, Chief Executive Officer, ADAPT Software IAP India, "Many companies try to first automate their back-end processes such as accounting, inventory and ERP before embarking on front-end processes like CRM". According to Girish Krishnamurthy, General Manager, India, Talisma Corporation, "Enterprises will focus on adding specific functional modules and new business models to their application portfolios. Instead of powerful, complex software, large and small enterprises are choosing CRM applications that are easy to launch and easy to use." Talisma Corporation quotes Frost & Sullivan's findings that India is the fastest-growing market for contact centre systems in the Asia Pacific region, with a projected Compounded Annual Growth Rate (CAGR) of 19.5 percent. According to the consulting firm IDC, the CRM market will touch \$11 billion by 2008, growing at a CAGR of 8.9 percent in the 2004-2008 period. According to the consulting firm Gartner, the market for Customer Interaction Management is currently estimated at \$400 million, and predicted to grow to nearly \$1 billion by 2008.

The key verticals fuelling the growth of operational CRM in India are banking, finance, insurance, telecommunications, utilities, manufacturing and healthcare. According to the infrastructure strategies survey, companies in the areas of telecom/IT/BPO show the maximum amount of CRM use. According to Subhomoy Sengupta, General Manager, Applications Sales, Oracle India, “After the initial phase of euphoria, organizations have realized that there is more to CRM than just setting up call centers or deploying some sales force automation tools. It’s about getting the wealth-creating processes in place, which are normally the back-office processes to address customer needs,”

Conventionally CRM has been more popular with telecommunication companies and financial services organizations, but it is increasingly getting more attention from mid-size organizations in other verticals as well. According to the research firm, Gartner, the major users of CRM are companies in the telecom and financial services verticals. Both have a large number of users who need to be supported through call centers. In these sectors there is an increasing importance of customer churn and customer profitability issues.

1.14 Growth Inhibitors of CRM

An organization’s inability to get a quick ROI is a hurdle in the adoption of this technology. The high cost involved in deploying CRM—hardware, implementation, software, and expertise to handle the implementation—acts as a barrier to proactive adoption by Indian enterprises.

According to Prachi Kanekar, Research Analyst with Frost & Sullivan, “The Indian market is characterized by a pool of small and medium-sized companies. These companies lack awareness and the necessary infrastructure to deploy full-scale solutions, inhibiting the growth of CRM.” In the conventional sense, any mass-distributed product where the company has no direct contact with the end-user would not find much value in CRM. However, if the partner is treated as a customer then there is no vertical that can remain isolated from CRM.

The infrastructure strategies survey (2005) carried out by Network Magazine India, reports that companies in verticals such as Fast Moving Consumer Goods (FMCG),

Consumer Durables, and Public Sector Units (PSUs) use CRM the least, with only seven percent of those who have either invested or are planning to invest in enterprise application tools giving it the go-ahead. Companies in the chemical, pharmaceutical, services, auto and auto components verticals show relatively less use (19 percent). Manufacturing organizations, especially small and medium ones, have not been so far much interested in CRM, largely because of pre-occupation with ERP, which is usually more important for them. However, in companies where conventional CRM components such as sales force automation and after-sales-service automation are not really needed, CRM finds its place in terms of data mining, cross-sell and up-sell opportunities.

1.15 The Future of Relationship Management

Various studies in the area of CRM have indicated the following trends to occur in the area of Customer Relationship Management. Technology becomes the key driver of CRM^{1.8}. Business organizations need to develop capabilities to integrate the functions of sales, marketing and service delivery. Customers would play an important role in managing relationships. Electronic channels like mobile phone, email/ internet would get consolidated. Companies start focusing on developing and providing end to end customer solutions.

1.16 Potential Sectors for CRM Implementation

Companies those are likely to deploy CRM solutions in the future are pharmaceuticals, BPO, retail, FMCG, healthcare, airlines and the government. Manufacturing is also showing potential for CRM deployment with a focus on maintaining relationships with dealers and helping them enhance their sales and service capabilities. According to Rajeev Mittal, Director, Small and Medium Solutions, Microsoft India, “Segments with increasing competitive pressures and high-value sales will deploy sales force automation systems. Support-oriented organizations are the next big gainers if they deploy CRM. A typical example of this would be IT resellers and systems integrators, since they need both sales and service to remain competitive.”

“CRM technology is implemented to minimize cost and time in healthcare, and ultimately enhance the customer relationship,” according to G Radhakrishnan Pillai, Head, IT, SRL Ranbaxy. Quality, consistency and customized care to the patient help the healthcare service providers to retain the patient as well as the entire family for their lifetime. It helps to re-use the information available with business in order to analyze the customer’s behavior and expectations. Technology can play a role to make this process a lot easier.

1.17 New Application Areas of CRM

Along with maturity of enterprise applications such as ERP and databases, companies need to integrate their ERP systems with CRM and supply chain software. This will bring about, in the true sense, what is known as an extended enterprise. It will enable more enterprise users to look at CRM as an enterprise-wide software solution with back-end integration, rather than being understood as a stand-alone software module for functions such as call centre automation, sales force automation, and selling on the web.

1.18 Factors to be Considered in the Implementation of CRM Programs

Emphasis on relationship marketing does not mean that attracting new customers is not important for the company. Definitely new customers are required for expanding the business and growth of the organization. But the organization should go beyond acquiring new customers and ensure that mutually rewarding relationships are maintained with the existing customers.

Existing customers should not be forgotten in the hurry while searching for the new customers. Existing ones themselves could be the source for new business potential. The marketing department should realize that its job is not over by completing a sale with the customer. It should ensure that there is regular contact with the customers; proper care is taken in obtaining proper feed back about the performance of the products or the quality of the service delivered. This act should be followed by necessary plan of action, if it is required to take any corrective action. This is important because if the current customer is happy with the product/ service delivered, the customer would become a satisfied customer, and this would generate a lot of good will for the organization.

A positive word-of-mouth, generated by the existing customers would have a better effect than any amount of advertising done, and this in turn would add new customers to the existing base of customers. In some of the best cases where the current customer is completely satisfied and reaches the point of delight (i.e., when the product/ service offering exceeds the levels of customer expectations and the customer perceives extra value in the offering), the customer not only does repeat business with the organization, but he/she also starts suggesting/ recommending the usage of the product/ service to his friends, relatives and other neighbours. This can be treated as the point where the customer rather than being a client to the organization, becomes an advocate of the product/ service used by him/her.

The transition phase from being an ordinary customer to being an active advocate of products/ services is neither smooth nor automatic. It is very much essential that proper relationship should be maintained with the customer, through the delivery of the best of services and products consistently. Then only the customer would move to the level of being an advocate.

In fact maintaining a positive relationship with the current customer is also important from the point of view of expanding the customer base, because a satisfied customer may spread a positive word-of-mouth to five people, but the danger is that a dissatisfied customer may spread bad word-of-mouth to another fifteen people, which would cause a serious blow to the efforts of marketing department to increase the customer base. Thus either from the point of view of getting repeat business from the existing customers or from the point of view of attracting new customers, maintaining a good relationship with the existing customers is a must for every organization in order to survive and grow in a competitive market place.

Enough care should be taken while implementing relationship-marketing strategies with the use of software packages, because of the recent experiences of failure while implementing various software solutions in the areas of relationship marketing. In most of the cases it is misunderstood that implementing a package itself is a solution to the problems faced in the strategy implementation. It should be realized that usage of a software package would help in capturing data regarding customer usage habits,

grievances etc. This data has to be analyzed and pro-active corrective action plans should be devised and implemented.

Care should also be taken while choosing a software solution package in the implementation of relationship marketing program. The needs of the organization and the structure of the organization should be considered, the customer group profiles it has should be analyzed and the requirements in these areas should be carefully mapped against what the software package offers in terms of the capture of customer data and the analysis. It is also important to develop a customer service mission for the organization, before looking at a software solution, because an effective customer service mission would give better orientation to the employees towards their responsibilities towards customer care. Selecting a package and then trying to change the existing system as per the needs of the package implementation could prove to be costly for the company and some times, it would be suicidal to change the existing system of functioning of the organization.

The best way of offering services/ products to the customers is personalizing them. Personalization refers to customization of the product/ service according to the needs and services of the customers. As an organization starts dealing with a number of customers, over a period of time it realizes that all the customers do not come with the same background and same needs. In fact it may be required to deliver personalized services in case of high-end customers. The organization can categorize the customers into different groups, placing customers with similar profiles into the same group, and delivering personalized services.

It is also important to have integrated real time Customer Information System (CIS). CIS would be a key tool to understand the customers and their needs. Care should be taken to see that correct data is captured and maintained. If the data collected is not authentic, all the decisions taken on the basis of the analysis of could result in a backlash. It could also result in delivering undesired results. Once the data is captured, care should also be taken to ensure that the information collected should be updated from time. A mail returned back because of the change of address of a customer is a good example to stress on the importance of updating of data. With the passage of time it is important to realize that customer profiles could change, so a customer

placed at an average value to the customer could move across to the most valued segment over a period of time. Thus the CIS, which forms the backbone of the relationship marketing system, could prove to be vitals in terms of giving correct and updated data.

As there is no end to the levels of satisfaction, customers become more demanding over a period of time and therefore it is important to manage customer expectations. Most of the companies fail in relationship marketing because they increase the expectations of customers in their communications, whereas when it comes to the implementation part they fail miserably. Therefore companies should think twice before communicating the promises to the customers. The system should be geared up so that when it comes to the implementation of strategies, the delivery of goods/ services matches with the promises made to the customers. To achieve this, human skill should be deployed. Though it is important to have databases with correct information, it should be realized that quality of relationships are more important than databases, when it comes to the delivery of the offerings.

Another mistake generally made in the implementation of a relationship program is treating the program as a tool rather than a strategy. A strategy is devised with a long-term vision and goals, whereas a tool is treated as a means to get the work done. Sustained efforts should be made to train the staff to deliver excellent customer service. The best way to implement a relationship program is to have a learning attitude. During the different phases of designing and implementing the program, there could be much learning involved. Learnings can also be through the mistakes committed, it is important to see that mistakes are not repeated.

CHAPTER II
OBJECTIVES AND METHODOLOGY
OF THE STUDY

2.1 Sources of Primary and Secondary Data

The research was started with a wide coverage of secondary sources of data related to Customer Relationship Management (CRM). The study material included theoretical concepts related to the subject, papers presented at various conferences and seminars, articles published in books, journals and magazines, books published on the subject, case studies etc.

The study and analysis of the secondary data at the preliminary stages of the study has given the following insights in the area of CRM.

- Atul Parvatiyar and Jagdish N Sheth, (2001) in their paper titled “Conceptual Framework of Customer Relationship Management” have observed that process level research could provide useful guidelines in developing and managing successful CRM programs and activities. Not much research is reported on relationship enhancement and relationship evolution. CRM refers to a conceptually broad phenomenon of business activity; if the phenomenon of cooperation and collaboration with customers become the dominant paradigm of marketing practice and research, CRM has the potential to emerge as the predominant perspective of marketing
- Relationship marketing is emerging as a new area of focus for service firms in India. These are mainly based on some loyalty programs and investments in technology for enhancing the capability of databases (G.Shainesh and Ramneesh Mohan, 2001 “Status of Customer Relationship Management in India -A Survey of Service Firms”).
- Measurement metrics get developed over a period of time when one starts collecting information about customers, their buying patterns, usage behavior, referrals etc. and start linking them to marketing programs (G.Shainesh and Ramneesh Mohan, 2001 “Status of customer Relationship Management in India - A Survey of Service Firms”)

- CRM implementation with the use of Software (s/w) tools is still in the preliminary stages in India. However with the rapid developments in the service sector (financial services, Insurance, air travel, hospitality, health care etc.), the scope of CRM applications is very large. According to NASSCOM, the CRM market in India is currently estimated to be around \$2 million and is slated to grow to \$17 million by 2006 (Computers Today, Aug/ Sep'2001).

According to Jagdish N Sheth and Atul Parvatiyar (2001), the major types of Relationship programs include the following:

1. Continuity Marketing Programs- these are the programs that are aimed at both retaining customers and increasing their loyalty. For consumers in mass markets, these programs usually take the shape of membership and loyalty card programs where customers are often rewarded for their membership and loyalty relationship with marketers
2. One-to-One Marketing or individual marketing is aimed at meeting and satisfying each customer's need uniquely and individually. By using online information and databases on individual customer interactions, marketers aim to fulfill the unique needs of each mass-market customer.
3. The third type of CRM program is partnering relationships between customers and marketers to serve end user needs. In mass markets two types of partnering programs are most common: co-branding and affinity partnering. In co-branding, two marketers combine their resources and skills to offer advanced products and services to mass-market customers.

Affinity partnering programs are similar to co-branding except that the marketers do not create a new brand, but use endorsement strategies. Usually affinity-partnering programs try to take advantage of customer memberships in one group for cross-selling other products and services.

2.2 Objectives of the Study

The broad and specific objectives of the research are formulated as follows after the study and analysis of the secondary information.

2.2.1 Primary Objective of the Study

The primary objective of the study is, “To make a comparative study of CRM practices in manufacturing and service sectors with an aim of deriving a process model for conceptualizing and implementing CRM strategies.”

2.2.2 Specific Objectives of the Study

The Specific Objectives of the Study are as Follows:

1. To articulate the issues in conceiving and developing Customer Relationship programs.
2. To analyze the process of CRM from conceptual stage to actual implementation stage.
3. To comparatively evaluate the CRM initiatives in terms of meeting the objectives with they are started.
4. To identify key factors which determine the success/ failure of CRM strategies.

2.3 Research Design

Keeping the above objectives in view, different research designs were studied to find the appropriate research design for the study. An exploratory design was finalized, considering the following factors:

1. In general exploratory research is meaningful in any situation in which the researcher requires further understanding of the research problem/area.
2. Exploratory research is characterized by flexibility and versatility, with respect to the methods employed in research.
3. Researchers are alert to new ideas and insights as they proceed. The focus of the investigation may shift constantly as new insights are discovered.
4. The exploratory research is helpful in breaking broad, vague problem into smaller, more precise sub problem statements.
5. The exploratory research may be used to clarify concepts.

6. An exploratory research is particularly useful in establishing priorities for further research.

The exploratory research design of the study constituted the following major components:

1. Literature search
2. Interaction with managers involved in CRM projects of the selected organizations.
3. Analysis of selected case studies.
4. Survey conducted among the customers of the companies chosen for case studies.

2.4 Literature Review

Literature review was carried out reviewing and analyzing information related to CRM, which was collected from various sources like books journals, magazines and electronic journals and articles from various web sites. As the study was exploratory in nature, literature on CRM was collected during the entire course of the study. The literature review with the objectives of framing the research objectives, understanding the practical implications of CRM, understanding emerging trends in CRM, and for gaining insights into various theoretical concepts related to CRM. The review is broadly classified into the following areas:

- a) Conceptual studies related to significance of CRM,
- b) Studies related to the practice of CRM.

2.4.1 Studies Related to Significance of CRM

1. Leonard L. Berry, Kathleen Seiders and Dhruv Grewal (2002), in their article, 'Understanding Service Convenience', (Journal of Marketing, July vol.66, No.3) have proposed five types of service convenience: Decision Convenience, Access Convenience, Transaction Convenience, Benefit Convenience and Post Benefit Convenience. According to the authors, the above convenience types reflect stages of consumers' activities related to buying or using a service. Consumers' perceived time and effort costs related to each type of service convenience affect

the consumers' overall convenience evaluations. Service convenience is affected by a variety of firm-related factors, including the physical service environment, company branding and a service system design. Individual consumer differences, such as a person's overall time orientation, time pressure, empathy towards the service provider and prior experience also affect convenience perceptions.

2. Fred Selnes and James Sallis (2003), "Promoting Relationship Learning", (Journal of Marketing, July, Vol.67, No.3,) have proposed a theory they have developed on the area how management can develop and promote the learning capabilities of targeted customer- supplier relationships. The theory suggests that a supplier and customer can improve their joint learning activities by facilitating information exchange, developing common learning arenas and updating their behavior accordingly. The authors suggest that learning within a customer-supplier relationship cannot be mandated by any one side, but rather learning depends on both parties' willingness to cooperate in joint learning activities. The authors also expressed their opinion that although the learning capability of relationship has been identified as an important avenue for creating competitive advantage and is consistent with current theories on customer supplier relationship building, the lack of systematic attempts to examine how learning processes can be designed and promoted is notable.
3. Patrica B. Seybold (2001), in the article "Get Inside the lives of your Customers", (Harvard Business Review, May) has emphasized the need for understanding the broad context in which customers select, buy and use products and services. According to the author, companies should understand how their products and services fit into the real lives of their customers. As internet can deliver customized information and applications at a relatively low cost, companies can easily help customers carry out broad sets of activities. In many cases a close examination of customer scenarios can spur innovative ideas for entirely new businesses. Creating customer scenarios requires the companies to think beyond their company's own processes and objectives. The best way to get

started is to try to map out some simple scenarios. Once the company understands how the customer scenarios work and what needs to be done to document them, the assumptions should be tested with customers who use the products/ services to refine the scenarios and promote the new ones. This can reveal further opportunities to enhance their overall experience.

4. Fredrick F. Reichheld (2001) in the article “Lead for Loyalty”, (Harvard Business Review, July- August), expressed his opinion that outstanding loyalty is the direct result of words and deeds- the decisions and practices of committed top executives who have personal integrity. High loyalty companies, though extremely diverse have several things in common. Exemplary leaders who are committed to engendering and retaining loyal and relationship strategies that are based on the following six principles:
 - a) It is not enough to have the right values. One should clarify them and pass them on to customers, employees, suppliers and share holders through their words and deeds.
 - b) If one wants to build loyalty, then he/ she should ensure that their partners should be offered winning propositions.
 - c) A company cannot offer all the offerings to all the customers. Companies should realize that they can satisfy only some customers and they should extend all their efforts to keep them happy.
 - d) In order to make the organizations speedy and flexible, small teams are required to simplify responsibility and accountability. They also need simple rules to guide their decision making.
 - e) Best deals should be offered for most loyal customers and best opportunities should be extended to most loyal employees and partners.
 - f) Long term relationships require honest, two-way communication and listening. The communication promotes trust, which in turn engenders loyalty. Feed back should be taken from customers and employees, followed by communication of actions that would be undertaken.

5. Darrell K. Rigby, Fredrick F. Reichheld, and Phil Schefter (2002), in the article “Avoid the four perils of CRM”, (Harvard Business Review, February), have observed that the promise of CRM is captivating, but in practice it can be perilous. Fifty five percent of all CRM don’t produce results. Companies should avoid the following four pit falls while implementing a CRM strategy.
 - a) Pit fall 1: Implementing CRM before creating a customer strategy.
For a CRM strategy to succeed, one needs to create a customer strategy first. Every customer has different needs and wants as well as different current and potential value to the company. Customer base should be divided into groups ranging from most profitable to the least profitable.
 - b) Pit fall 2: Rolling out CRM before changing the organization to match.
Installing CRM technology before creating a customer- focused organization is perhaps the most dangerous pitfall. A CRM roll out will succeed only after the organization and its processes- job descriptions, performance measures, compensation systems, training programs, and so on- have been restructured in order to better meet customers’ needs.
 - c) Pit fall 3: Assumption that more CRM technology is better.
Customer relationships can be managed in many ways, and the objectives of CRM can be fulfilled without huge investments in technology. Merely relying on a technological solution or assuming that a high technology solution is better than a low-technology solution is a costly pitfall.
 - d) Pit fall 4: Annoying customers, rather than attracting them.
Trying to build relationships with disinterested customers would be perceived as stalking by the customers. Relationships should not be one- way oriented. Relationships should be valued by both the companies and customers. Companies often end up trying to build relationships with the right customers the wrong way.
6. Ravi Dhar and Rashi Glazer, (2003), in the article “Hedging Customers,” (Harvard Business Review, May), have observed that businesses have begun dealing with unpredictable customer behavior by following the practices of

sophisticated investors who own portfolios comprising dozens of stocks with different, divergent histories and prospects. Each portfolio is diversified so as to produce the investor's desired returns at the particular level of uncertainty he or she can tolerate. Customers, too, are considered as risky assets. The authors explained how to construct a portfolio based on the notion that a customer's risk-adjusted lifetime value depends on its anticipated effect on the level of risk of the group it is joining. The authors have observed that the concept of risk-adjusted lifetime value has a transforming power: For companies that rely on it, product managers will be replaced by customer managers, and the current method of accounting for profit and loss-which is by product-will be replaced by one that determines each customer's profit and loss(P&L). Once adjusted for risk, those profit and loss accounts would become the firm's key performance and operational metric.

7. Ranjay Gulati and James B. Oldroyd, (2005), in the article “The Quest for Customer Focus”, (Harvard Business Review, April), have observed that although many companies have heavily invested in CRM, in most of the cases the investment hasn't really paid off. This phenomenon indicates that getting closer to customers is not building an information technology system. The authors have proposed a four stage process, requiring people and business units to coordinate in progressively more sophisticated ways.

The first stage in this process includes the creation of a company wide repository containing each interaction a customer has with company, which is organized by the customer, not by product, purchase or location. This calls for communal coordination, as each group contributes its information to the data pool separately from the others and then taps into it when needed. In the second stage, one-way serial coordination from centralized Information Technology (IT) Systems through analytical units and out to the operating units. This activity enables companies to carry out activities beyond assembling data and drawing inferences. In the third stage companies shift their focus from past relationships to future relationships. Through symbiotic coordination, information flows back

and forth between central analytical units and various functional units like marketing, sales and operations. Issues like reducing customer defection to competitors, identification of potential customers for the new products in the future are addressed at this stage. In the fourth stage, firms begin to move beyond discrete, formal initiatives through integral coordination, which helps in better understanding of the customers. If companies follow these stages sequentially, without skipping any one of them, then they can build a lasting customer- focused mind set.

8. Roland T. Rust, Valarie A. Zeithmal and Katherine N. Lemon, (2004) in the article “Customer-Centered Brand Management, (Harvard Business Review, September), observed that in the current age business executives have realized that efforts should be focused on improving the life time value of their customers. In spite of this realization, many companies have failed to implement the concept successfully in their marketing efforts. Executives tend to continue with older brands, in vain with an idea to reposition them in various ways.

The authors express their opinion that efforts would have been made on catering to the needs of new customers, by launching new products/ brands, even at the expense of the old brand which would result in profits for the companies. In many cases, especially in consumer-goods companies like automobiles, executives make wrong decisions because the decisions are mostly focused on the brands rather than the customers. Brands in these cases are the focus of decision making and the basis of accountability. This overwhelming focus on improving brand equity is inconsistent with the goal of improving customer equity. Basing on a wide range of examples, the authors have offered several strategies to develop customer- centered brand management. these strategies include replacing traditional brand managers with a new position- the customer segment manager, targeting brands on narrow segments, developing the capability and the mind-set to switch customers from one brand to another within the company, and finally changing the way brand equity is measured by basing calculations on specific data, rather than general data.

9. Don Peppers and Martha Rogers (2002), in the book “The One to One Manager (Real world Lessons in Customer Relationship Management)”, have observed that the ideas and concepts that lay foundation to CRM are very strong in their nature, and the concept of CRM is not a fad. The authors have examined more than twenty case histories across the world. They have observed that there are four simple implementation steps for implementing any CRM initiative. They are:
 - a) Identifying the customers- this step refers to knowing the customers individually in as much detail as possible, and being able to recognize them across all contact points, through all the available media, across every product line, at every location, and in every location, and in every division.
 - b) Differentiating the customers- Customers represent different levels of value to the company, and they have different needs. Companies should prioritize their efforts and gain advantage from the most valuable customers, and they should tailor the firms’ behavior towards each customer based on the customer’s individual needs.
 - c) Interacting with the customers- Interactions with the customers should be less expensive and more useful in terms of producing information that is useful in strengthening customer relationships. Every interaction with the customer should take place in the context of the previous interactions with that customer.
 - d) Customizing enterprise behavior towards the customer- A firm should adapt some aspect of its behavior to meet the customer’s individually expressed needs. This step may require mass customization of a manufactured product or customizing some aspect of the services related to a product.
10. Arthur Middleton Hughes, (2004), in his book “The Customer Loyalty Solution” has made the following observations:

One-to-one marketing, which makes good sense conceptually, may in fact not be possible in most product and service situations. The main constraint is lack of information. The data about any individual that are available may not be sufficient to predict that individual's behavior, although it may be sufficiently accurate to

predict the behavior of the customer segment of which he or she is a part. Making the right offer to the right customer at the right time may be impossible. People make decisions based on personal factors that cannot be captured in a database. Companies can, however, profitably target segments. Companies cannot easily shift from being product-focused to being customer-focused. It sounds great, but few have actually done it. Even if CRM were to work in theory, it does not work in practice because the increased profits are swamped by the increased costs. Customer communications, which are triggered by CRM or a database, produce only incremental results. The incremental sales are usually only slightly more than the sales companies would have achieved without the database and the communications. Many marketers are doing database marketing and calling it CRM.

11. Jacquelyn S. Thomas, Werner Reinartz and V.Kumar,(2004), in the article “Getting the Most out of All Your Customers”, Harvard Business Review, July-Aug, (Pg. No. 116-123), have noted that in spite of huge investments on direct marketing, usage of sophisticated data bases, analytical tools, and targeting individual customers, companies were still facing problems in optimizing their direct-marketing investments. The authors have also expressed their opinion that many marketers try to minimize costs by pursuing only those customers who are cheap to find and cheap to keep. Others try to get the most customers possibly can and keep all of them for as long as possible. But the reality is that a customer need not be loyal to be highly profitable, and many loyal customers turn out to be highly unprofitable. Companies can get better results out of direct marketing if they see it as a single system for generating profits, rather than trying to maximize performance measures at each stage of the process. The authors have also proposed a model called ARPRO (Allocating Resources for Profits) for estimating the impact of a company’s direct marketing investments on the profitability of its customer pool. Using the model managers can decide how much to spend on acquisition versus retention of customers, and how companies can allocate funds to different marketing channels.

12. Frederick Newell (2003), in the book “Why CRM Doesn’t Work (How to Win BY Letting Customers Manage Relationships)” has expressed his view that the term CRM, or "Customer Relationship Management" implies that companies can manage the customer relationship by targeting specific customers for specific product offerings. Most reports show that only 25 to 30 percent of companies implementing CRM initiatives feel that they are getting the return they expected. Executives working in various business organizations want CRM deployed quickly and broadly as they expect that it would bring a rapid return on their investment. Companies often underestimate the magnitude of the task, and also fail to understand what the customer really wants from a business relationship. As a result, the initiatives launched to build and manage relationships with customers result in destroying those relationships. The author expressed his opinion that consumers want companies to make their lives easier and less stressful by not forcing them to do anything they don't want to do.

With product and service options exploding on the Internet and through multi channel purchase opportunities, the balance of power has shifted to the customer, and the customer wants control. The time has passed for customer relationship management (CRM); it's time to transition to customer empowerment and switch to customer management of relationships (CMR). CMR gives the customer the power to tell us what he's interested in-and not interested in. For a customer relationship building initiative to be effective, it should be a well managed process of turning control over to the customers in determining what kind of information they want, what level of service they want to receive, and how they want companies to communicate with them-where, when, and how often.

13. Paul Greenberg (2001), author of the book “CRM at the Speed of Light” has observed that in the contemporary business, the customer is the controlling force. He gave his opinion that the customers cannot be moulded and shaped in

accordance to the product. The process has been entirely reversed and has become more of a continuous, real-time process than a fixed plan. The author has explained that CRM is a complete system that (1) provides a means and method to enhance the experience of the individual customers so that they will remain customers for life, (2) provides both technological and functional means of identifying, capturing, and retaining customers, and (3) provides a unified view of the customer across an enterprise. The CRM system is a complex, constantly shifting almost liquid set of definitions, concepts, and methodologies that change according to the principles of customer real-time demand (in other words, a closed infinite loop) and dramatically shifting market conditions.

14. V. Venkataramana and G. Somayajulu (2003), authors of the book titled “Customer Relationship Management- A Key to Corporate Success” have observed that CRM as a business strategy has radically transformed the way organizations operate. There has been a shift in business focus from transactional to relationship marketing where the customer is at the center of all business activity. Organizations are now trying to restructure their processes around the needs of their strategically significant customers. The critical driver of such a significant shift towards customer orientation is the realization that customers are a business asset that when managed effectively can derive continuous and sustainable economic value for an organization over their lifetime. Banks have relationship managers for select customers, airlines have frequent flyer programs to reward loyal customers, credit card companies offer redeemable bonus points for increased card usage, telecom service operators provide customized services to their heavy users, and hotels have personalized services for their regular guests. It is, however, with the rapid rise of new entrants into the market place and increased competition that companies in other sectors have recognized the business potential within a captured base. The authors have also remarked that developments in information technology, data warehousing and data mining have made it possible for firms to maintain good relationships with their customers. Firms can now manage every single contact with the customer from account

management personnel, call centers, interactive voice response systems, on-line dial-up applications, and websites to build lasting relationships. These interactions can be used to obtain information and insights about customer needs and their buying behavior to design and develop services, which help create value for the customers as well as the firms. Although customized as well as off the shelf technological solutions are available in the marketplace, businesses need to do a lot more than just adopt these solutions to implement customer relationship management (CRM) practices. CRM offers huge potential benefits but requires a more sophisticated approach adapted to specific opportunities and circumstances. At the core of any technology enabler for CRM is the customer database. This represents the data hub that integrates the various statistical modeling, campaign management, contact history and response tracking components of the marketing campaign life-cycle. The technology layer and its integration with emerging business processes is therefore the key to successful implementation of a data-driven customer relationship management.

15. Alex Berson, Stephen Smith, and Kurt Thearling (2000), authors of the book titled “Building Data Mining Applications for CRM” have observed that the way in which companies interact with their customers has undergone a radical transformation over the years. A customer's continuing business is no longer guaranteed, as a result, companies have found that they need to understand their customers better, and to quickly respond to their wants and needs. In addition, the time frame in which these responses need to be made has been shrinking. It is no longer possible to wait until the signs of customer dissatisfaction are obvious before action must be taken. To succeed, companies must be proactive and anticipate what a customer desires. A huge increase in the number of customers, products, competitors, means that understanding the customers is much harder. A successful company needs to reinforce the value it provides to its customers on a continuous basis. In addition, the time gap between the formation of a new desire and the time required to satisfy that desire is also shrinking. A technology input like data mining can help solve complex issues in managing companies’

interactions with their customers. Data mining, by its simplest definition, automates the detection of relevant patterns in a database. Data mining uses well-established statistical techniques to build models that predict customer behavior.

2.4.2 Studies Related to the Practice of CRM

1. James G. Maxham III and Richard G. Netemeyer (2002), in their paper, titled “A Longitudinal Study of Complaining Customers’ Evaluations of Multiple Service Failures and Recovery Efforts” (Journal of Marketing, October, Vol.66, No.4), have presented a twenty month long longitudinal field study that investigates within- subject evaluation of over all satisfaction with the firm, word-of-mouth (WOM) recommendations and repurchase intent at key intervals following two customer- initiated complaints and ensuing service recovery efforts. The findings suggest that though satisfactory recoveries can produce a ‘recovery paradox’ after one failure, they do not produce such paradoxical increases after two failures. In this context recovery paradox is explained as follows: for a single failure and service recovery, consumers rated the firm paradoxically higher on satisfaction, word –of- mouth and repurchase intent. However customers reporting another failure did not rate the firm higher on the above mentioned parameters, despite satisfactory recoveries.
2. Werner J. Reinartz and V.Kumar (2003) in their article, “The Impact of Customer Relationship Characteristics on Profitable Life Time Duration”, (Journal of Marketing, January, Volume 67, No.1), have made the following observations: American firm AT & T analyzes its relationships with its customers and tracks in particular retention and termination characteristics. By analyzing the factors that drive retention, AT & T is much more efficient in keeping customers who are at a risk of defection and it was also able to better pin point the customers who are likely to be life-long customers in its acquisition campaigns. It is considerably more profitable to keep and satisfy existing customers than to renew a strongly churning customer base constantly. given the

discrepancies between concept and reality in relationship marketing, it is important to study the concept of customer management and customer life time for two reasons:

- a) First a better understanding is needed related to the facets of customer management orientation.
 - b) The second reason is that although the importance of an analysis of dynamic customer- firm relationship is hardly disputed, empirical evidence is scarce.
3. C. B. Bhattacharya and Sankar Sen (2003), in their paper “Consumer- Company Identification: A Frame work for Understanding Consumers’ Relationships with Companies”, (Journal of Marketing, April, Vol.67, No.2), have studied the conditions under which consumers enter into strong, committed and meaningful relationships with certain companies, becoming champions of these companies and their products. The authors of the article have conducted research in both individual and organizational psychology to elaborate on the nature of customer-company identification and articulate their consumer level conceptual frame work, which offers propositions regarding the key determinants and consequences of such identification in the market place.
 4. Peter C. Verhoef (2003) in the paper titled “Understanding the Effect of Customer Relationship Management Efforts on Customer Retention and Customer Share Development”, (Journal of Marketing, October, Vol.67, No.4), has observed that firms aim to build close relationships with customers to enhance Customers' Relationship Perceptions (CRPs). Customer relationship perceptions are considered as evaluations of relationship strength and a supplier's offerings, and customer share development is the change in customer share between two periods. In this context Customer share is defined as the ratio of a customer's purchases of a particular category of products or services from supplier X to the customer's total purchases of that category of products or services from all suppliers.

The author investigated the differential effects of customer relationship perceptions and relationship marketing instruments on customer retention and customer share development over time. The results have showed that affective commitment and loyalty programs that provide economic incentives positively affect both customer retention and customer share development, whereas direct mailings influence customer share development. However, the effect of these variables was found to be very less. The results also indicated that firms can use the same strategies to affect both customer retention and customer share development.

5. Werner Reinartz and V. Kumar, (2002) in the article titled “The Mismanagement of Customer Loyalty, (Harvard Business Review, July), have reported research findings that the relationship between loyalty and profitability is much weaker- and subtler- than what the proponents of loyalty programs claim. Instead of loyalty alone, companies need to find out ways to measure the relationship between loyalty and profitability so that they can identify the customers on whom more focus is required. As per the study conducted by the authors, it was revealed that when customers are sorted according to their profitability and longevity, it became evident that the relationship between loyalty and profits is by no means assured. When loyalty and profitability are considered at the same time, it became clear that different customers need to be treated in different ways. Companies cannot take for granted the idea that managing customers for loyalty is same as managing them for profits.
6. Leonard L. Berry and Neeli Bendapudi, (2003) in the article “Clueing in Customers”, (Harvard Business Review, February), have observed that when customers lack the expertise to judge a company's offerings, they start focusing on, people, facilities, and processes for evidence of quality. The authors conducted a five-month study of evidence management at the Mayo Clinic. They interviewed more than 1,000 patients and employees, observed hundreds of doctor visits, and stayed in the organization's many hospitals. Their experiences

led them to identify best practices applicable to just about any company, in particular those that sell intangible or technically complex products. The authors express their opinion that companies need to determine what kind of an image they want to create among the customers, and then they should ensure that their employees and facilities consistently show customers evidence of that image. The authors have observed that at Mayo Clinic, the evidence falls into three categories: people, collaboration, and tangibles. The clinic systematically hires people who adopt its values, and its incentive and reward systems promote collaborative care focused on the patient's needs. The physical environment is explicitly designed for its intended effect on the patient experience. In almost every interaction, the organization's message comes through their belief "Patients first". The Mayo Clinic understands this and carefully manages that evidence to convey a simple, consistent message: The needs of the patient come first. From the way it hires and trains employees to the way it designs its facilities and approaches its care, the Mayo Clinic provides the patients and their families with concrete evidence of its strengths and values, an approach that has allowed it to build what is arguably the most powerful brand in health care.

7. Gary Loveman, (2003), in the article titled "Diamonds in the Data Mine.", (Harvard Business Review, May), explains how a company named "Harrah's Entertainment", the most profitable gaming company in the United States has moved ahead of its competitors by mining customer data, running experiments using customer information, and using the findings to develop and implement marketing strategies that keep customers coming back for more. The author explains that the company took customer preference data collected through its "Total Rewards" incentive program and used decision science-based analytical tools and database marketing to widen the gap between Harrah's and other casino operators that base their customer incentives more on intuition than empirical data. This deep data mining has succeeded because Harrah's has simultaneously maintained its focus on satisfying its customers.

8. Darrel K. Rigby and Dianne Ledingham, (2004) in the article titled "CRM Done Right", (Harvard Business Review, November), have explained that CRM sales after rising 28% between 1999 and 2000, dropped by 5% in 2001, 25% in 2002, and 17% in 2003 (according to the technology market research firm Gartner). In the year 2003 senior executives have become considerably more enthusiastic about CRM. In 2003, Bain & Company's Annual Management Tools Survey of seven hundred and eight global executives found that firms actually began to report increased satisfaction with their CRM investments. In 2001, CRM had ranked near the bottom of a list of 25 possible tools global executives would choose. Two years later, it had moved into the top half. In fact, 82% of surveyed executives said they planned to employ CRM in their companies in 2003 - a large jump from the 35% who employed it in 2000. Today, CRM spending appears to be picking up. Gartner forecasted that overall CRM sales will rise another 10% by the end of 2005. The authors examined the reasons for the renewed interest in CRM among different organizations.

The authors studied a wide range of companies that have recently been successful in implementing CRM systems, and had discovered some common threads in their experiences. The most important, factor observed was that all the companies under the study had taken a pragmatic, disciplined approach to CRM, launching highly focused projects that are relatively narrow in their scope and modest in their goals. Rather than using CRM to transform entire businesses, they've directed their investments toward solving clearly defined problems within their customer relationship cycle - the series of activities that runs from the initial segmenting and targeting of customers all the way through to attracting them back for more. The successful users have also exhibited a healthy skepticism, discounting overblown claims that the ultimate pay back from a CRM system is the creation of a "real-time enterprise." Understanding that highly accurate and timely data are not required everywhere in their businesses, they've tailored their real-time CRM initiatives to those parts of their customer relationships that truly

do depend on "perfect" information. Once they've succeeded with the smaller, more-targeted CRM project, they've used their initial investments as springboards for solving additional problems.

9. Harvey Thompson (2003) author of the book titled “The Customer Centered Enterprise (How IBM and Others Achieve Extraordinary Results: By Putting Customers First)” discusses the concept of Customer Value Management (CVM). according to him, CVM approach incorporates customers' needs and wants into every process, business system, and decision. The author outlines a methodical approach and operational framework to provide customer-defined ideal value at every touch point with business organizations. Attracting and retain customers by establishing differentiation -even in commodity-like markets by Shifting the focus from internal concerns (cost cutting, efficiency) to external (creating exceptional value for the customer). Prioritizing and targeting specific customer needs for business process improvement and investment. The author explains that by following the concept of CVM, IBM and other major corporations have attained market leadership and replaced product-driven, approaches with customer-driven, approaches
10. Rajkumar Venkatesan & V. Kumar (2004), in the paper “A Customer Lifetime Value Framework for Customer Selection and Resource Allocation Strategy” , (Journal of Marketing, October Volume 68, Number 4), have observed that Customer lifetime value (CLV) is rapidly gaining acceptance as a metric to acquire, grow, and retain the "right" customers in customer relationship management (CRM). However, many companies do not use CLV measurements judiciously. Either they work with undesirable customers to begin with, or they do not know how to customize the customer's experience to create the highest value. The challenge that most marketing managers currently face is to achieve convergence between marketing actions (e.g., contacts across various channels) and CRM. Specifically, they need to take all the data they have collected about customers and integrate them with how the firm interacts with its customers. The

authors evaluated the usefulness of customer lifetime value (CLV) as a metric for customer selection and marketing resource allocation by developing a dynamic framework that enables managers to maintain or improve customer relationships proactively through marketing contacts across various channels and to maximize CLV simultaneously. The authors showed that marketing contacts across various channels influence CLV non-linearly. According to them, customers who are selected on the basis of their lifetime value provide higher profits in future periods than do customers, selected on the basis of several other customer-based metrics. The analyses suggest that there is potential for improved profits when managers design resource allocation rules that maximize CLV.

2.5 Method of Study-Case Study Analysis

Case study method selected as it had the following features, which suited best for CRM process understanding:

Case study research is useful in bringing the researcher to an understanding of a complex issue or object and can extend experience or add strength to what is already known through previous research^{2.1}.

Case studies emphasize detailed contextual analysis of a limited number of events or conditions and their relationships. Researchers have used the case study research method for many years across a variety of disciplines. Social scientists, in particular, have made wide use of this qualitative research method to examine contemporary real-life situations and provide the basis for the application of ideas and extension of methods. Researcher Robert K. Yin defines the case study research method as an empirical inquiry that investigates a contemporary phenomenon within its real-life context; when the boundaries between phenomenon and context are not clearly evident; and in which multiple sources of evidence are used.

Many well-known case study researchers such as Robert E. Stake, Helen Simons, and Robert K. Yin have documented the technique of case study research and suggested

techniques for organizing and conducting the research successfully. Their work proposes six steps that should be used:

- Determination of the research questions
- Selection of the cases and data gathering and analysis techniques
- Preparation to collect the data
- Collection of data in the field
- Evaluation and analysis of the data
- Preparation of the report

The approach involved the intensive study of selected cases of the phenomenon under investigation. It includes examination of existing records, observation of the occurrence of the phenomenon, and usage of interview technique. It may be noted that the findings emerging from case studies may not be strictly conclusive, but are suggestive in nature.

2.6 Sample Selection

The next step included choosing the industries/ sectors in which the study had to be conducted. As per the findings of a report, titled, “Executive survey: The Indian CRM Market”, by Sandeep Mittal, published in 2001, by Icicle Consultancy, it was found that Banking, Insurance, Financial Services are the number one best fit sectors for CRM practices, followed by Hospitality, Travel, Airlines, Telecom, ISPs, Mobile Operators, Retail, Automobiles, Consumer Durables and Pharma industry. G.Shaineesh and Ramneesh Mohan (2001), in their paper titled ‘Status of Customer Relationship Management in India- A Survey of Service Firms’, have identified IT and Telecom industries as one of the customer focused/ customer centric industries. S.Raghunath and Joseph Shields (2001), in their paper titled ‘Introduction of e-CRM in the Indian Insurance sector- Customer and Intermediary Preferences’, have stressed upon the fact that with the deregulation of the Indian Insurance Industry, new opportunities have opened up for online insurance transactions in the Indian Market and there is high scope for Relationship Marketing in the Insurance Sector.

As the research was focused on making comparative study of issues and aspects of CRM in service and manufacturing areas, the following sectors were chosen, keeping in view of the facts revealed in literature survey.

In service sector Insurance and Mobile telephony industries were selected. In the manufacturing sector Petroleum and Automobile industries were selected. In each of the above mentioned industries, one company representing each industry was selected. The following parameters were considered while selecting the companies:

1. The companies had some well defined activities related to Customer Relationship Management.
 2. The nature of the activities implemented by the companies had given scope for the research study.
 3. The companies had a national presence.
- In the service sector, Life Insurance Corporation of India was the company chosen from insurance industry, and Idea Cellular Ltd. was chosen in mobile telecom industry.
 - In the manufacturing sector, Bharat Petroleum Ltd. was chosen from petroleum industry and Hero Honda motors Ltd. was chosen from the automobile industry.

A detailed introduction to the sectors chosen for the study and the profile of the companies chosen under each sector are presented in the following chapters.

Information was collected pertaining to the activities, objectives, processes, technologies used in the implementation of CRM programs by these companies. The information was collected through informal, unstructured interviews with the senior level managers, and executives of the companies involved in the implementation of CRM programs, by referring through the published documents, articles in magazines, journals and websites.

Once sufficient information was collected to understand various issues, related to the subject of CRM, an analysis was made to understand the nature of CRM programs, their objectives, the processes followed in implementing CRM activities, and any results obtained by the companies. This was followed by a customer survey with an objective of finding their opinions, attitudes towards the relationship programs implemented by the companies under study. The following considerations were made during the customer survey.

2.7 The Specifications of the Sample

The specifications of the sample are follows:

- (i) Element: customers of the companies under consideration
- (ii) Sampling units: Idea Cellular Dealer Outlets, Customer Care Centers, BPCL Petrol Retail Outlets, LIC Branch Offices, Hero Honda Authorized Service Centers, and Unauthorized General Service Centers.
- (iii) Extent: Twin Cities of Hyderabad and Secunderabad.
- (iv) Time: April May, June, July months of the year 2004.
- (v) Sampling Method: Simple random sampling method which falls under the broad category of probability sampling technique has been employed for the study. The method employed for interview falls under the category “intercept” interview, which is conducted among customers who gather in large numbers at a particular place like dealer outlets, company operated service centers etc. Convenience sampling method was chosen as the sampling units are accessible, and convenient to collect the information.
- (vi) Sample Size: Ad hoc or the practical method was chosen to arrive at the final sample size. The overall size of sample was arrived at as 400 with each sub strata consisting 100 members. This number is arrived at considering the cost and time involved in collecting the data.

2.8 Research Instrument

Prior to the decision of selecting a research instrument, the intentions of the survey were arrived at. The customer survey was done with the main intention of finding the following information:

1. The demographic characteristics of the customers like age, sex, monthly income, occupation, the time period of their association with the company/ product etc.
2. The levels of awareness of customers towards CRM initiatives launched by the companies.
3. The customers' perceptions/ attitudes towards the CRM initiatives.
4. The satisfaction levels of customers regarding the CRM programs.
5. Perceived benefits from these initiatives.
6. Their loyalty towards using the products/ services offered by the companies, and the reasons stated by them for their decisions.
7. Their willingness to suggest the usage of the products/ services to their friends and relatives.
8. Their suggestions for the improvement of products/ services and CRM initiatives.

Keeping in view the type of information required it was decided to use a structured interview schedule. The interview schedule included both open-ended and closed ended questions, and semantic differential scale was selectively used in measuring the customers' satisfaction levels of various CRM initiatives launched by the companies.

2.9 Data Collection Technique Employed

A structured questionnaire was used to collect the data. A direct interview method was employed to collect the data pertaining to the various aspects of the research. This technique was selected as it facilitated direct interaction with the respondents and it has also facilitated explanation by the interviewer on the objectives of research. The interviewers asked the questions as per the order in which they appeared in the questionnaire and recorded the responses. Different sampling units were located depending upon the availability of the samples.

In the case of survey of retail customers of Bharat Petroleum Corporation Ltd, (BPCL) various petrol retail outlets, located across the twin cities and implementing CRM initiatives were selected to obtain the required samples.

In the case of Hero Honda Motors Ltd, (HHML) both the company authorized service outlets and unauthorized general outlets were selected as the sample units for locating sample members.

In the case of Idea Cellular Ltd, (ICL) the company operated customer care center and dealer operated customer care centers were selected as sample units to locate the samples.

In the case of Life Insurance Corporation of India, (LIC) various branch offices of LIC located across the twin cities were selected as sample units to obtain the samples.

2.10 Data Analysis & Statistical Techniques

As the data collected was non parametric in nature, non-parametric tests were used for statistical testing. In the cases where data was available related to the groups that were exposed to CRM initiatives, versus the groups that were not a part of CRM initiatives, a two-way chi-square contingency table was developed and testing was done to ascertain whether a relationship existed between the loyalty of a customers and the type of group to which the customers belonged (members/ non- members of loyalty programs). Similarly other parameters like satisfaction; tendency to refer products/ services to friends/ relatives were also tested.

2.11 Scope of the Study

The scope of the study includes the analysis of CRM programs, their contents, features and the work flow involved in them. At the later stages of research a customer survey was included to understand the impact of the CRM programs and customers' perceptions regarding the programs.

2.12 Limitations of the Study

- The results of the study are suggestive in nature; they could not be treated as conclusive, as only four firms were studied.

- CRM is still in the evolutionary stage in India. Managers of the firms were of the opinion that the complete nature of the programs and the outcome could be completely understood after 7 to 8 years of CRM implementation.
- Companies were reluctant to share the entire data related to CRM with the researcher.
- The Customer survey was limited to the twin cities of Hyderabad and Secunderabad.

CHAPTER III

CASE STUDY OF
HERO HONDA MOTORS LTD.

3.1 Introduction to Indian Two-Wheeler Industry

The Indian automotive industry could be divided into five segments: commercial vehicles; multi-utility vehicles & passenger cars; two-wheelers; three-wheelers; and tractors. The two-wheeler sales have witnessed a spectacular growth trend since the mid nineties.

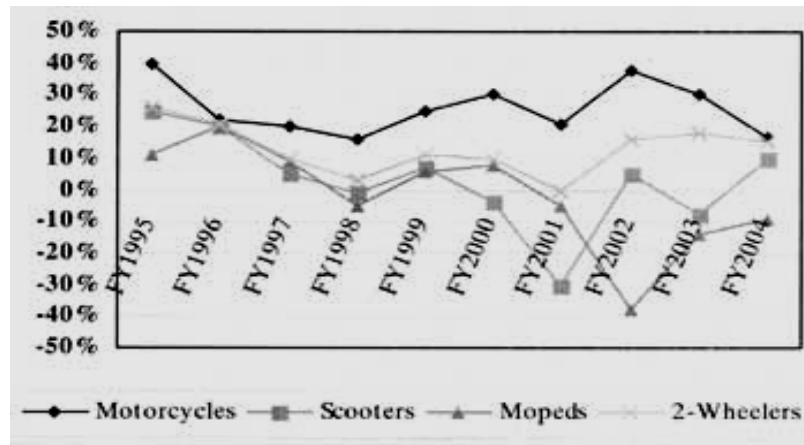


Figure 3.1: Segmental Growth of the Indian Two Wheeler Industry (Financial Year 1995-2004)

3.1.1 Market Size and Growth of Two-Wheelers:

The two-wheeler industry thrives in developing countries especially in densely populated countries like India. With income levels rising, customers are opting for entry-level motorcycles than scooters. The two-wheeler industry grew 11.6% year on year to 5.64million units in the Financial Year 2004 from 5.05mn units in Financial Year 2003. The share of motorcycles in total two wheeler sales improved to 76.6% from 74.4% in 2002-03, while that of geared scooters continues to be on the decline. In terms of volumes, two-wheelers constitute nearly 80% of the vehicles produced in India. However, in value terms, they account for 25% approximately of the total vehicle production. HHML is the market leader followed by Bajaj Auto and TVS Motors, in that order.

After facing a critical recession during the early 1990s, the industry recovered with a 25% increase in volume sales in Financial Year1995. However, the momentum could not be sustained and sales growth dropped to 20% in Financial Year1996 and further down to

12% in Financial Year 1997. The economic slowdown in Financial Year 1998 has severely affected two-wheeler sales, with the year-on-year sales (volume) growth rate declining to 3% that year. However, sales picked up thereafter due to several factors such as the increase in the disposable income of middle-income salaried people (following the implementation of the Fifth Pay Commission's recommendations), higher access to relatively inexpensive financing, and increased availability of fuel efficient two-wheeler models. Nevertheless, this phenomenon proved short-lived and the two-wheeler sales declined marginally in Financial Year 2001. This was followed by a revival in sales growth for the industry in Financial Year 2002. Although, the overall two-wheeler sales increased in Financial Year 2002, the scooter and moped segments faced negative growth. Financial Year 2003 also witnessed a healthy growth in overall two-wheeler sales led by higher growth in motorcycles even as the sales of scooters and mopeds continued to decline. Healthy growth in two-wheeler sales during Financial Year 2004 was led by growth in motorcycles even as the scooters segment posted healthy growth while the mopeds continued to decline. Figure 2.1 presents the variations across various product sub-segments of the two-wheeler industry between Financial Year 1995 and Financial Year 2004.

During the year 2004-05, Indian automobile industry improved its sales by 16 per cent compared to 2003-04. Despite a sharp rise in input prices, especially that of steel, sales of passenger vehicles grew by 18 per cent. The two wheeler segment grew by over 17 percent. Backed by the Central government's initiative on rural roads and better connectivity with major towns and cities, improved agricultural performance, upward trend of purchasing power among the rural people, two wheeler sales crossed the six million mark for the first time during the year. In anticipation of good market growth, automobile companies have introduced a variety of new models.

3.1.2 Demand Drivers for Two-Wheelers

The demand for two-wheelers has been influenced by a number of factors over the past five years. The key demand drivers for the growth of the two-wheeler industry are as follows:

- Inadequate public transportation system, especially in the semi-urban and rural areas;
- Increased availability of cheap consumer financing in the past 3-4 years;
- Increasing availability of fuel-efficient and low-maintenance models;
- Increasing urbanization, which creates a need for personal transportation;
- Changes in the demographic profile;
- Difference between two-wheeler and passenger car prices, which makes two-wheelers the entry-level vehicle;
- Steady increase in per capita income over the past five years; and
- Increasing number of models with different features to satisfy diverse consumer needs.

While the demand drivers listed here operate at the broad level, segmental demand is influenced by segment-specific factors.

3.1.3 Market Characteristics

3.1.3.1 Segment wise Classification

The three main product segments in the two-wheeler category are scooters, motorcycles and mopeds. However, in response to evolving demographics and various other factors, other sub segments emerged, viz. scooters, gearless scooters, and 4-stroke scooters. While the first two emerged as a response to demographic changes, the introduction of 4-stroke scooters has followed the imposition of stringent pollution control norms in the early 2000. Besides, these prominent sub-segments, product groups within these sub-segments have gained importance in the recent years. Examples include 125cc motorcycles, 100-125 cc gearless scooters, etc. The characteristics of each of the three broad segments are discussed in Table 2.1.

Parameter	Scooter	Motorcycle	Moped
Price*(Rs. as in January 2005)	> 22,000	> 30,000	> 12,000
Stroke	2-stroke, 4-stroke	Mainly 4-stroke	2-stroke
Engine Capacity (cc)	90-150	100, 125, > 125	50, 60
Ignition	Kick/Electronic	Kick/Electronic	Kick/Electronic
Engine Power (bhp)	6.5-9	7-8 and above	2-3
Weight (kg)	90-100	> 100	60-70
Fuel Efficiency (kms per litre)	50-75	50-80+	70-80
Load Carrying	High	Highest	Low
<i>*Ex-showroom Mumbai Source: INGRES (2004-05)</i>			

Table 3.1:
Comparative Characteristics of Two-Wheelers

3.1.3.2 Segment-Wise Market Share

The Indian two-wheeler industry has undergone a significant change over the past 10 years with the preference changing from scooters and mopeds to motorcycles. The scooters segment was the largest till FY1998, accounting for around 42% of the two-wheeler sales (motorcycles and mopeds accounted for 37% and 21 % of the market respectively, that year). However, the motorcycles segment that had witnessed high growth (since FY1994) became larger than the scooter segment in terms of market share for the first time in FY1999. Between FY1996 and 9MFY2005, the motorcycles segment more than doubled its share of the two-wheeler industry to 79% even as the market shares of scooters and mopeds stood lower at 16% and 5%, respectively.

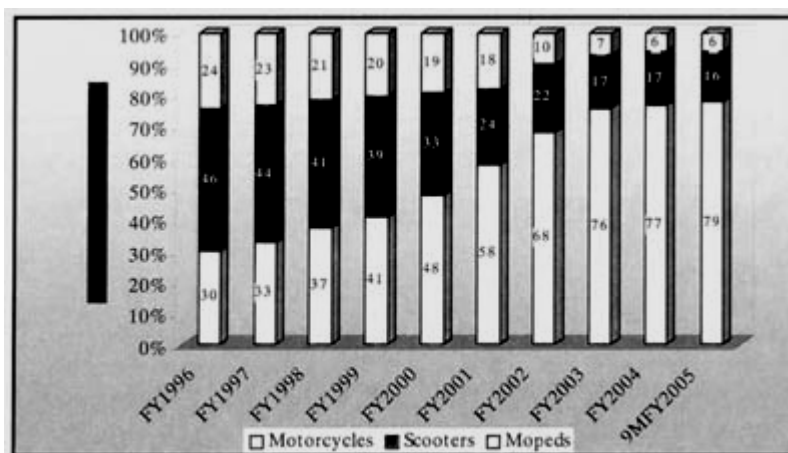


Figure 3.2:
Trends in Segment-wise Share in Indian two-wheeler Industry Sales (FY1996-9MFY2005)

Note: 9MFY 2005 indicates the initial 9 months of Financial Year2005

Scooter sales declined sharply by 28% in Financial Year 2001, motorcycle sales reported a healthy growth of 20%, indicating a clear shift in consumer preference. This shift, which continues, has been prompted by two major factors: change in the country's demographic profile, and technological advancements.

Over the past 10-15 years the demographic profile of the typical two-wheeler customer has changed. The customer is likely to be salaried and in the first job. With a younger customer base, the attributes that are sought of a two-wheeler have also changed. Following the opening up of the economy and the increasing exposure levels of this new target audience, power and styling are now as important as comfort and utility.

The marketing pitch of scooters has typically emphasized reliability, price, comfort and utility across various applications. Motorcycles, on the other hand, have been traditionally positioned as vehicles of power and style, which are rugged and more durable. These features have now been complemented by the availability of new designs and technological innovations. Moreover, higher mileage offered by the executive and entry-level models has also attracted interest of two-wheeler customer. Given this market positioning of scooters and motorcycles, it is not surprising that the new set of customers

has preferred motorcycles to scooters. With better ground clearance, larger wheels and better suspension offered by motorcycles, they are well positioned to capture the rising demand in rural areas where these characteristics matter most.

Scooters are perceived to be family vehicles, which offer more functional value such as broader seat, bigger storage space and easier ride. However, with the second-hand car market developing, a preference for used cars to new two-wheelers among vehicle buyers cannot be ruled out. Nevertheless, the past few years have witnessed a shift in preference towards gearless scooters (that are popular among women) within the scooters segment. Motorcycles, offer higher fuel efficiency, greater acceleration and more environment-friendliness. Given the declining difference in prices of scooters and motorcycles in the past few years, the preference has shifted towards motorcycles. Besides a change in demographic profile, technology and reduction in the price difference between motorcycles and scooters, another factor that has weighed in favour of motorcycles is the high re-sale value they offer. Thus, the customer is willing to pay an up-front premium while purchasing a motorcycle in exchange for lower maintenance and a relatively higher resale value.

3.1.4 Supply

3.1.4.1 Manufacturers of Two-Wheelers

As the following graph indicates, the Indian two-wheeler industry is highly concentrated, with three players-Hero Honda Motors Ltd (HHML), Bajaj Auto Ltd (Bajaj Auto) and TVS Motor Company Ltd (TVS) - accounting for over 80% of the industry sales as of the 9 months of Financial Year2005. The other key players in the two-wheeler industry are Kinetic Motor Company Ltd (KMCL), Kinetic Engineering Ltd (KEL), LML Ltd (LML), Yamaha Motors India Ltd (Yamaha), Majestic Auto Ltd (Majestic Auto), Royal Enfield Ltd (REL) and Honda Motorcycle & Scooter India (P) Ltd (HMSI).

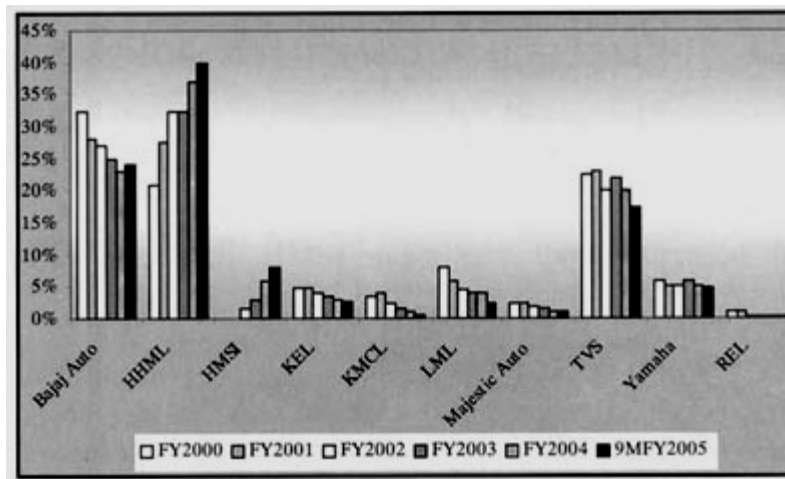


Fig 3.3:

Shares of Two-Wheeler Manufacturers in Industry Sales (FY2000-9MFY2005)

Note: 9MFY 2005 indicates the initial 9 months of Financial Year2005

Although the three players have dominated the market for a relative long period of time, their individual market shares have undergone a major change. Bajaj Auto was the undisputed market leader till Financial Year 2000, accounting for 32% of the two-wheeler industry volumes in the country that year. Bajaj Auto's dominance arose from its complete hold over the scooter market. However, as the demand started shifting towards motorcycles, the company witnessed a gradual erosion of its market share. HHML, which had concentrated on the motorcycle segment, was the main beneficiary, and almost doubled its market share from 20% in Financial Year 2000 to 40% in 9MFY2005 (Initial nine months of Financial Year 2005) to emerge as the market leader.

TVS, on the other hand, witnessed an overall decline in market share from 22% in FY2000 to 18% in 9MFY2005. The share of TVS in industry sales fluctuated on a year on year basis till FY2003 as it changed its product mix but has declined since then.

3.1.5 Technology Usage in Two-Wheeler Manufacturing

Prior to year 2000, technology transfer to the Indian two-wheeler industry took place mainly through licensing and technical collaboration (as in the case of Bajaj Auto and LML), and joint ventures (HHML).

Another way, that is, the 100% owned subsidiary route was followed by many players in the early 2000s. An example of this type of company is HMSI, a 100% subsidiary of Honda, Japan. Table 2.2 details the alliances of some major two-wheeler manufacturers in India. Besides the below mentioned technology alliances, Suzuki Motor Corporation has also followed the strategy of joint ventures (SMC reportedly acquired equity stake in Integra Overseas Limited for manufacturing and marketing Suzuki motorcycles in India).

Company	Nature of Alliance	Company	Product
<i>Bajaj Auto</i>	Technological tie-up	Kawasaki Heavy Industries Ltd, Japan	Motorcycles
	Technological tie-up	Tokya R&D Co Ltd, Japan	Two-wheelers
	Technological tie-up	Kubota Corp, Japan	Diesel Engines
<i>HHML</i>	Joint Venture	Honda Motor Co, Japan	Motorcycles
<i>KEL</i>	Technological tie-up	Hyosung Motors & Machinery Inc	Motorcycles
<i>KEL</i>	Tie up for manufacturing and distribution	Italjet, Italy	Scooters
<i>LML</i>	Technological tie-up	Daelim Motor Co Ltd	Motorcycles
<i>Hero Motors</i>	Technological tie-up	Aprilia of Italy	Scooters

Table 3.2:

Technological tie-ups of Select Players (two-wheelers)

With the two-wheeler market, especially the motorcycle market, becoming extremely competitive and the life cycle of products getting shorter, the ability to offer new models to meet fast changing customer preferences has become imperative.

In this context, the ability to deliver newer products calls for sound technological backing and this has become one of the critical differentiating factors among companies in the domestic market. Thus, the players have increased their focus on research and development with some having indigenously developed new models as well as improved technologies to cater to the domestic market. Further, with exports being one of the thrust

areas for some Indian two-wheeler companies, the Indian original equipment manufacturers (OEMs) have realized the need to upgrade their technical capabilities. These relate to three main areas: fuel economy, environmental compliance, and performance. In India, because of the cost-sensitive nature of the market, fuel efficiency had been an interest area for manufacturers. It is not only that the OEMs are increasing their focus on in-house R&D; they also provide support to the vendors to upgrade the technology and also assist them making technological alliances.

3.1.6 Trends in the Two-Wheeler Industry

3.1.6.1 Increase in Manufacturing Capacity

All the major two-wheeler manufacturers, viz. Bajaj Auto, HHML, TYS, HMSI and others, have increased their manufacturing capacities in the recent past. The total capacity of these players stood at 7.8 million units per annum (Financial Year 2003) as against total market sales of 3.8 million units in Financial Year 2002. Most of the players have either expanded capacity, or converted their existing capacities for scooters and mopeds into those for manufacturing motorcycles. The move has been prompted by the rapid growth reported by the motorcycles segment since FY1995.

HHML increased the capacity of its plants from 1.8 million units in Financial Year 2003 to 2.25 million in Financial Year 2004 and has been able to achieve 92% capacity utilization. In light of the increase in demand for motorcycles, the company plans to set up a new plant. Since its entry in the Indian market during Financial Year 2002, HMSI has aggressively expanded its capacity.

3.1.6.2 Exports of Two-wheelers

For the first nine months of FY2005, two-wheeler exports increased by 37% over the corresponding previous, led mainly by motorcycles even as exports of other two-wheelers were healthy. While motorcycle exports increased by 40%, scooter and moped exports increased by 29% and 27% respectively.

Motorcycle exports by Bajaj Auto, HHML and TVS have reported a robust growth in FY2005 and are expected to increase further in the medium term.

Two-wheeler	FY2000	FY2001	FY2002	FY2003	FY2004	CAGR (FY2000-04)	9MFY2005
Scooters	20,188	25,625	28332	30116	53148	27.4	44832
Motorcycles	35,295	41,339	56,880	126122	187287	51.4	188807
Mopeds	27,754	44,174	18,971	23330	24234	-3.3	22739
Total	83,237	111,138	104183	179568	264669	33.5	256378

Source: SIAM (2004-05)

Table 3.3:
Two-Wheeler Exports from India (in numbers)

Although the Indian two-wheeler manufacturers have entered on their own in their target export markets, there have been instances of tie-ups with the technology partners. Bajaj Auto's tie-up with Kawasaki to jointly market Bajaj products in Philippines is a case in point. Under the tie-up, M/s Kawasaki Motors Philippines Corporation has been appointed as exclusive distributors to market select Bajaj two-wheelers that include Byk, Caliber 115 and Wind 125. These vehicles are being sent to Philippines in the completely built unit (CBU) form. Other strategy of expanding international presence considered by few players is that of setting up assembly lines in select South East Asian countries either on their own or in partnership with local players. Besides, plans of select overseas technology partners to source from their Indian partners and plans of global majors to develop their Indian manufacturing unit as a sourcing hub may also lead to increase in two-wheeler exports from India.

Company wise two-wheeler exports since FY2000 are presented in Table 2.4

Company	FY2000	FY2001	FY2002	FY2003	FY2004	CAGR (FY2000-04)	9MFY2005
Bajaj Auto	14924	16112	28527	53366	90210	56.8	87225
HHML	10061	10324	13023	21165	39254	40.5	43441
HMSI	0	0	1293	10916	31414	n.a	27734
TVS	7265	6621	7765	9636	28093	40.2	36666
Yamaha	15197	20446	20321	45546	32906	21.3	27539
Others	35790	57635	32752	39053	42792	4.6	33773
Total	83237	111138	103681	179682	264669	33.5	256378

Source: SIAM

Note: 9MFY 2005 indicates the initial 9 months of Financial Year 2005

Table 3.4:
Company-wise two-wheeler exports (FY2000-9MFY2005)

3.2 Introduction to Hero Honda Motors Ltd.

Hero Honda Motors Ltd. (HHML) is the Joint Venture between Hero Group of India, the world's largest bicycle manufacturers and the Honda Motor Company of Japan. It has become the World's single largest two wheeler Company. The Hero group and Japan's Honda Motor Company each have a 26-per cent holding in Hero Honda while the remaining shareholding is with financial institutions and the public.

Coming into existence on January 19, 1984, Hero Honda Motors Limited has revolutionized Indian two-wheeler market. With more than 5 million customers, the Hero Honda product range commands a market share of 48% making it a dominant player in the industry. In addition to that factors like technological excellence, an expansive dealer network, and reliable after sales service, have made it one of the most customer- friendly companies.

3.3 Back Ground of Hero Honda

3.3.1 Product Range

HHML manufactures a range of motorcycles with brands like CD Dawn, Splendor, Passion, CBZ, Karizma and Ambition. It is the market leader in two-wheelers and its Splendor range of bikes is the largest selling motorcycle in the country. Hero Honda's motorcycle plant located on Delhi - Jaipur highway at Dharuhera, produces a bike every 23 seconds, bringing this factory's daily production figure to over 2,500 bikes. Another factory at Gurgaon produces an additional 2,500 bikes daily. Having achieved 1.25 million motorcycles sold in the fiscal year 2003, the company targeted an ambitious 1.80 million bikes per year. In the process, the company also envisions the increase of its market share.

3.3.2 Financial Performance

Hero Honda's market performance is best reflected in its financial statistics and in its consistently superior returns to shareholders. Hero Honda, declared 850% dividend for the financial year ended 31st March 2002. It grew over 500% in five years. Hero Honda Motors recorded a 25-per cent increase in its net profits to Rs.581 crore and a 14-per cent

higher turnover at Rs 5,195 crore for the year ended 31 March 2003. The company has also announced a 900-per cent dividend for the year, which includes a dividend of 500 per cent and a special dividend of 400 per cent. Hero Honda has surpassed the other competitors in the motorcycle market who are in joint ventures with giants like Kawasaki, Yamaha, Suzuki etc. Hero Honda is 26% owned by Honda of Japan and the balance is held by the Munjals and Indian public.

(Rupees in crores)			
	Schedule	Year ended	Year ended
	No.	March 31, 2004	March 31, 2003
INCOME			
Sales and other income	10	5,997.47	5,194.58
EXPENDITURE			
Manufacturing and other expenses	11	4,852.33	4,238.12
Depreciation	4	73.33	63.39
Interest (net)	12	(1.35)	(1.02)
Miscellaneous expenditure written off		0.70	9.53
Total expenditure		4,925.01	4,310.02
Profit for the year before tax		1,072.46	884.56
Provision for taxation			
- current		331.07	298.19
- deferred		13.07	5.61
Profit after tax		728.32	580.76
Balance of profit brought forward		335.75	220.48
Balance available for appropriation		1,064.07	801.24
APPROPRIATIONS			
Dividend			
- Interim		199.69	-
- Proposed final		199.69	359.44
Tax on dividend		51.16	46.05
Transfer to general reserve		75.00	60.00
Balance carried to balance sheet		538.53	335.75
		1,064.07	801.24
Basic and diluted earnings per share face value Rs. 2/-each (in rupees)		36.47	29.08

Table 3.5:

Hero Honda's Profit and Loss Account (for the year ending March'04)

3.3.3 Hero Honda's Growth over the Years

Hero Honda has created another landmark by crossing 2.6 million bikes for the financial year, 2005 and in the process improving its market share in motorcycles to 50% from 48% in the previous year. For Financial Year 2005 (FY05), Hero Honda's sales stood at 2.6 million, a rise of over 27% over the previous year's 2.1 million. Domestic sales were up 26%, while export sales, which form a small part of the overall sales, were up 63%. Most of the sales were realized from the models "Splendor Plus" and "Passion Plus", accounting for over 70% of total volumes.

Year	Sales
1985-86	43,000 units
1989-90	96,200 units
1998-99	5,30,600 units
1999-00	7,61,210 units
2000-01	10,29,555 units
2001-02	14,25,195 units
2002-03	16,77,537 units
2003-04	20,70,147 units
2004-05	26,21,400 units

Table 3.6: Hero Honda Sales over the Years

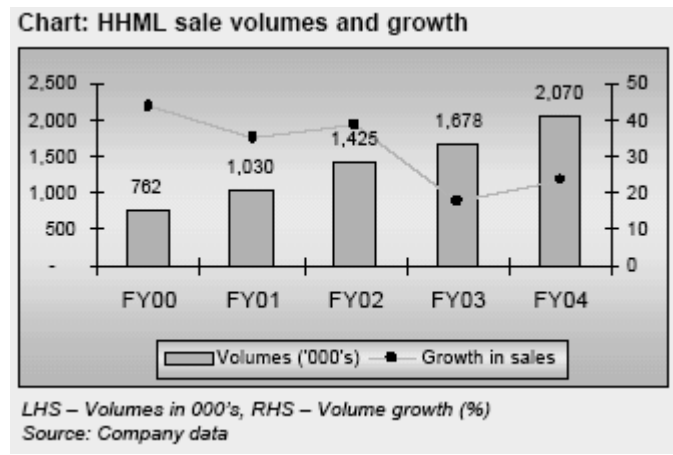


Fig. 3.4: Sales volume and Growth of Hero Honda

Vehicle Sales	Q4FY05	Q4FY04	% Chg	FY05	FY04	% Chg
Total Motorcycles	685419	592718	15.6%	2626070	2070154	26.9%
Domestic	664845	578477	14.9%	2562003	2030899	26.2%
Exports	20574	11492	79.0%	64067	39255	63.2%

Note: FY refers to Financial Year

Table 3.7:

Sales of Hero Honda for the Financial Years 2004 and 2005

For the second half of FY05, the company's sales were around 2.3 lakh a month with no spare capacity to cater to the additional demand. Some of the prime reasons for the strong sales by Hero Honda during the second half were the promotional schemes and discounts on most of the models. The company offered a discount of Rs.1000 per bike for most part of the second half, while during the festival season of Diwali the customer was given a Reliance mobile handset free along with the bike, which helped to create excitement and boosted the sales. Further, prices of models like Karizma and Ambition were reduced to generate additional demand.

3.3.4 Current Scenario

The motorcycle sales for the period July – Sept 2005 grew by 21%, as compared with the corresponding period in the Financial Year 2004-05. The company has posted healthy 23.3 percent rise in income to Rs.2166.27 crore in September'05 quarter. The other income of the company has jumped by 5 percent in the second quarter of the financial year 2006 to Rs.43.09 crore as against Rs.41.07 crore in the corresponding period of the previous year (financial year2005). In addition for the first six months of the current fiscal year the net sales has increased to Rs.4143.33 crore as against Rs.3479.44 crore in first half of FY05. During the same period other income has jumped by 15 percent to Rs.73.66 crore for first half of Financial Year 2006.

For the period April - September 2005, Hero Honda has posted higher sales volume in the two wheeler market. The company has achieved a total volume sale of 14, 29,992 motorcycles during the period, as compared with 12, 23,919 motorcycles during the corresponding period in the previous financial year. Thus the company has posted impressive jump of 17% over the first half of FY 2004. New launches, particularly that of 'Super Splendor' and 'Glamour', has enabled the company to improve the sales performance and consolidate its position in the over 100-cc segment. The company's growth in performance has also been further facilitated by strong rural sales.

Driven by festive demand, the company has achieved an increase of 23.03 percent in sales for October 2005 at 3.02 lakh units against 2.45 lakh units in the same month last year. Domestic sales in the month were 2.95 lakh units against 2.40 lakh units. During the same period exports rose 14% to 6,357 units. Similarly when compared on a month on month basis, there has been a growth of 13% in sales from 2.66 lakh units in September 2005. Sales in the April-October'05 were higher by 17.9 per cent at 17.32 lakh units which was at 14.69 lakh units during the same period in the previous year (2004).

3.4 Competitive Advantage of Hero Honda

The management of HHML has good grasp of technology, manufacturing and marketing. Hero Honda's decision to go for a four-stroke engine and focus on fuel efficiency proved to be one of the key factors of its success. This factor proved successful in the market and laid the foundation for Hero Honda's phenomenal success. In fact their model, Splendor is the largest selling model in the world. Majestic Auto, a group company, manufactured Hero Puch, a high-priced moped. When the domestic demand fell, the company focused on exports and currently, it is the country's largest exporter of mopeds, in terms of volume. Factors like high customer satisfaction, a high quality product, the strength of Honda technology and the Hero group's dynamism have helped HHML scale new frontiers.

3.5 Introduction to Hero Honda Passport Program

According to Hero Honda management, “The idea of a relationship program is to make the customer feel special.” A close relationship with customers would mean sustained business for the company. The company believes that a relationship program is a unique way to have a satisfied customer who will send new business to the company, and come back in the future to buy other products from the company. The main idea behind the program is to create a customer relationship program with incentives to purchase everyday items like spare parts, routine maintenance, and standard accessories such as helmets or gloves. The company aims to reward every act of customer loyalty, no matter how small, as it believes that loyalty programs should provide a benefit “simply for being a customer.”

The Hero Honda Passport Program is an innovative and unique customer relationship program, which was initiated by Hero Honda, to provide to its customers additional value, beyond just the product. One of the unique features of the Program is its reward model, according to which every rupee spent by the member, translates into a reward point. These reward points can then be redeemed for exciting gifts. The Passport program involves offering members a small card/booklet that looks like the Indian passport, complete with 'visa' stamps for points, similar to those offered by credit card companies and airlines. The only difference in this program is that the member need not always spend money to obtain points.

3.6 Objectives of the Program

A careful study of the passport program would reveal the following points as the objectives of the company in launching this program.

- To develop a closer and meaningful relationship with the customer.
- To reward the customers during every point of interaction.
- To encourage the customers to buy genuine spare parts manufactured by the company.
- To encourage customers to use the authorized service stations of the company.

- To motivate existing customers to recommend Hero Honda motorcycles to their friends/ relatives.
- To focus its advertising efforts on a clear targeted group.
- To enable the customers to have a direct contact/ channel with the company.

3.7 Origin of the Program

The program, the first-of-its-kind in the Indian automobile industry, was launched as a pilot project in June 2000 and nationally at all the Hero Honda dealerships in April 2001. In October 2001, the program was further extended to include all Hero Honda SSPs (service & spare points). The program now runs successfully at 500 Hero Honda dealerships and 322 SSPs across the country.

The program was test-marketed in four Indian states from June 2000 to March 2001. Critical to the program's success was the training offered to Hero Honda dealers, whose support would be essential to Passport's success- the prime reason for engaging the dealers in the development phase of the program. Testing showed that the program was attractive to customers across a wide range of socioeconomic groups.

In April 2001, the program was launched nationally. After just a year, Passport had 500,000 members, and a significant number of these members have earned more than 100,000 points, (amounting to approximately \$2,000 US spending on Hero Honda products). All this was accomplished with little in the way of traditional advertising. Special promotions, like an Independence Day picnic with India's leading movie star, a Hero Honda ambassador, proved enormously popular. The immediate impact was felt the next day, Hero Honda dealers were flooded with people wanting to sign up.

With over a million members, within three years of its launch, the Hero Honda Passport Program is one of the largest and most successful customer relationship programs in India today. The company has secured over 1 million members in the first three years, of the launch of Passport Program.

3.8 Features of the Program

With the passport program, each time a Hero Honda customer visits a service centre, he gets points and depending on the profile submitted by the customer, he gets benefits like free passes to a cricket match sponsored by the company. Under this program a customer can collect points by merely visiting the service centre, which he would have done in the normal course of things. "Hero Honda scheme rewards customers even for free services."

The company's officials claim that they prefer the Passport Program because they can talk to the customers on a one-to-one basis, rather than put up a big advertisement and hope that out of 10 lakh people, 1 lakh will respond. The company, in the long run, plans to increase focus on the CRM program and cut down on print and TV advertising to expand the program.

Membership to the program comes for a nominal fee of Rs. 95 for three years. Along with the program a customer gets an Rs 1-lakh accident insurance policy for which Hero Honda has tied up with New India Assurance Company.

At present the company has allocated just about 5 per cent of its advertising budget towards building up the Passport Program and the company's officials say this could go up to 10 per cent very soon. The company factors in the costs as part of its advertising and media spend budget.

3.9 Benefits to Passport Holders

The Passport Program membership also entitles the customer to several other benefits and privileges. Some of these include:

- A one-year Accident Insurance worth Rs 1 lakh
- Participation in the 'Winner of the Month' draw, which offers the winner a Hero Honda Splendor free or Rs.40, 000/- cash, as per the winner's choice.
- Special rewards and discounts on accumulation of specified points, against purchase of spares, accessories and service at the Hero Honda authorized Dealerships/ Service Centers (each rupee spent equates to one point for the

member). The member can earn bonus points even when he visits the Dealership for a free service.

- Invitations to exclusive local events such as movie shows, musical nights, etc.
- Participation in contests through quarterly newsletters, 'Suhana Safar', which also keep the member updated on latest developments in the company, new product launches, exclusive offers from other companies, etc.

Passport program features an easy-to-understand system of points and rewards. Gifts range from a key chain (500 points) to a camera (50,000 points). Hero Honda buyers earn a point for every rupee spent. A referral would earn 2,500 points. The program was offered to all the Hero Honda motorcycle buyers and the offer has also been extended to those who purchased within the last two years, prior to the launch of Passport program. Members would receive their Passport for a fee equal to Rs.90 (US\$ 2) covering a three-year membership.

This centralized coordination for the passport program was not an easy task as India is a country with more than a billion people speaking 16 major languages and dozens of dialects. It's too soon to measure the program's impact on the bottom line, but the company is sufficiently optimistic about this program. Hero Honda plans to shift 10 percent of its \$20 million advertising and promotions budget into Passport over time. According to the company executives, "With Passport, the company is spending on a customer who is a known entity."

3.10 Co-Branding of Hero Honda Passport

SBI Cards, India's No.1 Visa Card issuer & the fastest growing credit card in the Indian payment card industry and Hero Honda, launched the Hero Honda SBI Card, India's first Co-branded credit card for the two-wheeler industry on April 22, 2003.

SBI Cards is a joint venture between State Bank of India and GE Capital to offer Indian consumers extensive access to a wide range of world-class, value-added payment products and services. SBI Cards is the largest issuer of Visa cards in India. In the short

span of 52 months since its launch, SBI Cards has issued over 1,100,000 cards in 66 cities and towns across India. SBI is of the opinion that the co-branded initiative will allow SBI Card to reach out to Hero Honda customers (a vast middle-class segment and possibly first-time users of credit cards). In the first phase of rollout, the co-branded card team, comprising executives from both Hero Honda and SBI Card, will target four cities namely Delhi, Kolkata, Chennai and Pune. In the second phase 66 cities will be covered and in the third phase 100 cities.

3.11 Salient Features of the Co-branded Card

The Hero Honda SBI Card will be offered to the Hero Honda Passport Program members without any membership fees for the 1st year. The Passport member will get an exclusive offer of a joining fee waiver of Rs 250 and an annual fee waiver of Rs 500 on the Hero Honda SBI Card.

Some of the exclusive features offered by the Hero Honda SBI Card include:

- Special Tiered Interest Rate on retail transactions - The Hero Honda SBI Card offers great savings through reducing interest rates as retail out standings increase.
- As the amount of credit that the card member revolves increases every month, lesser is the interest rate charged.
- Customized Accident Insurance Package for the two wheelers. Rs 1 Lac worth of Road Accident Insurance. Other Benefits include Medical Insurance on Accidents.
- Access to Instant cash for up to 40% of the Credit Limit.

Other features of the Hero Honda SBI Card include:

- Cash access at over 6,00,000 Visa/Plus ATMs globally
- Exclusive Cash access from more than 700 SBI ATMs and 250 SBI Cash Points in India

- 40% of credit limit can be withdrawn as cash.
- No transaction fees on IOC and IBP petrol pumps for fuel purchase of more than Rs. 250
- “The Triple Advantage” Rewards Program whereby customers can redeem their points for fees or get discounts on leading brands or get attractive gifts.
- Balance Transfer Facility at a low interest rate of 1.75%.
- Electronic Statements insuring fast and speedy delivery of monthly statements.
- Account access on the web – 24x7 (twenty four hours a day, seven days a week) accesses to Card account details, unbilled transactions, online statements & payment history.
- Tele-draft facility allowing ordering of drafts over the phone which is delivered at home
- Lost card protection providing security in case the card is lost or stolen.
- 24 hour SBI Card Customer Helpline in India and Visa Emergency Services in 73 countries

To be eligible to acquire the Hero Honda SBI Card, salaried people would need to show an annual income of Rs.75,000/- while for self-employed individuals the eligibility level is an annual income of Rs.60,000/-.

3.12 Steps in Obtaining Hero Honda Passport

Customers of Hero Honda need to go through the following steps in joining ‘Passport’ program.

- The customer should approach a Hero Honda dealership/Service Center and fill in the application form.
- Submission of two passport size photographs along with the application.

- Payment of the enrollment fee.
- Collection the receipt cum temporary Hero Honda Passport.

The personalized Hero Honda Passport will be sent to the customers within 4 weeks

3.13 Rewards and Benefits of Hero Honda Passport Program

Once membership is taken by a customer, he can start obtaining points by any of the following means.

- Purchase of Hero Honda genuine spares
- Purchase of accessories
- Servicing of motorcycle
- Bonus points on:
 - Free Service
 - Paid Service
 - Referrals i.e. recommending a friend to purchase a Hero Honda motorcycle.

In order to earn points & rewards a customer should just keep maintaining his Hero Honda motorcycle, buy genuine Hero Honda Spare Parts and accessories and the company gives the customer one point for every rupee he spends.

3.14 Star Club and Treasured Rewards

This unique club has been introduced for those members who get their bikes serviced regularly from authorized Hero Honda Service Centers. The Star Club membership not only identifies the member as special for the HHPP family, but also brings in some added benefits like:

- 30% discount on labour Charges
- 7.5% discount on spares, till the validity of the Passport

3.15 Introduction to Treasured Reward Scheme

A new rewards structure has been introduced for all the members who have crossed one lakh points. This scheme is known as “The HHPP Treasured Rewards Scheme”. The HHPP Treasured Rewards will be available at 8 prescribed milestones beginning from

1.25 lakh points and ending at 3 lakh points, with each milestone at a gap of 25,000 points. In other words, the new milestones are placed at 1.25 lakhs, 1.5 lakhs and so on till 3 lakhs.

Each time a member reaches a milestone a Motorcycle Privilege Voucher of Rs. 1250/- will be given to him. This voucher may be used to avail a discount on the purchase of a new Hero Honda motorcycle. This voucher is transferable and can be given to friends or relatives who may be planning to buy a new Hero Honda motorcycle. Under the new Rewards Program, the mode of recording points will change. The points will now be recorded in 2 books - one would be the old Passport with Additional Treasured Rewards sheets for entering points earned through service, spares and accessories and the other would be a Referral Book which will be used for entering referral points. The Referral Book will begin from one lakh (hundred thousand) points.

On crossing 1 lakh points the members need to retain a photocopy of their old Passport with them and send the passport to the HHPP Program Centre immediately. On receipt, the old Passport with Additional treasured rewards sheets and the new Referral Book will be sent across to the members enabling them to start redeeming rewards beyond 1 lakh points.

3.16 Four Winners of the Month Program

Each Month, four Hero Honda Passport Program Members get a chance to win a Hero Honda Splendor plus or Rs.40, 000 each. Special discounts on spares and free services are offered for Hero Honda passport holders along with attractive gifts at various milestones. By this scheme the company would like to ensure that every time a customer comes for servicing the motorcycle, he takes away more than just the benefit of world class servicing at its automated workshops.

3.17 News Letter for Customers

Hero Honda in an effort to be in constant touch with the customers has launched a quarterly newsletter, called "Suhana Safar" which would give the passport holders an insider's view to the company,(Hero Honda Motors Ltd.) along with the latest

happenings in the HHPP (Hero Honda Passport Program). A copy of the news letter is provided in the appendix.

3.18 Special Offers for Passport Holders

From time to time the company brings exclusive offers for the passport holders with the best brands in the country for products that is intended to keep the entire family of the customers happy.

Ex: An active member of the Hero Honda Passport Program, who uses his Passport regularly, could get the chance of being invited to special events like Musical nights, Movie screenings, Award shows, etc.

3.19 Security for the Passport Holder & His Family

Once a customer becomes a member of Hero Honda Passport program, he is automatically covered for a free Rs.100, 000 personal accident insurance policy for one year or for three years, as applicable.

3.20 Using Hero Honda Passport

Hero Honda suggests the following guidelines to its customers for the effective use of the 'Passport'.

- The customer should always carry his Hero Honda Passport with him when he visits a Hero Honda authorized dealership/service centre.
- Every time the customer does a transaction at a Hero Honda showroom/workshop, the dealer would reward points into his Passport. The customer is eligible to accumulate points, against purchase of spares, accessories, service and by referring friends to purchase a Hero Honda motorcycle.
- The customer should ensure that he gets the points endorsed on the Program Points Sheet given in the Passport. He should also ensure that these points are entered in duplicate in the Program Centre copy by the dealer.
- Every time a Program Points Sheet gets completed, the dealer would remove the copy from the Passport and sends it to Hero Honda. These would increase the customer's chances for event invitation and special offers.

- The customer should collect his rewards as soon as he reaches the specified milestones.
- The points do not become zero after a gift collection in the Passport Program and the customer can keep collecting gifts as he reaches a particular milestone.
- Every time the customer gets his bike serviced, he gets the Free/Regular Service Record Sheet stamped by the dealer.
- The Service Record Sheet would help the customer get a 'Bike Service Certificate', which can be very useful at the time of his bike resale.

3.21 Survey of Hero Honda Customers

Introduction to the Survey

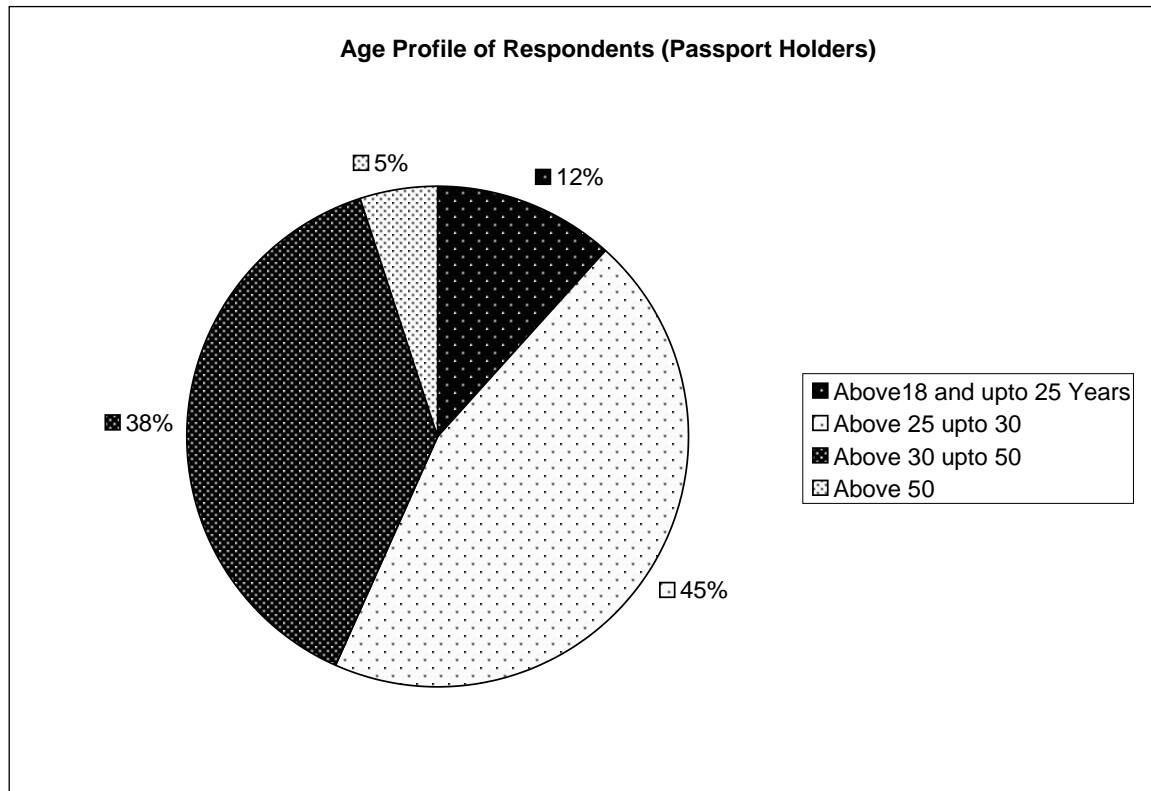
As per the research design, discussed in the second chapter, a survey was carried out in the twin cities of Hyderabad and Secunderabad, among the customers of Hero Honda motor cycles. The sample consisted of both members of Hero Honda Passport Program, and non members of the Passport program. A structured questionnaire was used to carry out the survey. The survey was carried out at the show rooms of Hero Honda and service stations. A total number of 60 passport holders and 56 non passport holders were interviewed in the process. The questionnaire used for the survey is presented in the appendix.

Both open ended and close ended questions were used in the survey. For the close ended questions, in order to analyze the results, the responses were grouped into different categories as per the choices selected by the respondents. For the open ended questions, depending on the responses given by the respondents, different categories were created and the responses were grouped under these categories.

3.22 Analysis of Data

In order to have a better understanding of the survey, various bar charts and pie diagrams were constructed, as per the data obtained. In the analysis part, each question is presented separately, along with the frequency tables, in each category of response (number of responses under each of the categories for a particular question), and the corresponding bar chart/ pie diagram is also presented, followed by the observations made. Details of non-parametric tests which were conducted to test the statistical significance of the results obtained were presented in the appendix.

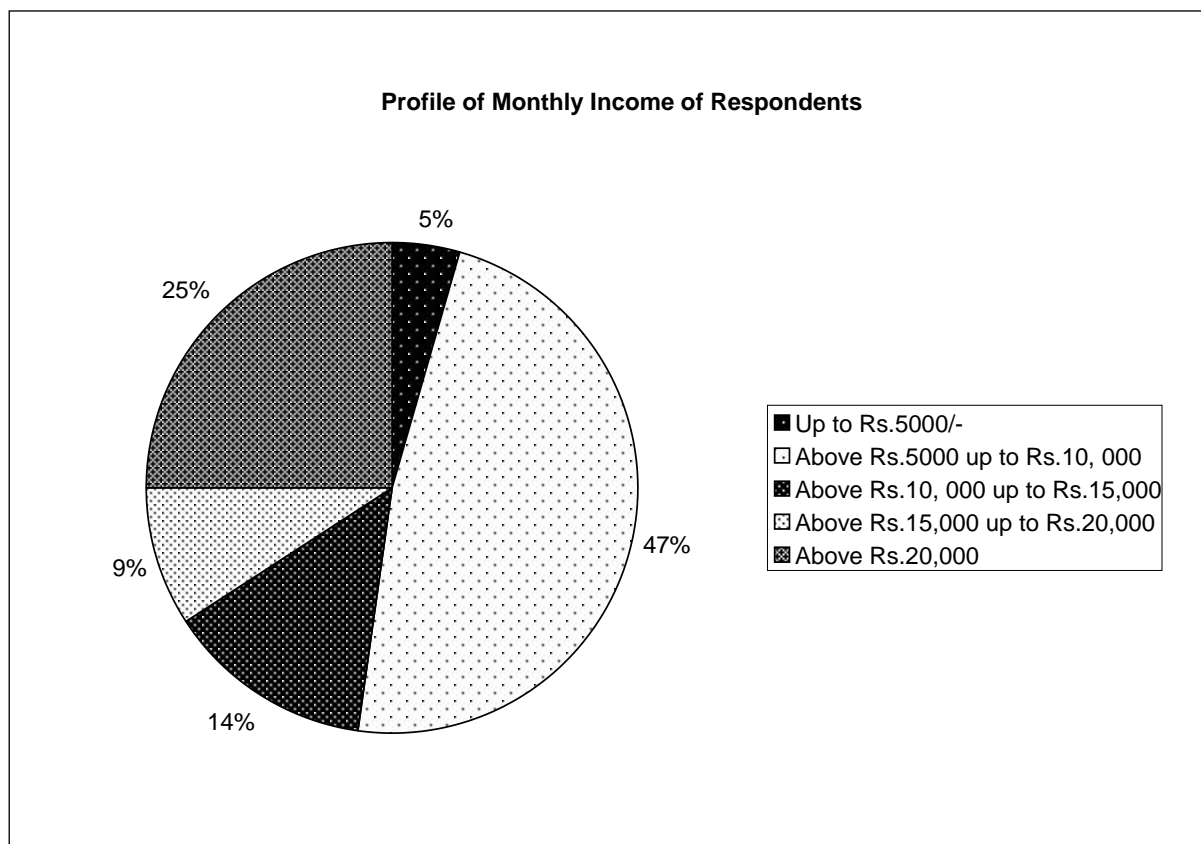
Analysis of Data Related to Passport Holders (Customers of Hero Honda Who are Members of Passport Program) Survey



Age	No. of Responses	Percentage
Above18 and up to 25 Years	7	11.7
Above 25 up to 30	27	45.0
Above 30 up to 50	23	38.3
Above 50	3	5.0
Total	60	100.0

Observation

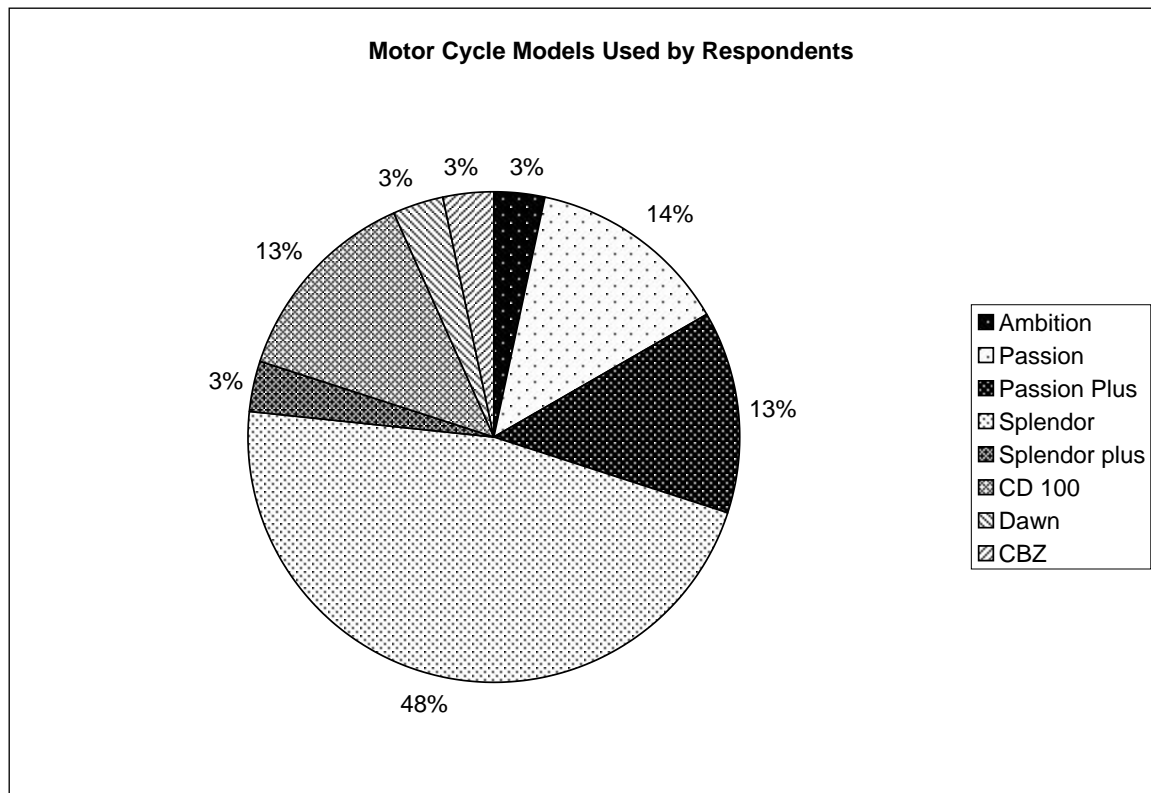
Most of the respondents fall in the category between 25 to 30 years, followed by the category between 30 to 50 years. It can be observed that most of the respondents, i.e. more than eighty percent of them belonged to the age group between 25 to 50 years.



Monthly Income	Number of Responses	Percentage (%)
Up to Rs.5000/-	2	4.5
Above Rs.5000 up to Rs.10,000	21	47.7
Above Rs.10,000 up to Rs.15,000	6	13.6
Above Rs.15,000 up to Rs.20,000	4	9.1
Above Rs.20,000	11	25.0
Total Responses	44	100.0

Observation

Most of the respondents (47%) fall under the income category of Rs.5000/- and Rs.10,000/- per month, followed by the income category of above Rs.20000/- per month (accounting for 25%), followed by 23% of those falling between the income categories of Rs.10000/- and Rs.20000/- per month. It can be observed that more than fifty percent of the respondents belonged to the income category between Rs. 5000 to Rs. 15,000.



Motor Cycle Model	No. of Responses	Percentage (%)
Ambition	2	3.3
Passion	8	13.3
Passion Plus	8	13.3
Splendor	28	46.7
Splendor plus	2	3.3
CD 100	8	13.3
Dawn	2	3.3
CBZ	2	3.3
Total Responses	60	100.0

Observation

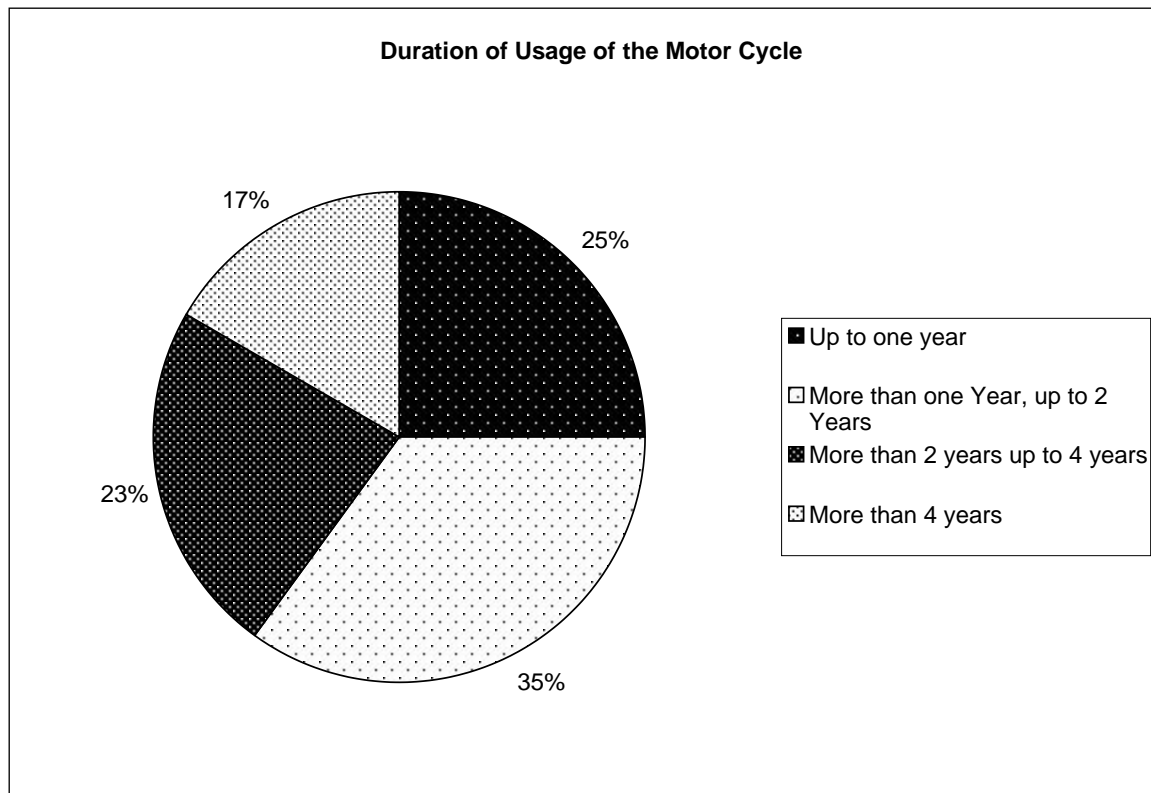
Splendor is obviously the leading model with a 48% share of respondents, followed by Passion, Passion Plus and CD100 with 14%, 13% and 13% respectively. In this context it is notable that as per Hero Honda's sales figures, Splendor is the largest selling motor cycle in the world (discussed in the introduction to the company).



Type	No. of Responses	Percentage (%)
New Motor Cycles	57	95.0
Second Hand Motor Cycles	3	5.0
Total Responses	60	100.0

Observation

It is quite obvious from the inspection of data that most of the respondents (95%) are using new (first hand) Hero Honda motor cycles. It is notable in this context that the demand drivers for two- wheelers included factors like increased availability of cheap consumer financing and a growing need for personal transportation.

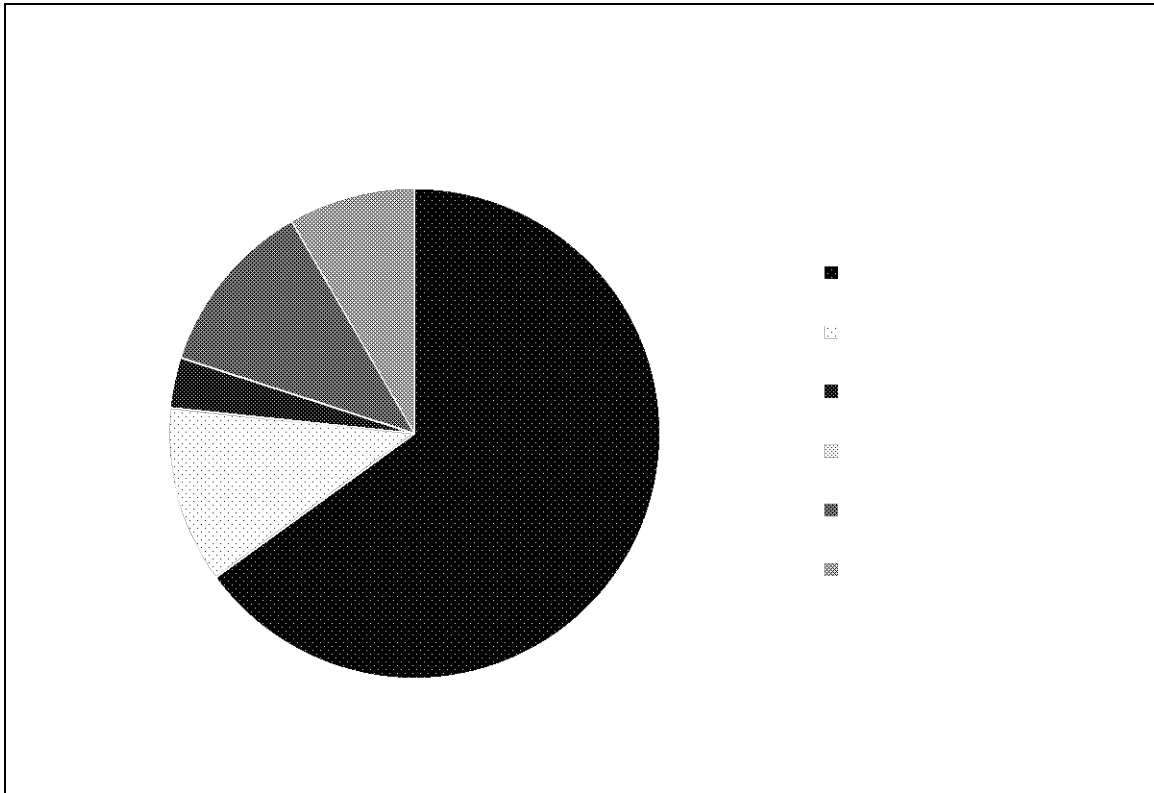


Q1. How long have you been using Hero Honda Motor Cycle?

Response Category	Responses	Percentage (%)
Up to one year	15	25.0
More than one Year, up to 2 years	21	35.0
More than 2 years up to 4 years	14	23.3
More than 4 years	10	16.7
Total Responses	60	100.0

Observation

Most of the respondents fall under the category of one to two years of usage of the motor cycles, followed by those using the bikes for less than an year i.e., relatively very new customers of Hero Honda. As was discussed earlier, the demand drivers for the motor cycles namely cheaper finance options and the need for personal mobile vehicle could be the driving factors for the demand of motor cycles during the past few years.

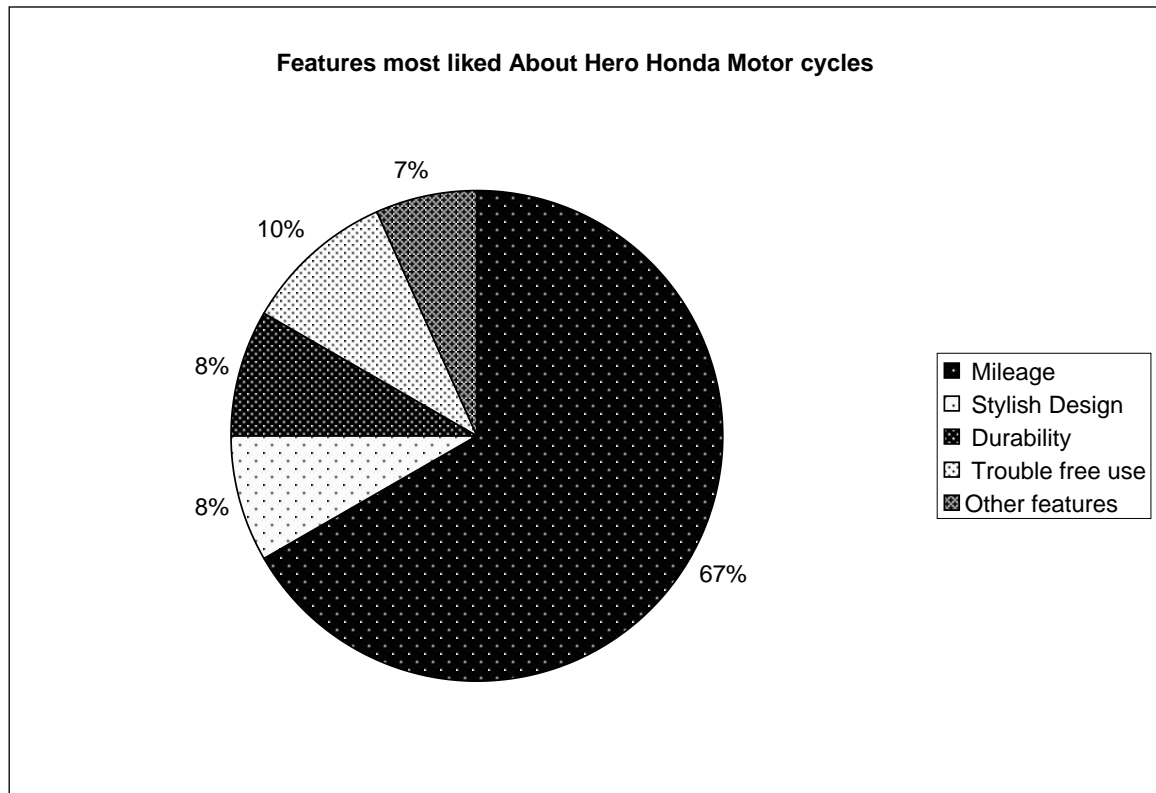


Q2. What is your main purpose of using the Hero Honda Motor Cycle?

Purpose	No. of Responses	Percentage (%)
Commuting to work Place	39	65.0
Going to School/ College	7	11.7
Going out with wife/ family	2	3.3
Carrying goods for business purpose	0	0.0
Traveling on field work	7	11.7
Other purposes	5	8.3
Total	60	100.0

Observation

It is obvious from the above data that majority of the respondents use Hero Honda motor cycles to commute to work, followed by usage for going to School/ College and field work, which also indirectly indicate that the motor cycle is used for work related purposes. Only up to twelve percent responses indicate that Hero Honda motor cycle is used for other purposes apart from the purposes mentioned earlier.



Q3. What do you like most about Hero Honda Motor Cycle?

Most liked Feature	No. of Responses	Percentage (%)
Mileage	40	66.7
Stylish Design	5	8.3
Durability	5	8.3
Trouble free use	6	10.0
Other features	4	6.7
Total Responses	60	100.0

Observation

Mileage is the feature that is most liked by respondents, followed by trouble free use, stylish design and durability. In this context it may be observed that Hero Honda is the first company in India to introduce a four stroke fuel efficient engine. The company had initially positioned the motor cycle as a fuel efficient vehicle that could give a mileage of eighty kilometers per liter.

In the questionnaire, question numbers 4 and 5 are related to awareness about passport program and whether the respondents are members of the passport program, since in this section, we are dealing with respondents who are passport holders, both these questions had responses with 100% awareness about the passport program and 100% membership of Passport program, hence no separate analysis is done for these questions.

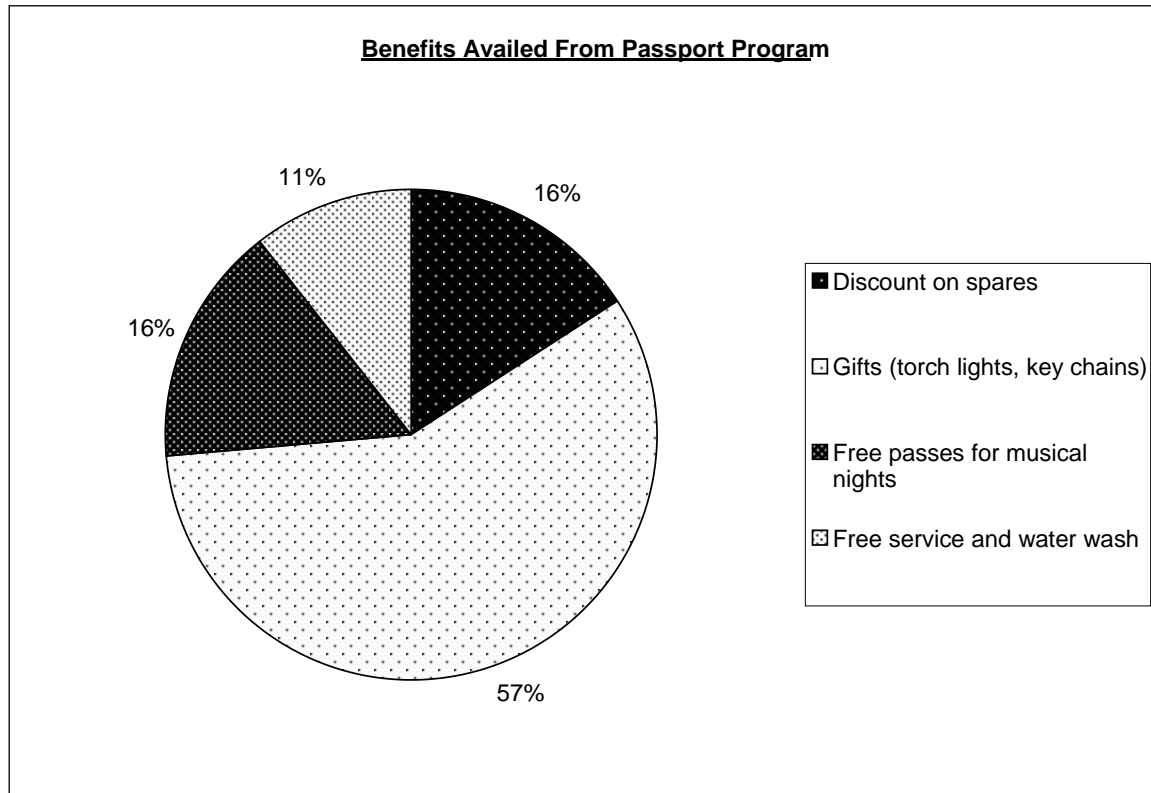


5a) How long have you been a member of Hero Honda's Passport program?

Response Category	No. of Responses	Percentage (%)
Up to one year	23	38.3
More than 1 year up to 2 years	18	30.0
More than 2 years up to 3 years	13	21.7
Above 3 years	6	10.0
Total Responses	60	100.0

Observation

Most of the respondents (38%) have been members for less than a year followed by those who have a membership for more than one year and less than two years.



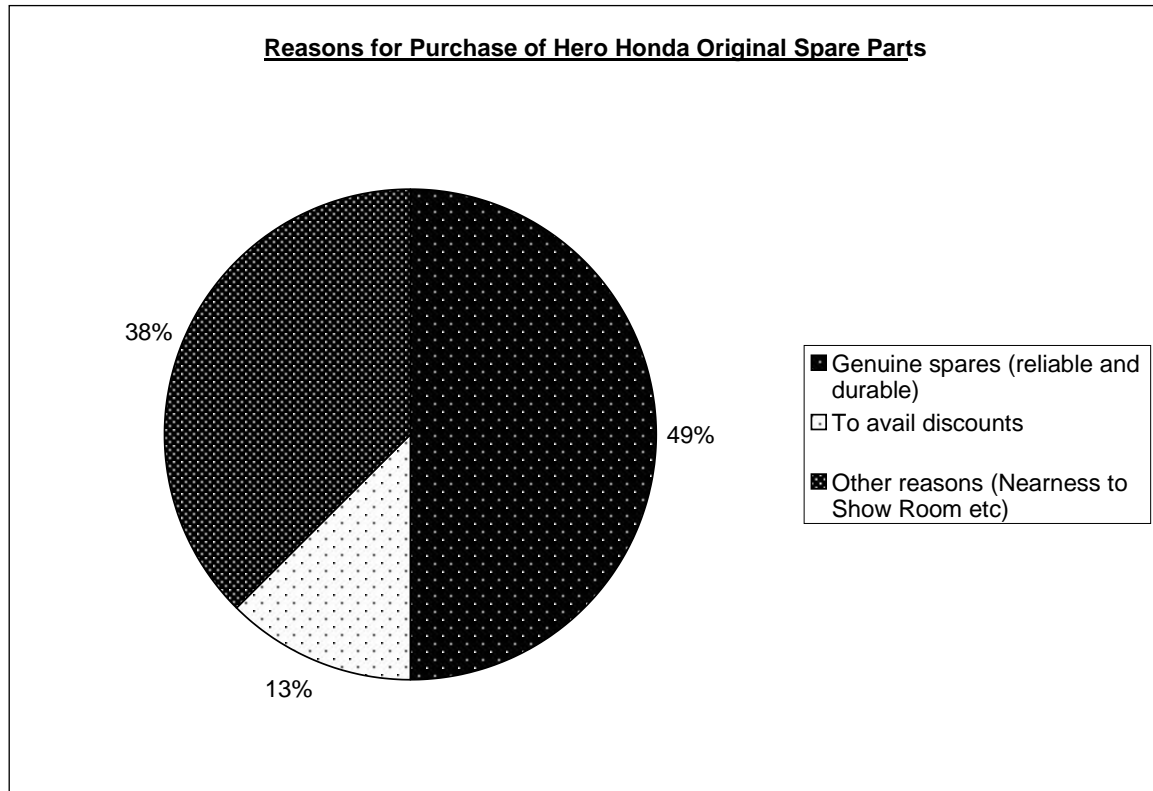
5b) What benefits did you get from the Hero Honda Passport Program?

Benefits Availed	No. of Responses	Percentage (%)
Discount on spares	6	15.8
Gifts (torch lights, key chains)	22	57.9
Free passes for musical nights	6	15.8
Free service and water wash	4	10.5
Total Responses	38	100.0

Observation

Most of the respondents (57%) utilized the benefits for low valued items like key chains and torch lights, followed by discounts on spares, free passes for musical nights. As observed from question 5a, thirty eight percent of the respondents have been members of the program for less than one year, and hence their points qualified them for low valued items.

For the question no.6, “Where do you buy spare parts for your motor cycle?” all (100%) of the respondents informed that they always buy original Hero Honda Spares. The reasons for the purchase are discussed in the next question.

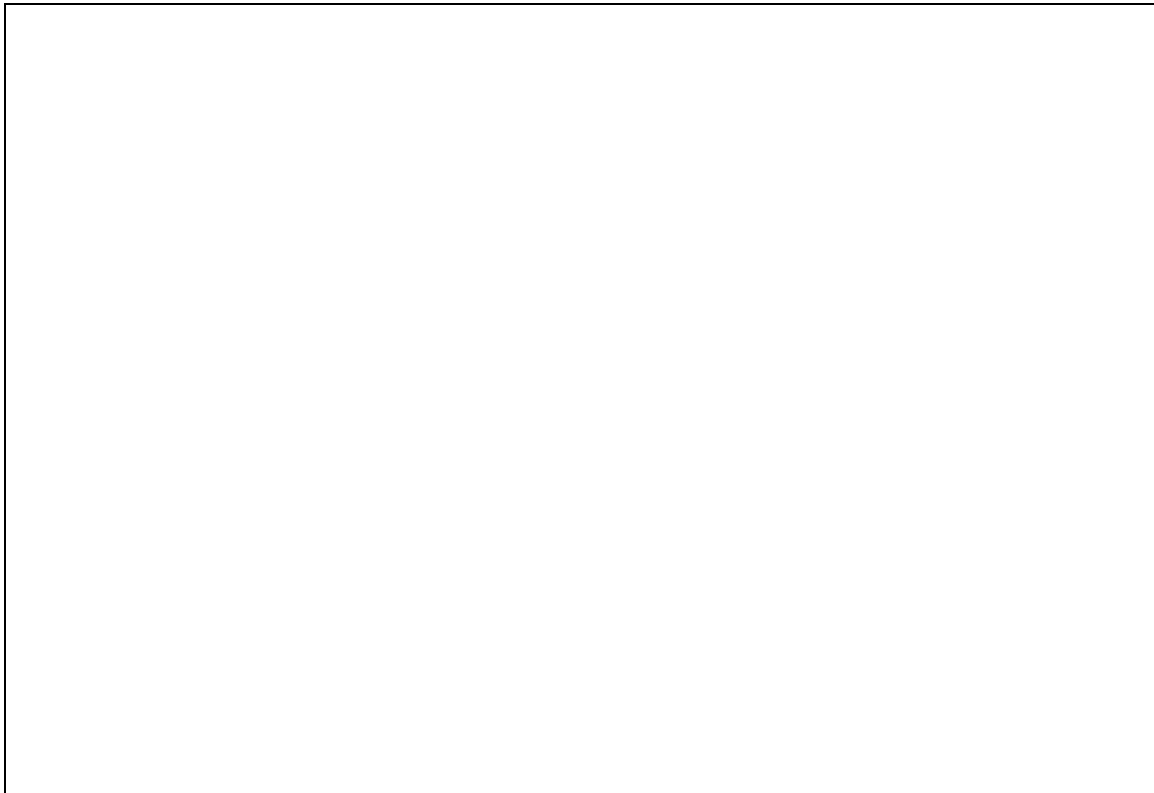


Reasons for purchase of Original Spares

Reasons	No. of Responses	Percentage (%)
Genuine spares (reliable and durable)	20	50.0
To avail discounts	5	12.5
Other reasons(Nearness to Show Room etc)	15	37.5
Total	40	100.0

Observation

Reliability and durability of the spare parts i.e. genuine quality of the spares is the main driver behind the majority (50%) of the respondents’ decision to buy original spare parts for their motor cycles. This factor is followed by others reasons like nearness to Show Room etc. The discounts offered by the Passport Program came only last with mere 12.5% respondents deciding to buy original spares to avail the discounts.

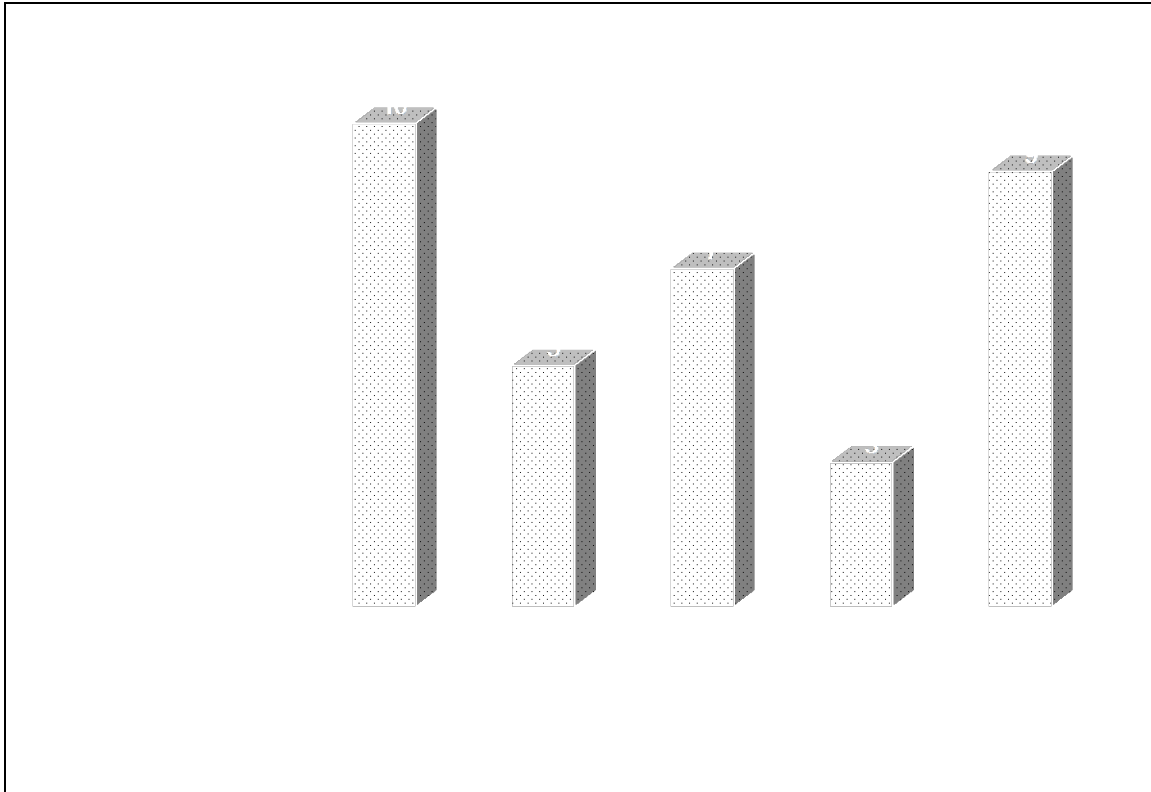


Q7 If you require servicing for your motor cycle, you go to

Response Category	No. of Responses	Percentage (%)
Only Hero Honda authorized service station	54	90.0
Any other service station	6	10.0
Total Responses	60	100.0

Observation

It is quite obvious from the above data that 90% of the respondents choose only the Company's Authorized Service station for servicing their motor cycles. The reasons for choosing the company's authorized service station are discussed in the analysis of the next question.

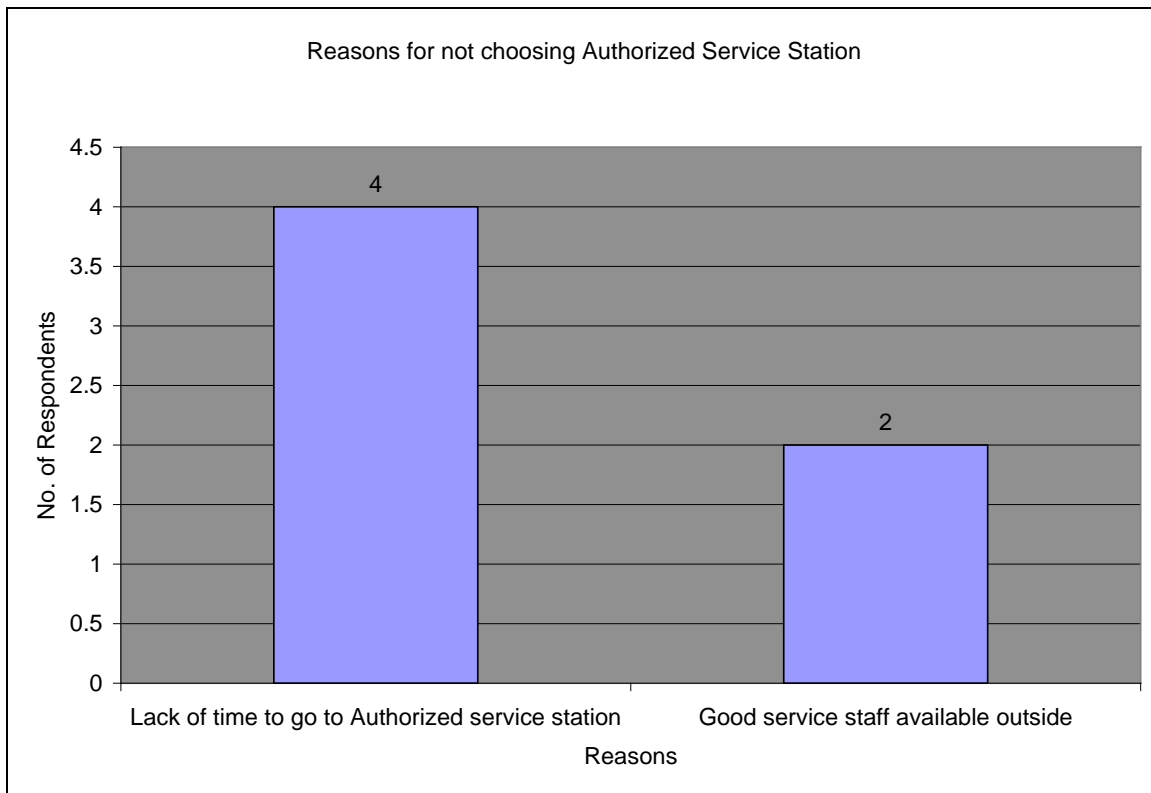


7 a) Reasons for Choosing Authorized Service Station

Reasons	No. of Responses	Percentage (%)
Free service	10	29.4
Good service	5	14.7
Nearness of service station	7	20.6
Skilled service staff	3	8.8
Faith in Co. authorized service	9	26.5
Total Responses	34	100.0

Observation

The company has the policy of offering free service during the initial five months after the purchase of the motor cycle. Free service offered by the company happens to be the dominating factor for majority of the respondents' decision to choose company authorized service center, but this factor is closely followed by the faith in Company's authorized service centre.

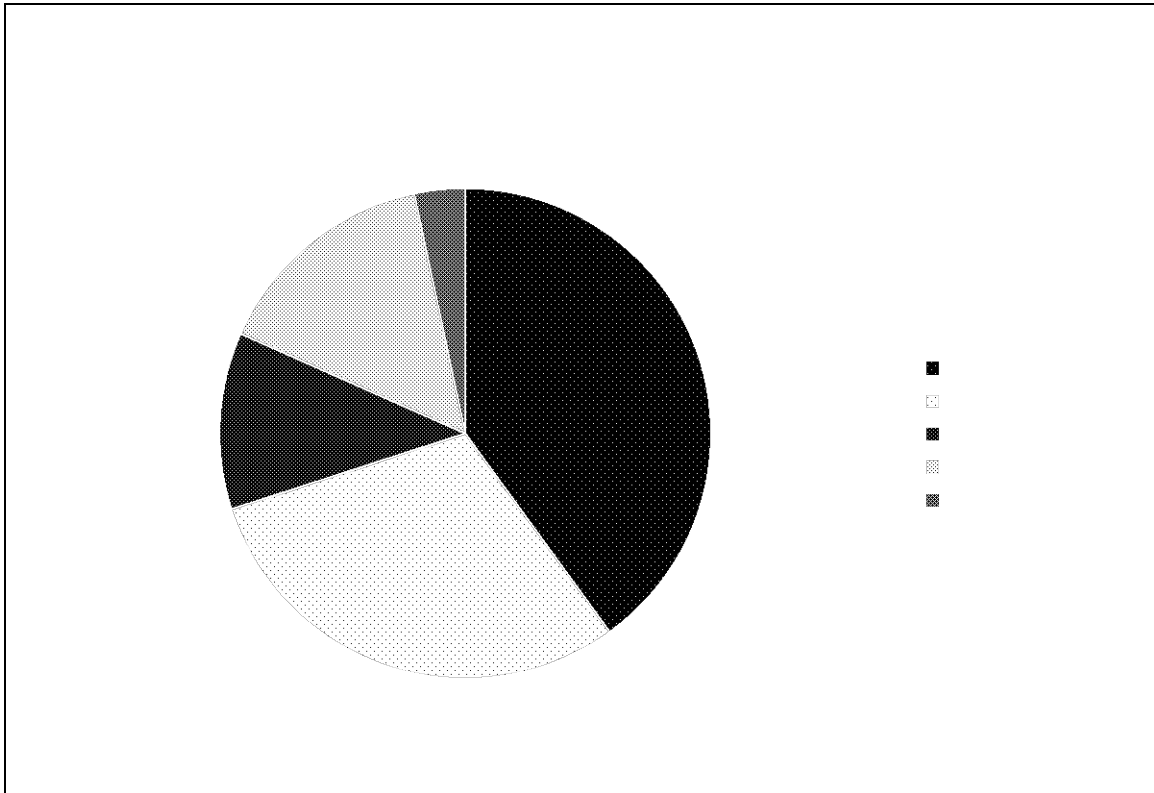


7 b) Reasons for not choosing authorized service station

Response Category	No. of Responses	Percentage (%)
Lack of time to go to Authorized service station	4	66.7
Good service staff available outside	2	33.3
Total Responses	6	100.0

Observation

Out of the respondents who choose not going to authorized service station, out of a total of 6 reasons, the main reason appears the lack of time to go to the authorized station, followed by the perception that good service staff are available in other service stations also. These responses indicate that geographic distribution of service centers is important in terms of providing accessibility to the customers, and the importance of quality of the skills offered by the service personnel.

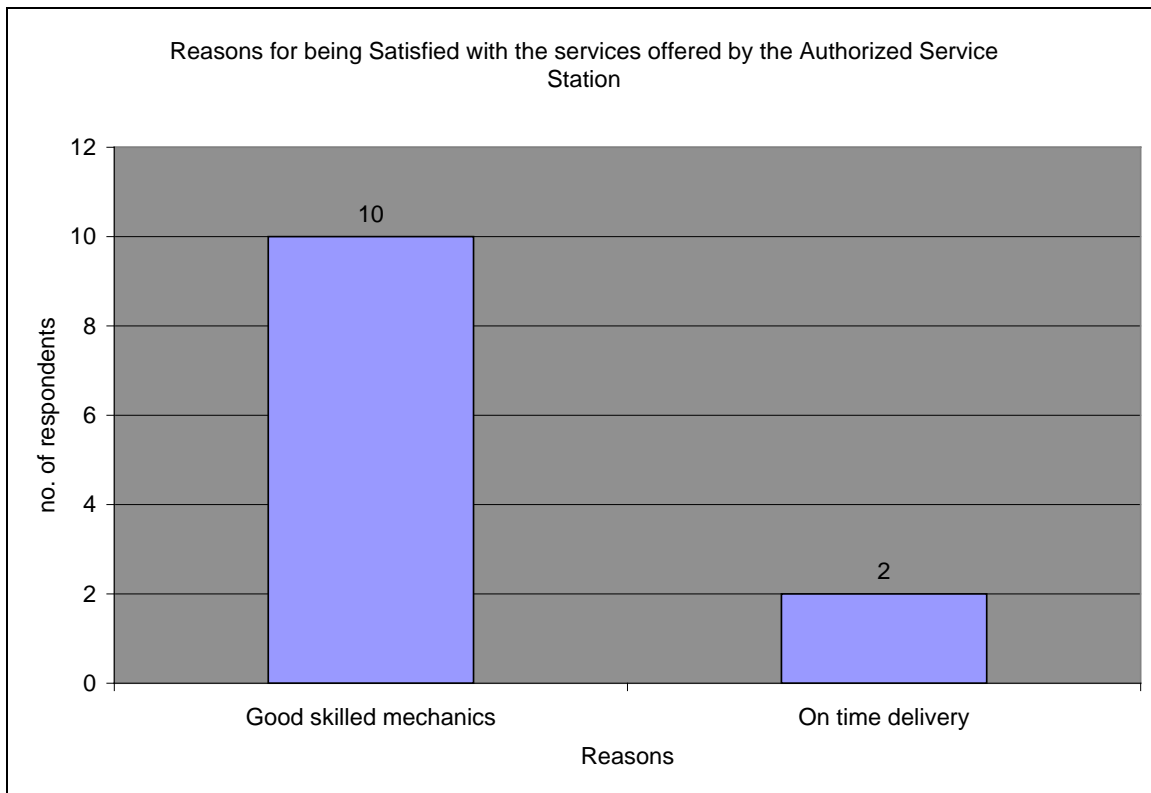


Q8. Are you satisfied by the service offered by the Company Authorized Service Centre?

Response Category	No. of Responses	Percentage (%)
Highly Satisfied	24	40.0
Satisfied	18	30.0
Cannot Say	7	11.7
Dissatisfied	9	15.0
Highly Dissatisfied	2	3.3
Total Responses	60	100.0

Observation

Forty percent of the respondents felt that they are highly satisfied with company authorized service centre, followed by 30% who felt that they are satisfied, while around 12% could not decide, another 15% felt dissatisfied and around 3% felt highly dissatisfied. The reasons for satisfaction and dissatisfaction are discussed in the analysis of next question.

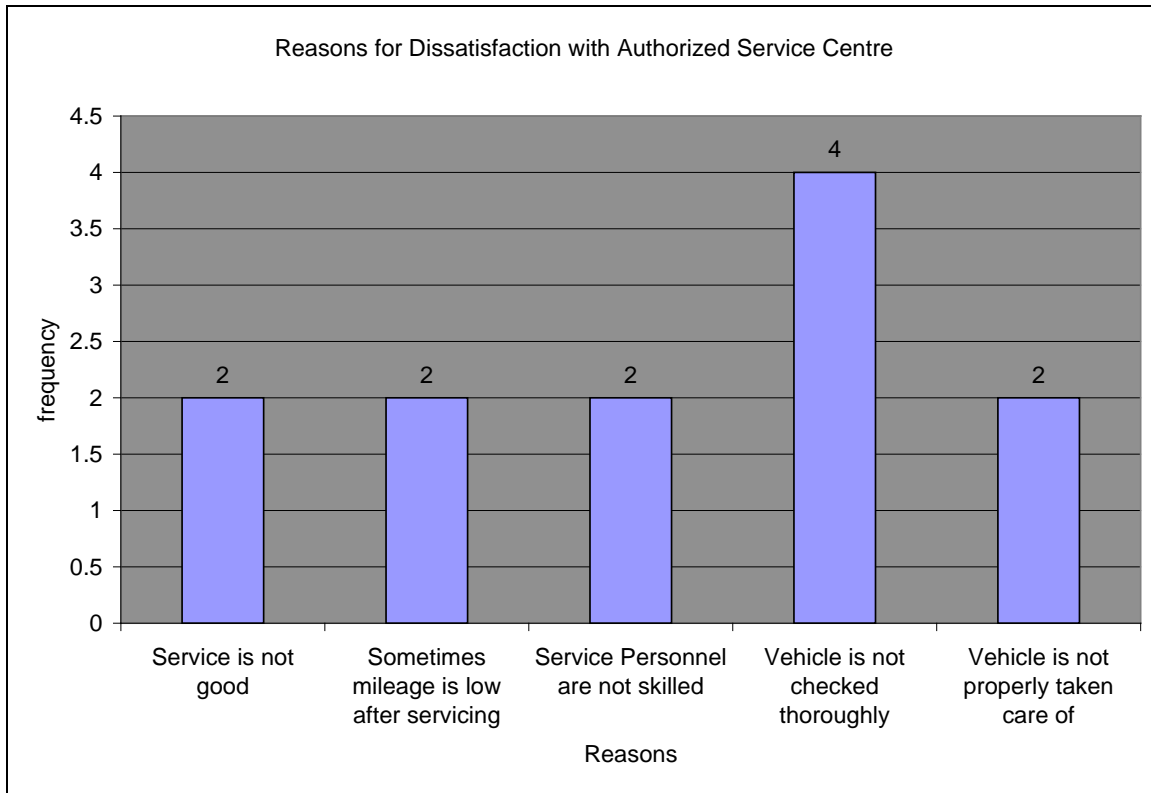


Reasons for Satisfaction

Reasons for Satisfaction	No. of Responses	Percentage (%)
Good skilled mechanics	10	83.3
On time delivery	2	16.7
Total Responses	12	100.0

Observation

The main reason for satisfaction is the service offered by the skilled mechanics of the company authorized service centers, followed by on time delivery of the motor cycle. This observation indicates that the perceptions of customers about the skills of the mechanics (service personnel) are quite important in determining the satisfaction of the customers.

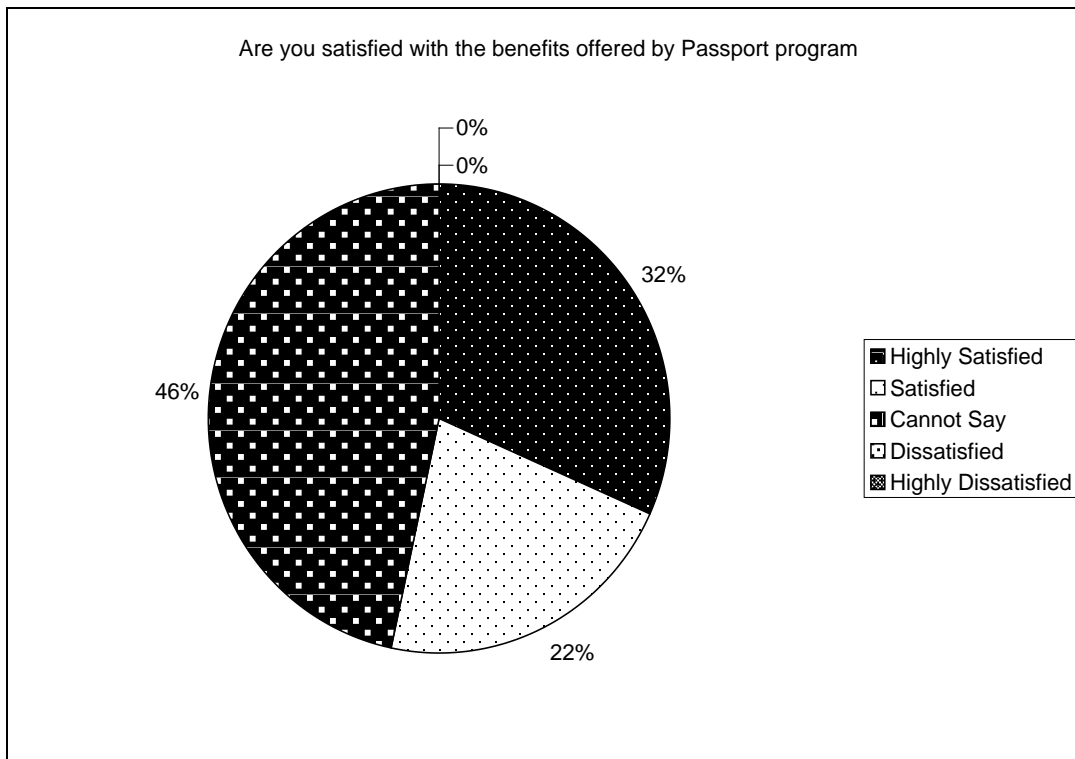


Reasons for Dissatisfaction

Response Category	No. of Responses	Percentage (%)
Service is not good	2	16.7
Sometimes mileage is low after servicing	2	16.7
Service Personnel are not skilled	2	16.7
Vehicle is not checked thoroughly	4	33.3
Vehicle is not properly taken care of	2	16.7
Total Responses	12	100.0

Observation

The main reason for dissatisfaction is attributed to the factor that the motor cycle is not thoroughly checked for the problems at the company owned show room, the responses that state, “Vehicle is not checked thoroughly”, and “Vehicle is not properly taken care of” indicate that customers are not satisfied as the very basic purpose of servicing a vehicle is not achieved. These reasons are followed by equal distribution between the factors like service not being good, lack of skilled service personnel etc.

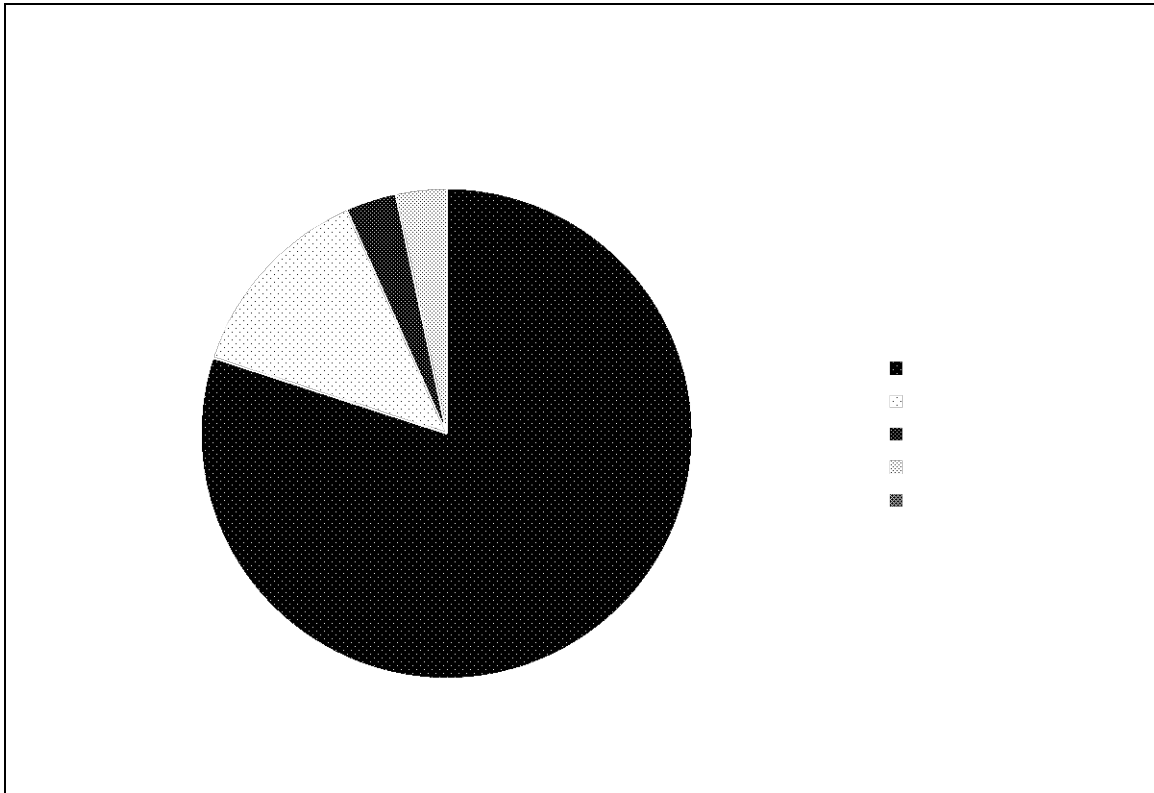


Q9. As a Hero Honda Passport member, are you satisfied with the benefits offered by the program?

Response Category	No. of Responses	Percentage (%)
Highly Satisfied	19	31.7
Satisfied	13	21.7
Cannot Say	28	46.7
Dissatisfied	0	0.0
Highly Dissatisfied	0	0.0
Total Responses	60	100.0

Observation

Majority of the respondents (46%) could not decide whether they are satisfied with the Passport Program or not, followed by 32% of the respondents who felt that they are highly satisfied with the program, and another 22% feeling that they are satisfied with the Passport program. The probable reason for most of the respondents (46.7%) being unable to determine whether they are satisfied or dissatisfied with Passport program could be the fact that most of the respondents have only accrued lower number of points (as they are new customers), and they have not yet fully realized the upper end benefits of the program.

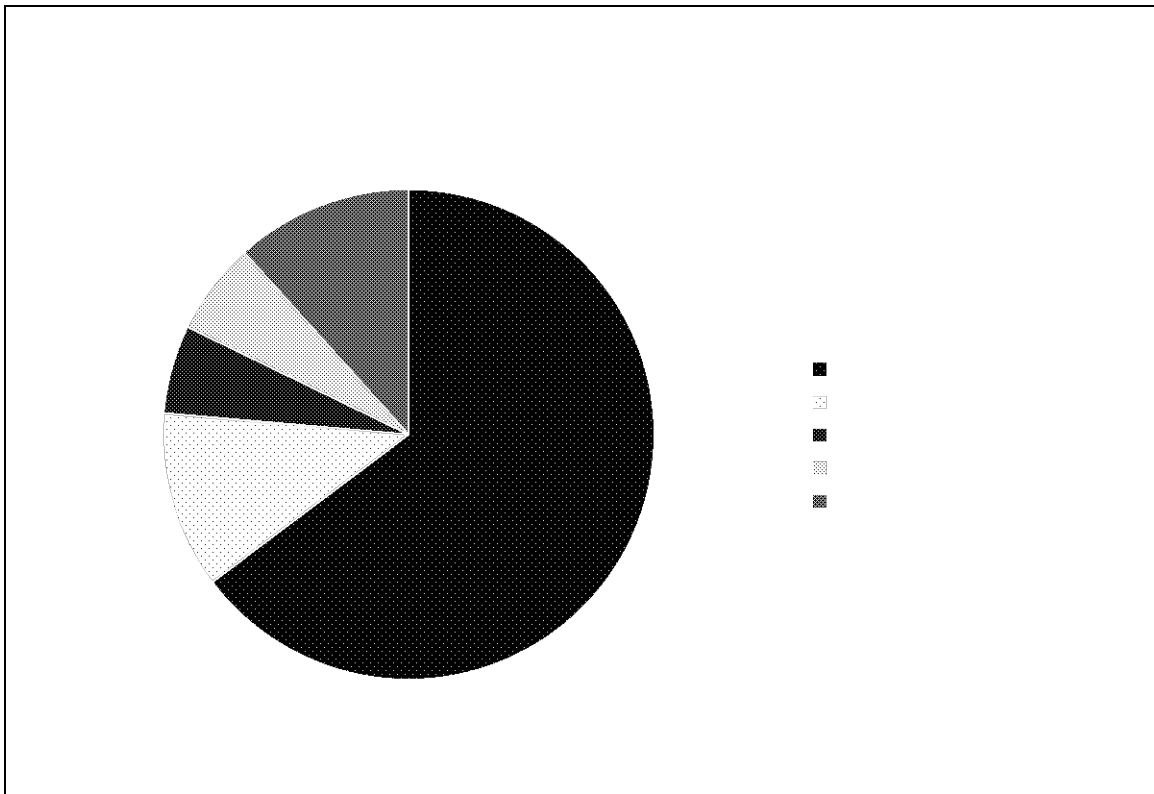


Q10. Would you suggest Hero Honda motorcycle to your friends/ relatives?

Response Category	No. of Responses	Percentage (%)
Definitely Suggest	48	80.0
May suggest	8	13.3
Can't Say	2	3.3
May not Suggest	2	3.3
Definitely not Suggest	0	0.0
Total Responses	60	100.0

Observation

It is obvious from the examination of the above data that a very large proportion (80%) of the respondents would definitely suggest Hero Honda Motor Cycle to their friends and relatives, followed by 13% who said that they may suggest the bike, another 3% could not decide and another 3% said that they may not suggest the bike to their friends/ relatives. The reasons for the decisions are discussed in the next question.



Reasons for suggesting Hero Honda to friends/ relatives

Response Category	No. of Responses	Percentage (%)
Good Mileage	22	64.7
Style	4	11.8
Trouble free performance	2	5.9
Wide variety of models	2	5.9
Good in all aspects	4	11.8
Total Responses	34	100.0

Observation

Good Mileage (fuel efficiency) happens to be the prime reason behind a majority (65%) of the respondents' decision to suggest Hero Honda bike to friends& relatives, followed by style and other factors. As already discussed the brand of Hero Honda came into prominence as a fuel efficient motorcycle, and it continues to occupy the same image in the perception of the customers.

Q10. What are your suggestions for the improvement of Hero Honda Passport program?

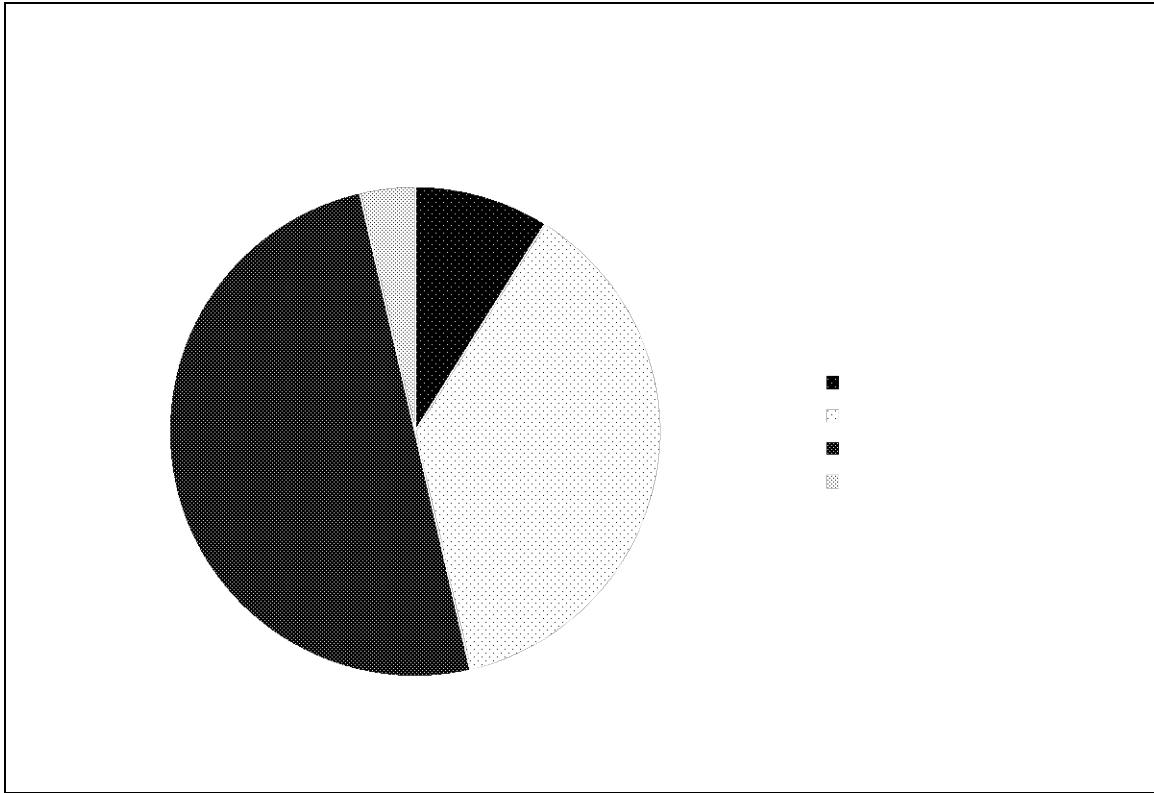
Suggestion	No. of Responses	Percentage (%)
Online database of Passport Holders' details should be maintained with dealers and Service providers	3	12.0
Benefits of passport program should be communicated properly	2	8.0
Gifts should be promptly delivered	3	12.0
More number of shows/ concerts should be organized	3	12.0
Vehicle maintenance tips should be given to users	2	8.0
Quality of gifts should be increased	2	8.0
Gap between reward points should be reduced	4	16.0
Insurance should be extended for life time	2	8.0
New gifts should be introduced	2	8.0
Disco parties and fashion shows to be conducted	2	8.0
Total	25	100.0

Observation

A total of ten main suggestions were given by the respondents for the improvement of the Passport program. The main suggestions include reduction of the gap between the points for allotment of gifts, the need for an online database of Passport holders' details at

Dealers and service points; prompt delivery of gifts etc. These suggestions relate to the expectations of customers related to the Passport program.

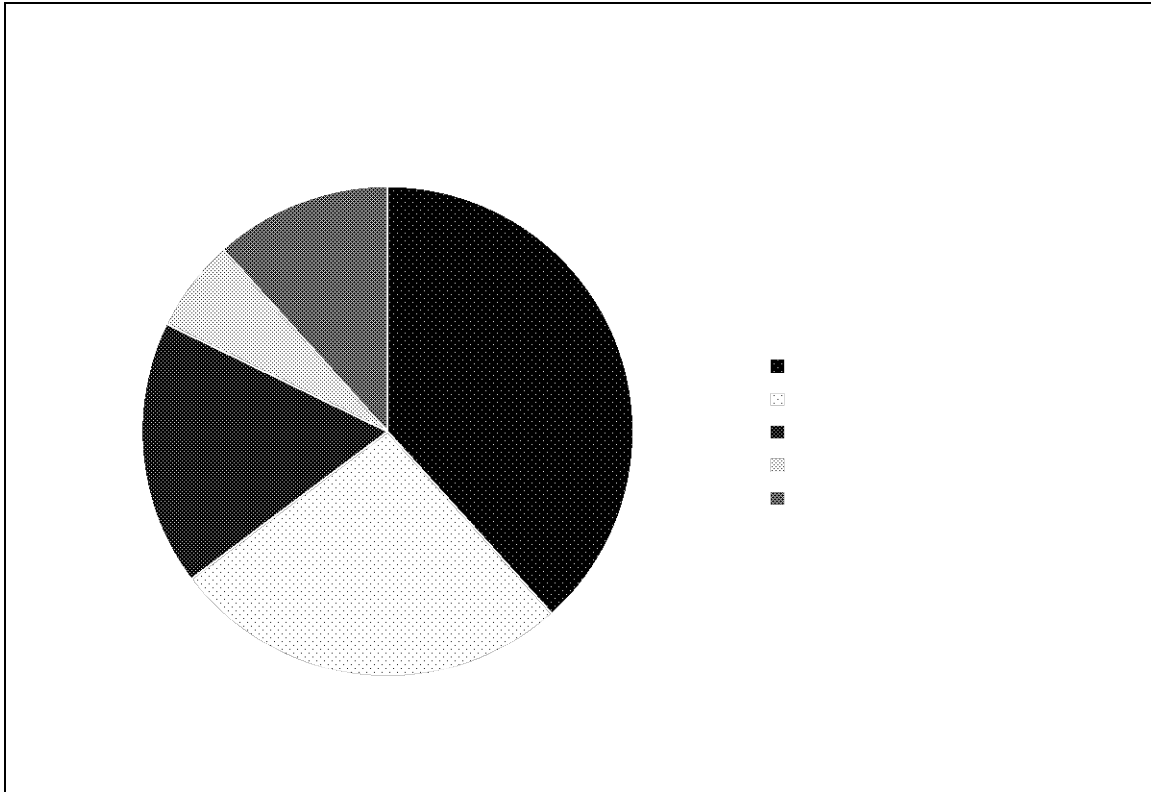
Analysis of Non- Passport Holders (Customers of Hero Honda who are not the members of Passport program) Survey



Age Category	No. of Responses	Percentage (%)
Above18 and up to 25 Years	5	9
Above 25 up to 30	21	38
Above 30 up to 50	28	50
Above 50	2	4
Total Responses	56	100

Observation

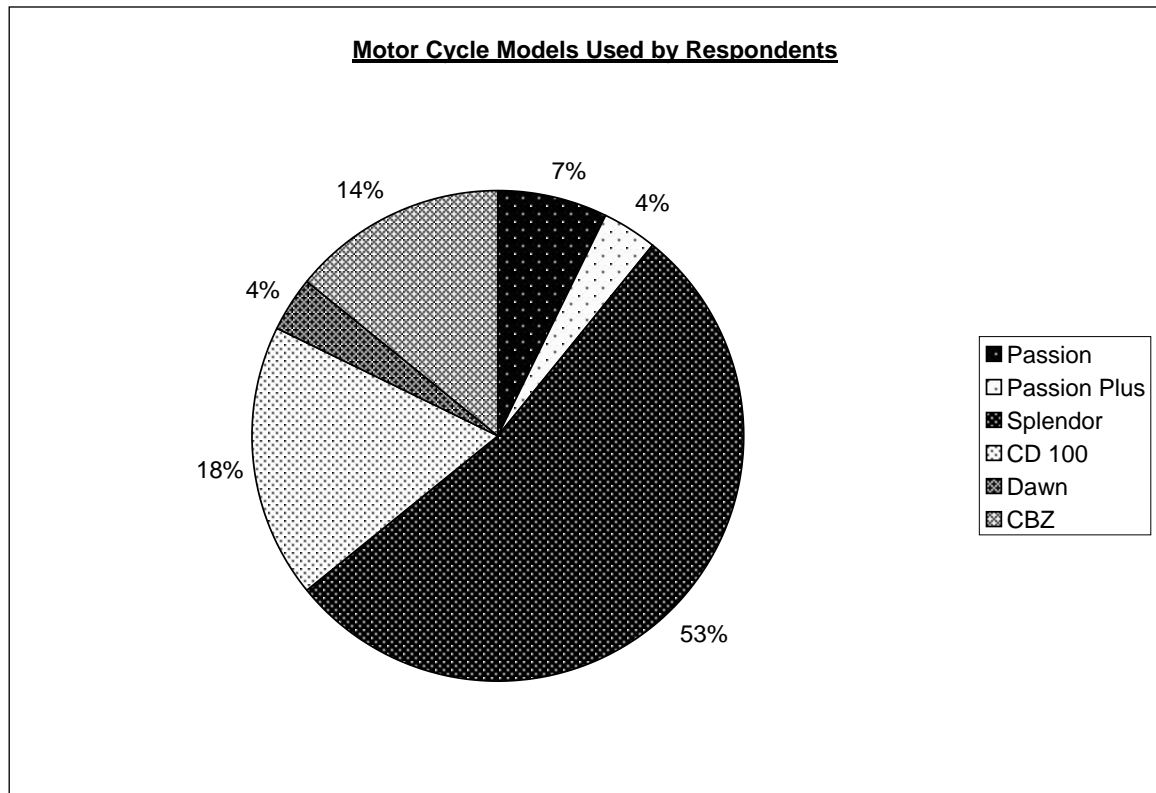
Fifty percent of the respondents belong to the age group between thirty years and fifty years, followed by thirty eight of respondents belonging to the age group between twenty five years to thirty years. It can be observed that most of the respondents (eighty eight percent) belong to the age group twenty five years to fifty years.



Monthly Income	No. of Responses	Percentage (%)
Up to Rs.5000	13	38
Above Rs.5000 up to Rs.10,000	9	26
Above Rs.10,000 up to Rs.15,000	6	18
Above Rs.15,000 up to Rs.20,000	2	6
Above Rs.20,000	4	12
Total Responses	34	100

Observation

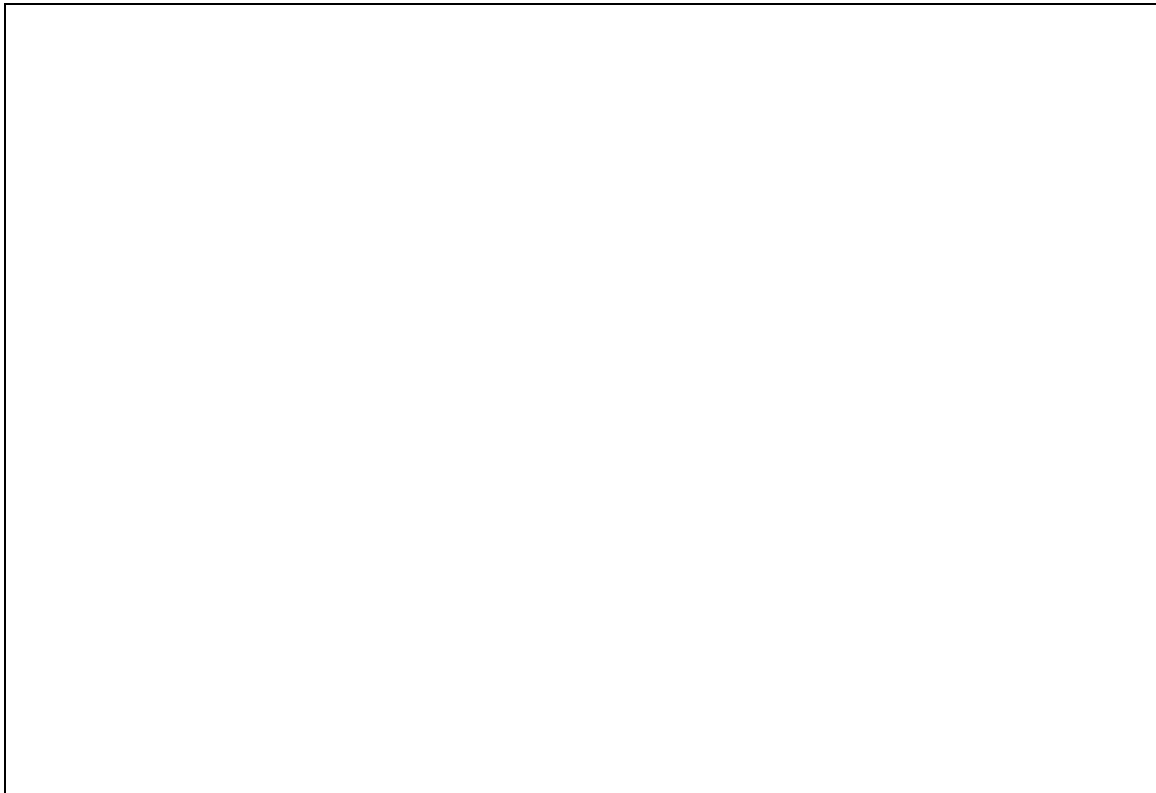
Thirty eight percent of the respondents belong to the income category of up to Rs.5000/- per month, followed by 26% of the respondents in the category of above Rs.5000/-and below Rs.10,000/- per month,, 18% falling in the category of above Rs.10,000/- and up to Rs.15,000/- per month, 12% in the category of above Rs.20,000/- per month and 6% in the category of above Rs.15,000/- and below Rs.20,000/- income per month. It can be observed that the majority of respondents (64%) belong to the income categories between Rs. 5,000/- to Rs. 15, 000/-



Motor cycle Model	No. of Responses	Percentage (%)
Passion	4	7
Passion Plus	2	4
Splendor	30	54
CD 100	10	18
Dawn	2	4
CBZ	8	14
Total Responses	56	100

Observation

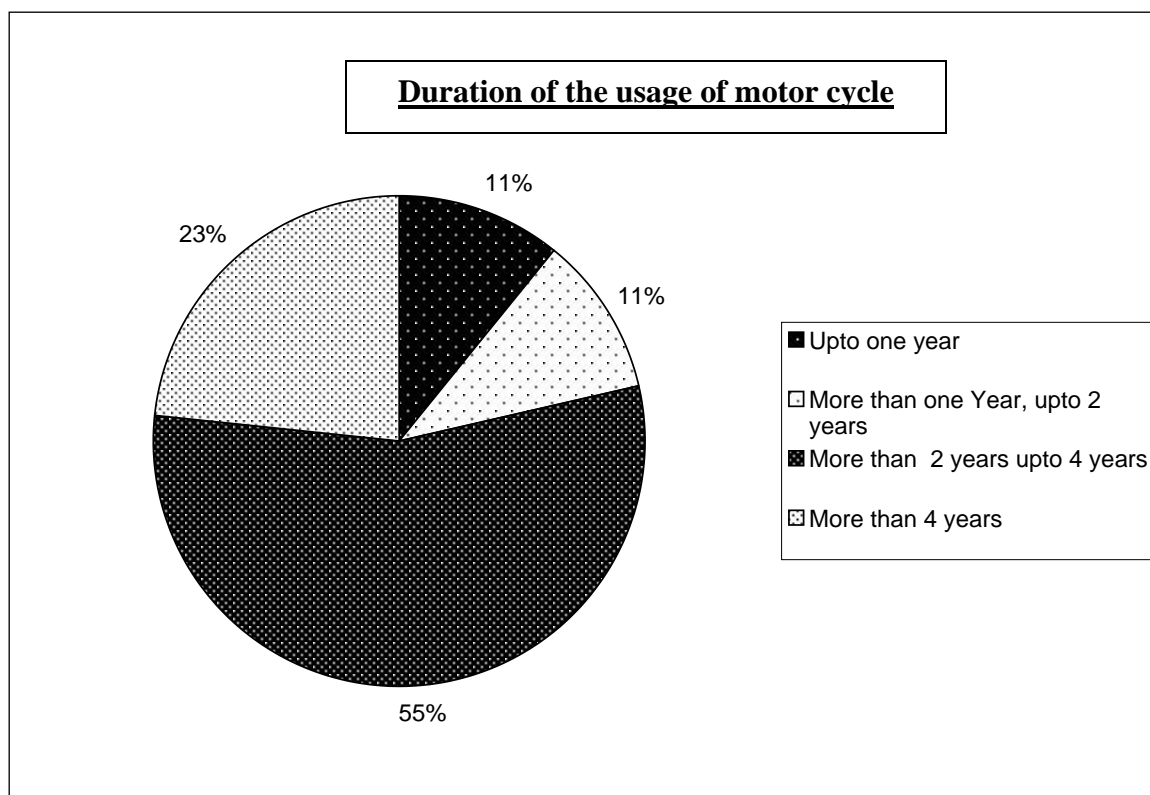
The leading motor cycle model is obviously Splendor with 54% of the respondents using it, followed by CD 100, CBZ with 18% and 14% of the respondents using them. Next are the models Passion (7%), Passion Plus (4%), and Dawn (4%). As discussed earlier, in this context it is notable that as per Hero Honda's sales figures, Splendor is the largest selling motor cycle in the world (discussed in the introduction to the company).



Type of Motor Cycle	No. of Responses	Percentage (%)
New Motor Cycles	53	95
Second hand Motor cycles	3	5
Total Responses	56	100

Observation

Respondents very definitely are in favour of using new Hero Honda Motor Cycles, with 95% of them using new motor cycles, compared to 5% of the respondents using second hand motor cycles. It is notable in this context that the demand drivers for two- wheelers included factors like increased availability of cheap consumer financing and a growing need for personal transportation.

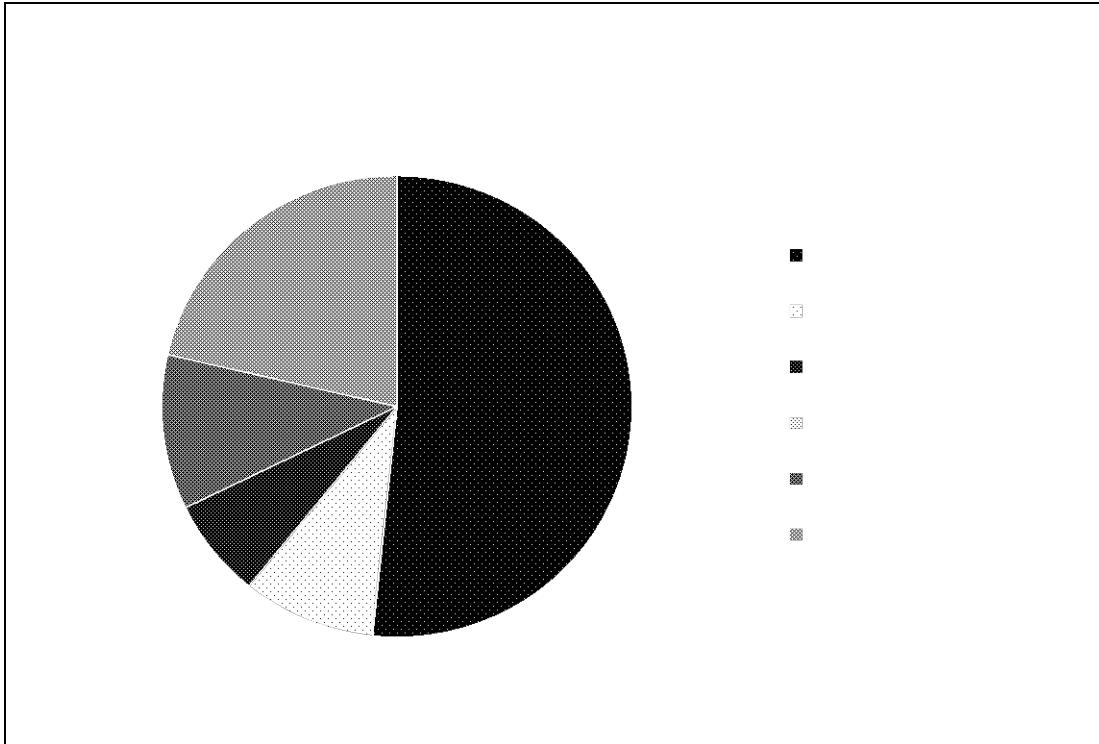


Q1. How long have you been using Hero Honda Motor cycle?

Duration of Usage	No. of Responses	Percentage (%)
Up to one year	6	11
More than one Year, up to 2 years	6	11
More than 2 years up to 4 years	31	55
More than 4 years	13	23
Total Responses	56	100

Observation

Majority of the respondents (55%) have been using Hero Honda Motor cycles for more than two years and up to four years, followed by 23% of the respondents using the bike for more than 4 years. A total of 22% of the respondents have been using the bike for less than 2 years. Compared to Passport holders, where majority of the respondents (60%) belonged to the category of less than two years of usage, in the case of non Passport holders, majority (55%) belong to the usage category of more than two years.

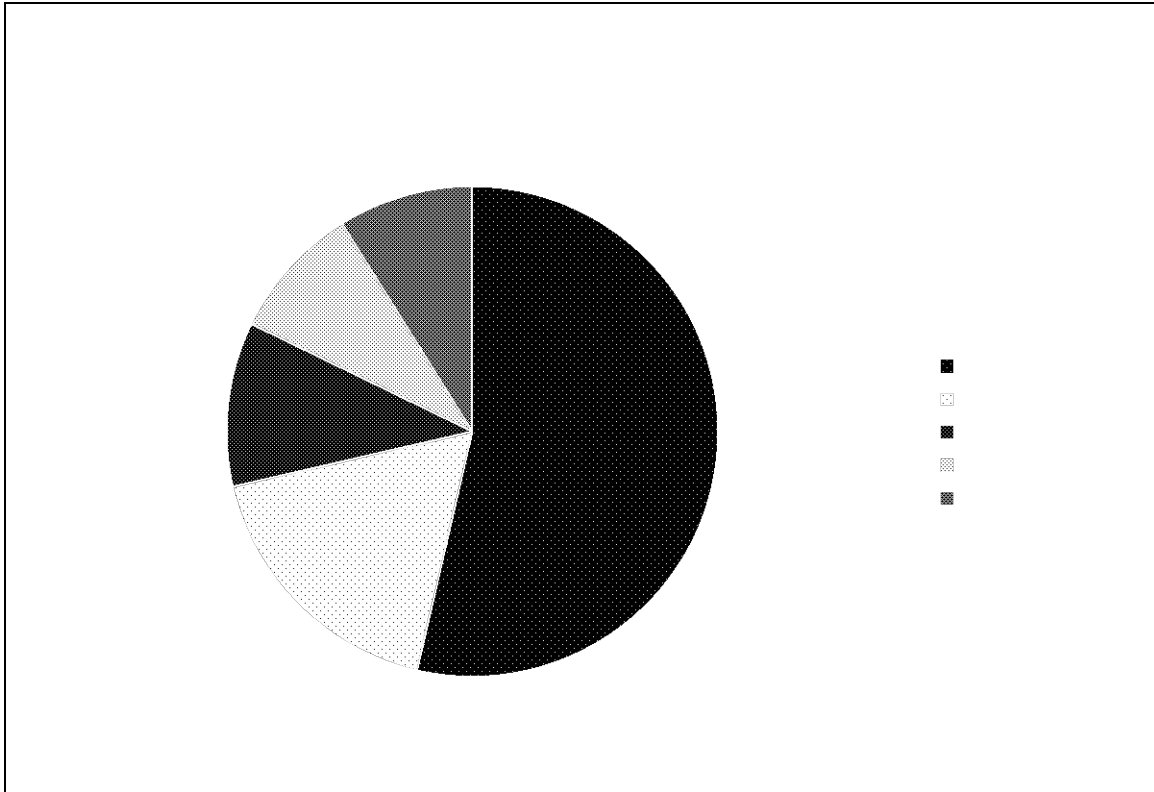


Q2. What is your main purpose of using the Hero Honda Motor cycle?

Main Purpose	No. of Responses	Percentage (%)
Commuting to work	29	52
Going to School/ College	5	9
Going out with wife/ family	4	7
Carrying goods for business purpose	0	0
Traveling on field work	6	11
Other purposes	12	21
Total Responses	56	100

Observation

In majority of the cases, the motor cycle is used for commuting to work (fifty two percent), another eleven percent use the motor cycle on field work, nine percent of the respondents for going to school and college, 7% for going out with wife/ family, and another 21% for other purposes. If the response categories of ‘commuting to work’ and ‘traveling on field work’ are combined, the total aggregate percentage comes to sixty three percent. It suggests that Hero Honda motor cycle is mostly used for traveling on work purposes.

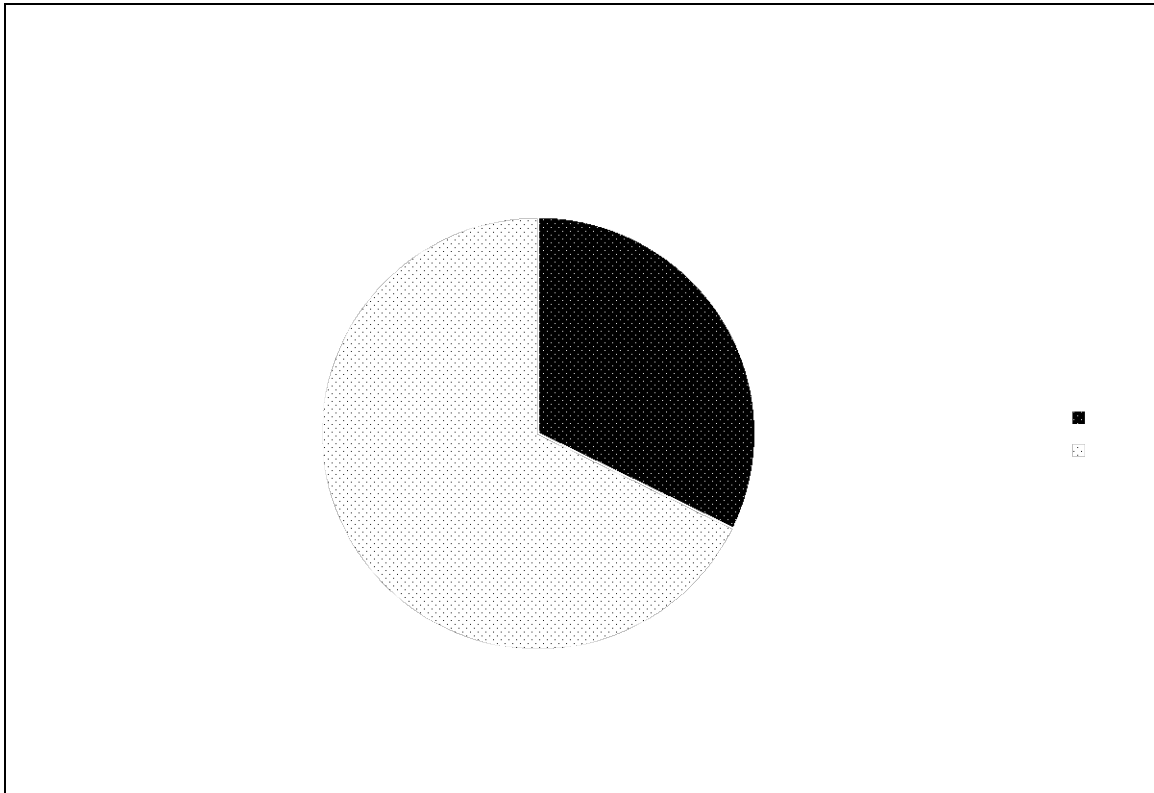


Q3. What do you like most about Hero Honda motor cycle?

Features Most liked	No. of Responses	Percentage (%)
Mileage	30	53
Stylish Design	10	18
Durability	6	11
Trouble free use	5	9
Other features	5	9
Total Responses	56	100

Observation

Mileage is obviously the feature most liked by Hero Honda users (53%), followed by stylish design (18%), durability of the bike is the next parameter with 11% giving preference to it, and then comes trouble free use, with 9% giving preference to it. In this context it may be observed that Hero Honda is the first company in India to introduce a four stroke fuel efficient engine. The company had initially positioned the motor cycle as a fuel efficient vehicle that could give a mileage of eighty kilometers per liter.

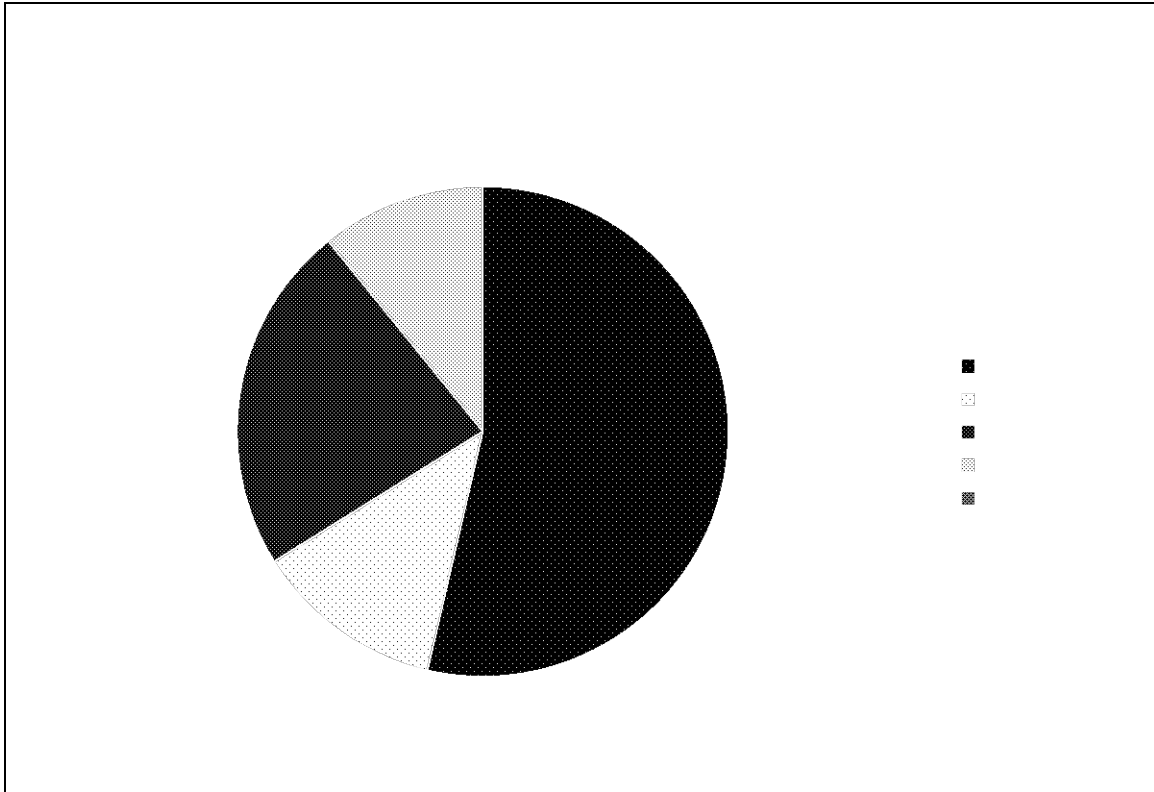


Q4. Are you aware of Hero Honda Passport Program?

Response Category	No. of Responses	Percentage (%)
YES	18	32
NO	38	68
Total Responses	56	100

Observation

All of the fifty six respondents do not possess the Hero Honda Passport, but it is revealed from the survey that sixty eight percent of the respondents are not aware of the Passport Program, only thirty two percent of the respondents are aware of the program, but still did not prefer to join the program. In this context it is important to notice the fact that communication about the programs launched by the company is a critical factor in increasing the levels of awareness among the customers.

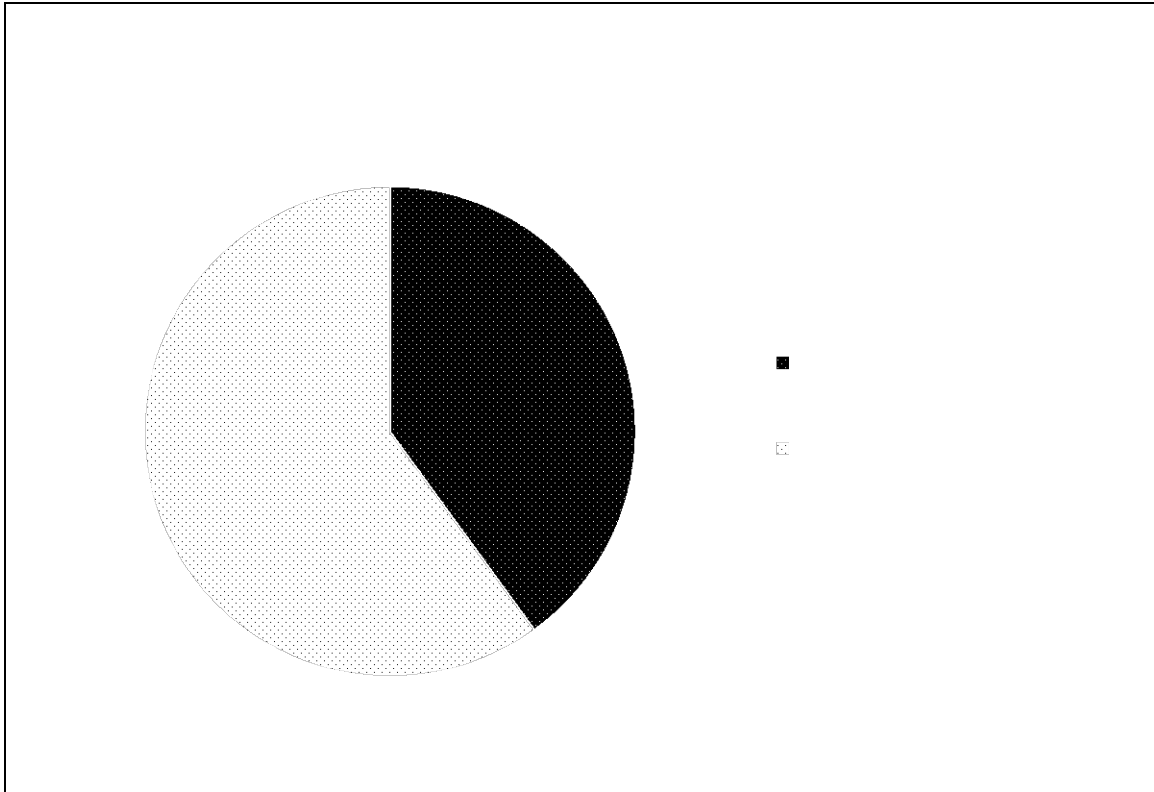


Q6. Do you purchase Hero Honda original spare parts for your motorcycle?

Response Category	No. of Responses	Percentage (%)
Always	30	54
Frequently	7	13
Sometimes	13	23
Rarely	6	11
Never	0	0
Total Responses	56	100

Observation

Fifty four percent of the respondents always bought Hero Honda original spares, followed by 23% of the respondents who purchased original spares sometimes only, followed by 13%, who purchased frequently, and 11% who purchased rarely. It is notable that these responses when compared to the responses of Passport holders, in the latter case, all the respondents (100%) replied that they always purchase original spare parts.



Reasons for purchase	No. of Responses	Percentage (%)
Genuine spares (reliable and durable)	4	40
Other reasons(Nearness, depending on the spares S/R purchase etc)	6	60
Total Responses	10	100

Observation

Majority of the respondents stated reasons like nearness of the Hero Honda spares outlet, nature of the spare part being purchased etc., as reasons for purchase of original spares, but out of the ten respondents, four of them i.e. 40% of the respondents stated that genuineness of the spares, that assured them reliability and durability was the reason for purchasing original spares.



Q7 If you require servicing for your motor cycle, you go to

Type of Service Station	No. of Responses	Percentage (%)
Only Hero Honda authorized service station	20	36
Any other service station	36	64
Total Responses	56	100

Observation

A majority of the respondents (64%) had opted to go to any service station (other than Hero Honda authorized service station), while only 36% of the respondents had replied that they would choose only Hero Honda authorized service station. It is notable in this context that ninety percent (fifty four out of sixty) of Passport holders replied that they approach only Hero Honda authorized service station for getting the vehicle services.



Q8.Reasons for choosing authorized service station

Reasons	No. of Responses	Percentage (%)
Vehicle under free service	2	25
Skilled service staff	4	50
Faith in Co. trained personnel	2	25
Total Responses	8	100

Observation

The respondents, when asked about the reasons for choosing Hero Honda authorized service station, 50% of them have stated that skilled service staff available at the service centre is the reason, while 25% stated that faith in company trained personnel is the reason, interestingly, 25% respondents stated that they choose the company authorized service station as the vehicle was under free service.

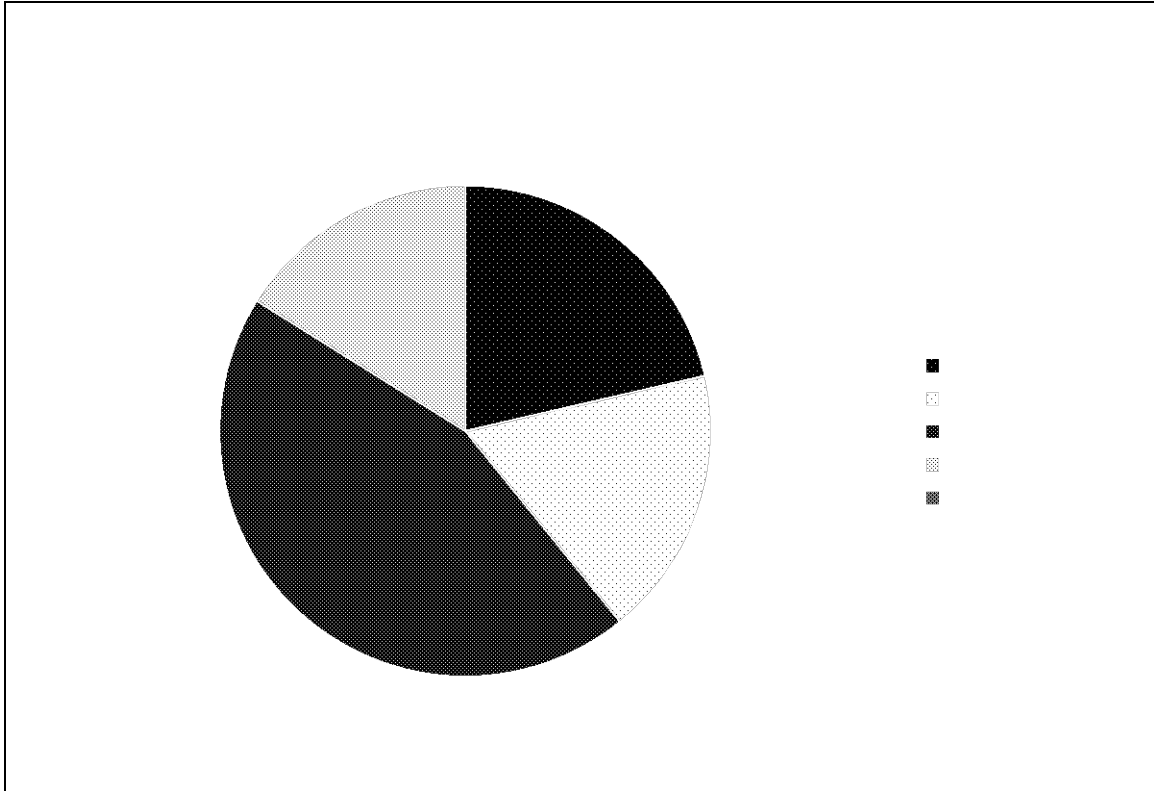


Reasons for not choosing authorized service station

Reasons	No. of Responses	Percentage (%)
Lack of time to go to Authorized service station	4	22
Good service staff available outside	3	17
Give at friend's shop	1	6
Give at any service outlet nearby to the house	10	56
Total Responses	18	100

Observation

Fifty six percent of the respondents stated that they opted for a service station, nearby to their house, 22% felt that they did not have sufficient time to go to service station, 17% felt that good service personnel are available even at the service stations, other than the company authorized one, and six percent opted to give the motor cycle at their friend's service centre. These responses indicate that geographic distribution of service centers is important in terms of providing accessibility to the customers, and the importance of quality of the skills offered by the service personnel.



Q8. Are you satisfied by the service offered by the Company service Centre?

Response Category	No. of Responses	Percentage (%)
Highly Satisfied	12	21
Satisfied	10	18
Cannot Say	25	45
Dissatisfied	9	16
Highly Dissatisfied	0	0
Total Responses	56	100

Observation

Forty five percent of the respondents could not decide whether they were satisfied or dissatisfied with the service offered by the Company service centre. Twenty one percent were highly satisfied, 18% were satisfied, while 16% were dissatisfied. The reasons for satisfaction and dissatisfaction are discussed in the analysis of next question.

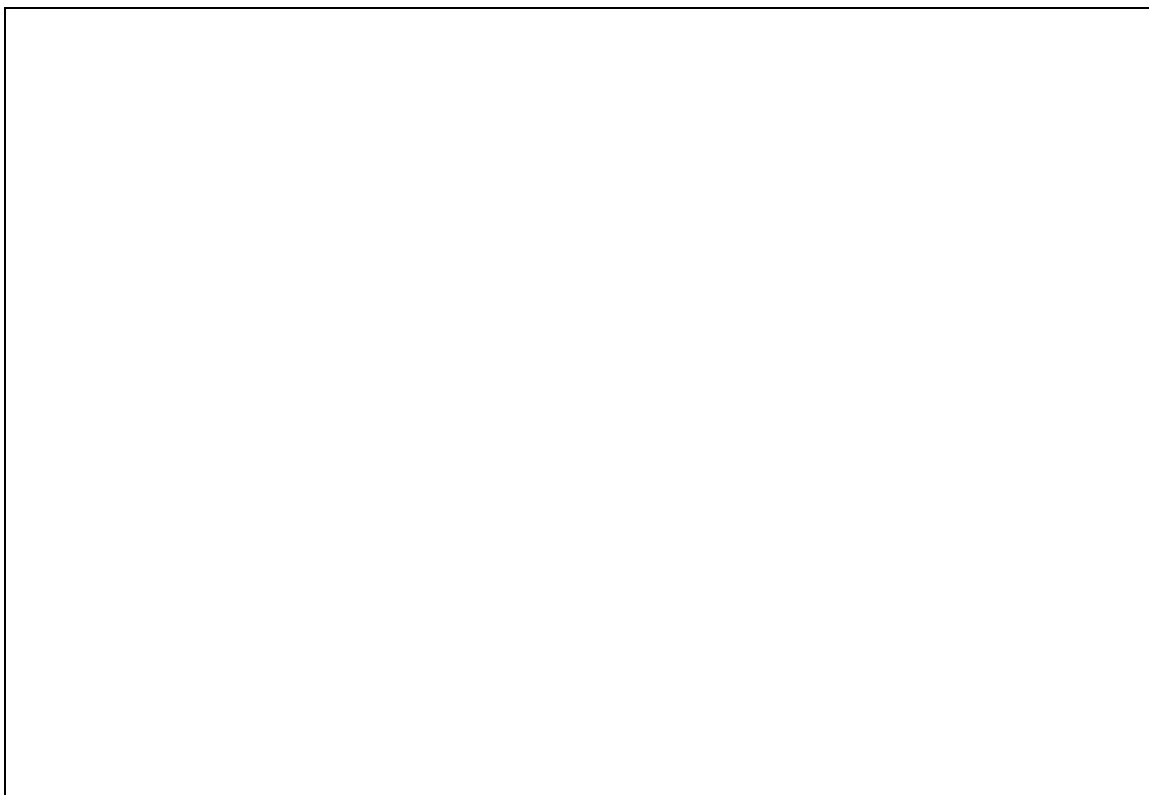


8a. Reasons for Satisfaction

Reasons	No. of Responses	Percentage (%)
Timely delivery	2	50
Good service	2	50
Total Responses	4	100

Observation

Fifty percent of the respondents mentioned timely delivery of the motor cycle (after servicing) as their reason for satisfaction, while another 50% mentioned good service given by the service centre as the reason for satisfaction. As observed in the analysis earlier, most of the respondents use motor cycles for their work purposes, and it becomes very important for them that the vehicle is delivered on time with proper servicing.

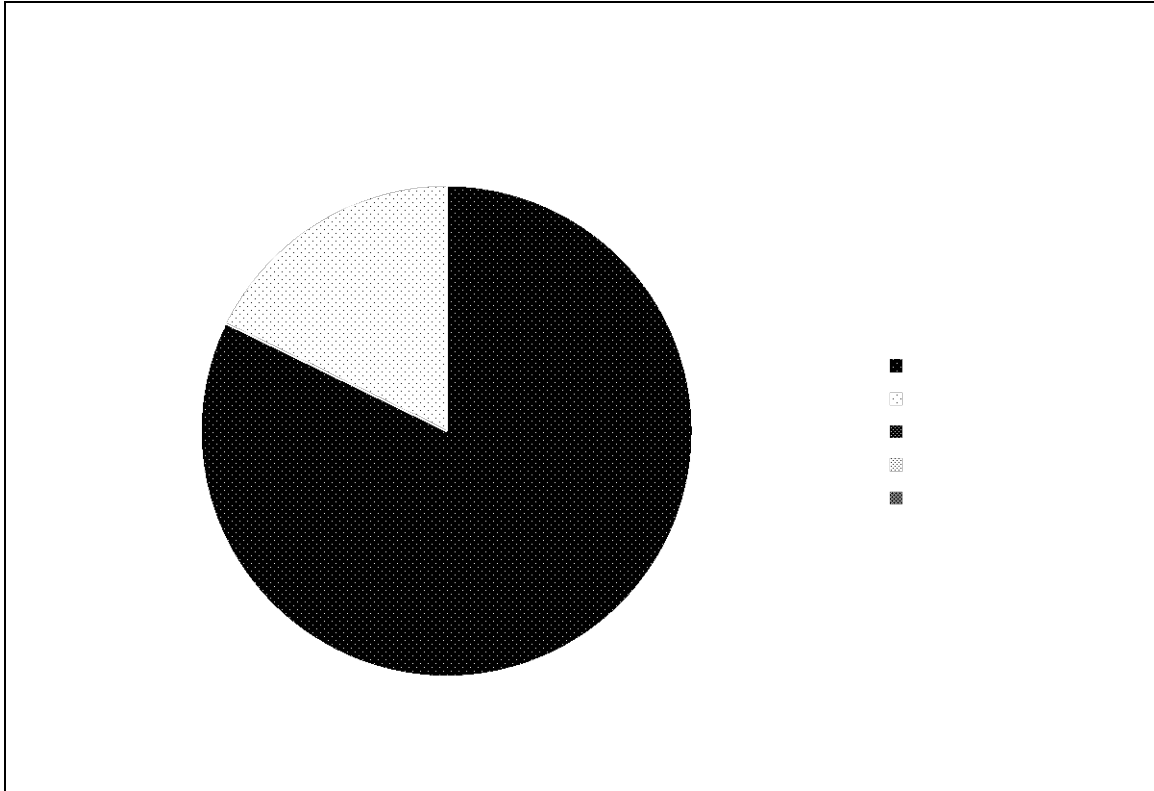


Reasons for Dissatisfaction

Reasons	No. of Responses	Percentage (%)
Time Consuming	4	29
Costly	2	14
Staff not skilled	2	14
No proper care during free service period	6	43
Total Responses	14	100

Observation

Forty three percent of the respondents mentioned lack of care during free service period as the reason for dissatisfaction, while 29% of the respondents mentioned too much time consumption as the reason, 14% stated that the cost of service was high; another 14% stated that the staff were not skilled enough. It is notable that the factor of ‘time’ and the quality of ‘proper service’ become important parameters in determining the satisfaction of service in this context.

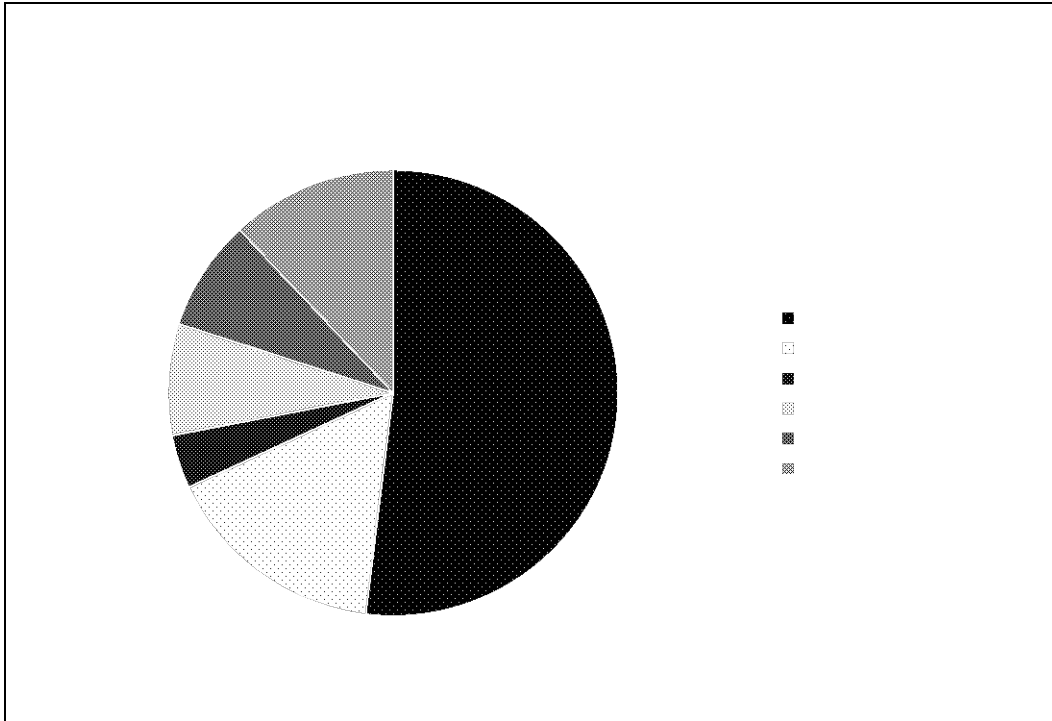


Q10. Would you suggest Hero Honda motorcycle to your friends/ relatives?

Response Category	No. of Responses	Percentage (%)
Definitely Suggest	46	82
May suggest	10	18
Can't Say	0	0
May not Suggest	0	0
Definitely not Suggest	0	0
Total Responses	56	100

Observation

An overwhelming eighty two of the respondents replied that they would definitely suggest Hero Honda motor cycle to their friends/ relatives, while eighteen percent of the respondents replied that they may suggest the motor cycle to their friends/ relatives. But it is also quite notable that none of the respondents replied that they would not suggest purchase of Hero Honda motor cycle.



Reasons for suggesting Hero Honda to friends/ relatives

Reasons	No. of Responses	Percentage (%)
Good Mileage	26	52
Style	8	16
Trouble free performance	2	4
Easiness in balancing	4	8
Durability	4	8
Good in all aspects	6	12
Total Responses	50	100

Observation

Fifty two percent of the respondents have mentioned ‘good mileage’ given by the motor cycle as the prime reason for suggesting the motorcycle, 16% mentioned ‘Stylishness’ of the motor cycle as the reason, 12% stated the reason being the good performance of motor cycle in all aspects, and 8% mentioned easiness in balancing as the reason, another 8% mentioned durability of the motor cycle as the reason. As already discussed the brand of Hero Honda came into prominence as a fuel efficient motorcycle, and it continues to occupy the same image in the perception of the customers.

CHAPTER IV
CASE STUDY OF BHARAT PETROLEUM
CORPORATION LTD. (BPCL)

4.1 Background of Indian Oil Industry

The history of the oil sector in India dates back to the late 19th century, when oil was first struck at Digboi in Assam in 1889. In the subsequent period, till the 1960s, oil exploration and production activities were largely confined to the North-Eastern region. The daily crude oil production then averaged 5,000 barrels per day. The discovery of the Cambay onshore basin (in 1958) and the Bombay offshore basin (in 1974) enhanced the production to the current level of 0.7 million barrels per day (mbd). New oil refining capacities were added in the late 1950s-early 1960s by international oil companies such as Shell, Caltex, and Esso. Refineries were also set up by the Government in the 1960s. Although the exploration and production activities were dominantly under Government control, the nationalization of entire petroleum sector was initiated after the oil crisis of 1970s and completed on October 14, 1981. As a result, the international oil companies withdrew from India. Following nationalization, controls were imposed by the Government on the pricing and distribution of crude oil and petroleum products in India.

However the following changes in government policy were witnessed in the Indian oil sector:

Year 1998-99

- De-regulation of refineries.
- Refining sector removed from Administered Pricing Mechanism (APM) regime.
- All products except Gasoline, Gas oil, ATF, LPG and Kerosene decontrolled
- Private companies allowed to import crude oil

Year 2000

- Foreign Direct Investment (FDI) in refining sector increased from 49% to 100%.
- Stand-alone refining companies aligned with existing integrated refining and marketing companies.

Year 2001-02

- Oil Co-ordination Committee dismantled with effect from April 1, 2002.
- Dues of Oil companies under Oil Pool Accounts settled on provisional basis.
- Majority of products made freely tradable.
- Pricing of all products except LPG and Kerosene decontrolled.

- Pipeline transportation tariff decontrolled from April 1, 2002.

Year 2003-04

- Import of Gasoline, HSD and ATF allowed to companies having marketing rights.
- Phased reduction in subsidies for LPG and Kerosene.
- FDI in Marketing, E&P and Pipelines increased to 100% subject to certain approvals from the government.
- Marketing rights granted to private sector entities for marketing of transportation fuels through their own retail network.

4.2 Structure of Indian Oil Sector

The Indian oil sector has historically been a regulated one dominated by Government undertakings. However, with the Government loosening its control, new private sector players are now making a presence.

Unlike the international oil majors which have integrated operations along the energy value chain, the Indian oil sector has companies operating in three distinct sub-segments: Oil & Gas Exploration and Production (E&P), Oil Refining and marketing of refined products and, Distribution of Natural Gas.

Oil and Natural Gas Corporation (ONGC) is the major player in the Indian oil and gas exploration and production sector. Other players include Oil India Ltd., Reliance Industries, Indian Oil Corporation, Gas Authority of India Ltd., British Gas, Essar Oil, Videocon, Cairn Energy, Hindustan Oil Exploration Company, Niko Resources, Gazprom, Energy Equity, Geoenpro Petrol Ltd., Geopetrol International, Enpro India Ltd., Hardy Oil, Tata Petrodyne, Gujarat State Petroleum Corporation, Selan Exploration Technologies Ltd., L&T, Joshi Tech., Interlink Petroleum, Mosbacher, Tullow Oil, Phoenix, Okland International, Premier Oil and Geo Global Resources

4.2.1 Government Controlled Companies: The companies which are controlled by the government of India include Oil and Natural Gas Corporation (ONGC), Oil India Ltd. (OIL), Indian Oil Corporation (IOC), Hindustan Petroleum Corporation Ltd. (HPCL), Bharat Petroleum Corporation Ltd. (BPCL) and Gas Authority of India Ltd. (GAIL).

4.2.2 Joint Sector Companies: Mangalore Refinery and Petrochemicals Limited (MRPL) used to be a joint sector company with equal stake of HPCL and Aditya Birla Group. As, ONGC has bought the stake of the Aditya Birla Group in MRPL it has become a public sector company.

4.2.3 Private Sector Companies: Only two companies are operating in the private sector. They are Reliance Petroleum Ltd. (RPL) - which has now been merged with parent Reliance Industries Ltd. (RIL), and Gujarat Gas.

The Indian oil sector is under the purview of the Ministry of Petroleum and Natural Gas (MoP&NG). This ministry is entrusted with the responsibility of overseeing exploration and production of oil and natural gas, and the refining, distribution, marketing, import, export and conservation of petroleum products. The three key organizations under the administrative control of the MoP&NG are the Oil Co-ordination Committee (OCC), the Oil Industry Development Board (OIDB) and the Directorate General of Hydrocarbons. Set up in 1975, the OCC played a pivotal role in the Indian oil sector, by assuming responsibilities in the areas of:

- Determining the product mix of refineries;
- Allocating indigenous and imported crude oil to Indian refineries;
- Planning for imports, transportation requirements and storage infrastructure, based on short-term estimates for supply/demand;
- Administering the pricing mechanism for controlled petroleum products;
- Monitoring the oil pool account;

- Co-coordinating marketing functions;
- Organizing monthly industry co-ordination meetings and supply plan meetings to resolve problems and work out supply plans and maximize product yields; and,
- Monitoring the performance of the oil industry to achieve optimality.

With the total decontrol of the petroleum sector from April 1, 2002, the OCC has been dismantled and has been replaced by the Petroleum Planning and Analysis Cell (PPAC). The PPAC's role is to analyze the trends in the international oil markets and domestic prices; forecasting and evaluation of petroleum imports and export trends; maintenance of information database and communication system to deal with emergencies and unforeseen circumstances. It also has the role of administering the subsidies in LPG sale as well as the freight subsidy for remote areas and implementing sector-specific surcharge schemes.

The Directorate General of Hydrocarbons (DGH) which was set up in the year 1993 functions as an independent regulatory body for supervising the activities of companies in the upstream oil & gas sector in the national interest and to oversee that oilfield development in the country conforms to sound engineering practices. The segment of oil & gas exploration and production has players such as ONGC and OIL, (both are Public sector Units). Until recently, almost the entire exploration and production work was carried out by these two national oil companies. Of late, the Government has been awarding oil exploration/development blocks to private companies also.

The New Exploration Licensing Policy (NELP) of the Government is a step in this direction. Under the NELP the Government offers attractive fiscal terms such as: level playing field for national oil companies; international oil price to contractors; and 50% rebate on royalty payments for seven years for deep offshore areas. Oil exploration and production has also been given infrastructure status, which, provides for a seven-year tax holiday. So far, the Government has signed production sharing contracts (PSCs) for 47 blocks in the first two rounds of NELP and has awarded 23 blocks under NELP III. In the backdrop of the giant gas discovery made in recent times, the government has launched NELP IV during May 2003.

4.3 Oil Refining Sector India

The Indian oil refining sector has 10 companies. They are:

- Indian Oil Corporation Limited (IOC) and its two subsidiaries, Chennai Petroleum Corporation Limited (CPCL, formerly Madras Refineries Limited.) and Bongaigaon Refinery and Petrochemicals Limited (BRPL);
- Bharat Petroleum Corporation Limited (BPCL) and its two subsidiaries, Kochi Refineries Limited (KRL, formerly Cochin Refineries Limited.) and Numaligarh Refineries Limited (NRL);
- Hindustan Petroleum Corporation Limited (HPCL);
- Oil and Natural Gas Corporation Ltd. (ONGC);
- Mangalore Refinery and Petrochemicals Limited (MRPL); and
- Reliance Petroleum Limited (RPL).

Name of the Oil Company	Principal Shareholders	Location of Refineries
Indian Oil	Government of India (82%)	Gujarat
		Mathura
		Panipat
		Barauni
		Haldia
		Guwahati
		Digboi
Reliance Petroleum	Reliance Industries, its subsidiaries and associates (65.8%)	Jamnagar
Hindustan Petroleum	Government of India (51%)	Vizag
		Mahul
Mangalore Refineries and Petrochemicals Limited	Hindustan Petroleum (37%)/Aditya Birla Group (37%)	Mangalore
Kochi Refineries	Bharat Petroleum (55%)	Kochi
Chennai Petroleum	Indian Oil Corporation (52%)	Chennai
		Narimanam
Bharat Petroleum	Government of India (66%)	Mahul
Bongaigaon Refineries	Indian Oil Corporation (75%)	Bongaigaon
Numaligarh Refineries	Bharat Petroleum (51%)	Numaligarh

Source: Ministry of Petroleum and Natural Gas

Table 4.1: Oil Refining Companies in India

4.3.1 Refineries in India

As of July, 2005 there are a total of 18 refineries in the country comprising 17 in the Public Sector, one in the private sector. The company-wise locations and capacity of the refineries as on July 2005 are given below:

S.No.	Name of the Company	Location of the Refinery	Capacity (MMTPA)*
1.	Indian Oil Corporation Limited (IOCL)	Guwahati	1.00
2.	IOCL	Barauni	6.00
3.	IOCL	Koyali	13.70
4.	IOCL	Haldia	6.00
5.	IOCL	Mathura	8.00
6.	IOCL	Digboi	0.65
7.	IOCL	Panipat	6.00
8.	Hindustan Petroleum Corporation Limited (HPCL)	Mumbai	5.50
9.	HPCL	Visakhapatnam	7.50
10.	Bharat Petroleum Corporation Limited (BPCL)	Mumbai	6.90
11.	Chennai Petroleum Corporation Limited (CPCL)	Manali	9.50
12.	CPCL	Nagapattanam	1.00
13.	Kochi Refineries Ltd. (KRL)	Kochi	7.50
14.	Bongaigaon Refinery & Petrochemicals Ltd. (BRPL)	Bongaigaon	2.35
15.	Numaligarh Refinery Ltd.(NRL)	Numaligarh	3.00
16.	Mangalore Refinery & Petrochemicals Ltd. (MRPL)	Mangalore	9.69
17.	Tatipaka refinery (ONGC)	Andhra Pradesh	0.078
18.	Reliance Petroleum Ltd. (RPL).Pvt. Sector	Jamnagar	33.00
19.	TOTAL (18 Refineries)		127.37

Source: Ministry of Petroleum and Natural Gas

* Million Metric Tonnes per Annum

Table 4.2: Capacities of Oil Refineries

The brief description of the above refineries is given in the following sections.

4.3.1.1 Guwahati Refinery, IOCL (ASSAM)

Guwahati Refinery, the first in public sector, was set up in collaboration with Rumania at a cost of Rs.17.29 crores and commissioned on 1st January, 1962 with a design capacity of 0.75 MMTPA. The present capacity of this Refinery is 1.00 MMTPA. Hydrotreater Unit for improving the Quality of diesel has been installed and was commissioned in 2002. The refinery has also installed in 2003 Indmax Unit, a novel technology developed by its R&D Centre for upgrading heavy ends LPG, motor spirit and diesel oil.

4.3.1.2 Barauni Refinery, IOCL (BIHAR)

Barauni Refinery in Eastern India was built in collaboration with the Soviet Union at a cost of Rs.49.4 crores and went on stream in July, 1964. By November, 1967, the initial capacity of 2 MMTPA was expanded to 3 MMTPA by 1969. The present capacity of this refinery is 6.00 MMTPA. A Catalytic Reformer Unit (CRU) was also added to the refinery in 1997 for production of unleaded motor spirit. Projects are also planned for meeting future fuel quality requirements.

4.3.1.3 Koyali Refinery- IOCL (Gujarat)

The Gujarat Refinery was built with Soviet assistance at a cost of Rs.26.00 crores and went on stream in October, 1965. The Refinery had an initial installed capacity of 2 MMTPA and was designed to process crude from Ankleshwar, Kalol and Nawagam oilfields of Oil & Natural Gas Commission in Gujarat. In September, 1967, the capacity of the Refinery was expanded to 3 MMTPA. The capacity of the Refinery was further increased to 7.3 MMTPA in October, 1978 by implementing an expansion project of Rs.56.07 crores. With the implementation of additional processing facilities the Refinery could achieve capacity of 9.5 MMTPA in 1989. The refining capacity was further expanded to 12.5 MMTPA with commissioning of 3.0 MMTPA CDU in September, 1999. The present refining capacity of this refinery is 13.70 MMTPA. In order to meet future fuel quality requirement, MS quality improvement facilities are planned to be installed by 2006.

4.3.1.4 Haldia Refinery - IOCL (WEST BENGAL)

The Haldia Refinery for processing 2.5 MMTPA of crude oil was commissioned in January, 1975 with two sectors - one for producing fuel products and the other for Lube base stocks. The fuel sector was built with French collaboration and the Lube sector with Romanian collaboration. The refining capacity was further expanded to 3.75 MMTPA with the commissioning of new crude distillation unit of 1.0 MMTPA in March, 1997. The present refining capacity of this Refinery is 6.00 MMTPA.

4.3.1.5 Mathura Refinery – IOCL (UTTAR PRADESH)

The Mathura Refinery with a capacity of 6.00 MMTPA was set up at a cost of Rs.253.92 crores. The Refinery was commissioned in January, 1982 excluding Sulphur Recovery Units which were commissioned in Jan, 1983. The refining capacity of this refinery was expanded to 7.5 MMTPA in 1989. The present refining capacity of this Refinery is 8.00 MMTPA.

4.3.1.6 Digboi Refinery (ASSAM)

The Refinery was set up at Digboi in 1901 by Assam Oil Company Limited. The Indian Oil Corporation Ltd. took over the Refinery and marketing management of Assam Oil Company Ltd. with effect from 14.10.1981 and created a separate division. This division has both Refinery and marketing operations. The Refinery at Digboi had an installed capacity 0.50 MMTPA. The refining capacity of the Refinery was increased to 0.65 MMTPA by modernization of Refinery in July, 1996. A new delayed Coking Unit of 1,70,000 TPA capacity was commissioned in 1999. A new Solvent Dewaxing Unit for maximizing production of micro-crystalline wax was installed and commissioned in 2003. The refinery has also installed Hydrotreater to improve the quality of diesel.

4.3.1.7 Panipat Refinery – IOCL (HARYANA)

The refinery was set up in 1998 at Baholi Village in Distt. Panipat, Haryana at an cost of Rs.3868 crores. The refining capacity of this refinery is 6.00 MMTPA. The expansion of refining capacity from 6 MMTPA to 12 MMTPA is in under implementation.

4.3.1.8 Mumbai Refinery (HPCL) (MAHARASHTRA)

The Refinery at Mumbai came into stream in 1954 under the ownership of ESSO. In March, 1974, Govt. of India acquired it. Hindustan Petroleum Corporation Ltd. was formed on 15.7.1974 after the merger of these companies. The capacity of the Mumbai Refinery of HPCL was 3.5 MMTPA which was increased to 5.5 MMTPA during 1986 after implementation of expansion program.

4.3.1.8 Visakh Refinery (HPCL) (ANDHRA PRADESH)

In 1957, Visakh Refinery went on stream under the ownership of M/s Caltex India Ltd. In May, 1978, M/s Caltex Oil Refinery (India) was amalgamated with Hindustan Petroleum Corporation Ltd. The installed capacity of 1.5 MMTPA was increased to 4.5 MMTPA in 1985 and 7.5 MMTPA in 1999, through an expansion program.

4.3.1.9 Bharat Petroleum Corporation Ltd. (BPCL) (MAHARASHTRA)

The Refinery at Mumbai came into stream in January, 1955 under the ownership of Burmah-Shell Refineries Ltd. Following the Government's acquisition of the Burmah-Shell, name of the Refinery was changed to Bharat Refineries Limited on 11.2.1976. In August, 1977, the Company was given its permanent name, viz. Bharat Petroleum Corporation Ltd. The installed capacity of 5.25 MMTPA was increased to 6 MMTPA in 1985. The present refining capacity of the refinery is 6.9 MMTPA.

4.3.1.10 Manali Refinery -Chennai Petroleum Corporation Ltd. (CPCL)-Tamil Nadu

Chennai Petroleum Corporation Limited (CPCL), formerly known as Madras Refineries Limited (MRL) was formed as a joint venture in 1965 between the Government of India (GOI), AMOCO and National Iranian Oil Company (NIOC) having a share holding in the ratio 74%: 13%: 13% respectively. From the grassroots stage CPCL Refinery was set up with an installed capacity of 2.5 Million Tonnes Per Annum (MMTPA) in a record time of 27 months at a cost of Rs. 43 crore without any time or cost over run.

In 1985, AMOCO disinvested in favour of GOI and the shareholding percentage of GOI and NIOC stood revised at 84.62% and 15.38% respectively. Later GOI disinvested 16.92% of the paid up capital in favor of Unit Trust of India, Mutual Funds, Insurance Companies and Banks on 19th May 1992, thereby reducing its holding to 67.7 %. The public issue of CPCL shares at a premium of Rs. 70 (Rs. 90 to FIIs) in 1994 was over subscribed to an extent of 27 times and added a large shareholder base of over 90000. As a part of the restructuring steps taken up by the Government of India, Indian Oil Corporation Limited (IOCL) acquired equity from GOI in 2000-01. Currently IOC holds 51.88% while NIOC continued its holding at 15.40%. In view of the CPCL become subsidiary of IOCL in 2001. The Manali Refinery has a capacity of 9.5 MMTPA and is one of the most complex refineries in India with Fuel, Lube, Wax and Petrochemical feed stocks production facilities.

4.3.1.11 Cauvery Basin Refinery-CPCL (Nagapattinam-Tamil Nadu)

CPCL's second refinery is located at Cauvery Basin at Nagapattinam. The initial unit was set up in Nagapattinam with a capacity of 0.5 MMTPA in 1993 and later on its capacity was enhanced to 1.0 MMTPA.

4.3.1.12 Kochi Refineries Limited (KRL) (KERALA)

The Kochi Refineries Ltd. is a public sector undertaking set up in pursuance of a formation agreement dated 27th April, 1963 between Govt. of India, Phillips Petroleum Co. of USA and Duncan Brothers of Calcutta with an authorized capital of Rs.15 crores. Subsequently, the authorized capital was increased to Rs.75 crores and the paid up capital in March, 1989 stood at Rs.68.47 crores after issue of shares on rights basis. During the year, 1989 the Phillips Petroleum Company also completed withdrawal of their equity by disinvesting of shares. With this, in March 1989, Government was holding 61.58 percent of equity shares of the Company. At present authorized capital of KRL is Rs 1150 crore and paid up capital Rs. 138.47 crore. M/s Bharat Petroleum Corporation Limited (BPCL) holds 54.81% of the total shares, the balance of the shares being held by Government of Kerala, financial institutions and the public. The installed capacity of 2.5 MMTPA was

increased to 3.3 in September, 1973 and to 4.5 MMTPA in November, 1994. The capacity of the Refinery was further increased to 7.5 MMTPA in December, 1995.

4.3.1.13 Bongaigaon Refinery & Petrochemicals Ltd. (BRPL) (ASSAM)

BRPL was incorporated (in the year 1974) in Assam under the Companies Act, 1956 with an authorized capital of Rs.50 crores. With the objective of installation of the Refinery having a crude processing capacity of 1 MMTPA and a Petrochemicals Complex consisting of Xylene, Di-Methyl Terephthalate (DMT) and Polyester Staple Fiber (PSF) Units. The complex was built and commissioned in phases. The authorized capital (equity) of the company is Rs.200 crores. The paid-up capital as on date is Rs.199.82 crores. As a part of the restructuring steps taken up by Govt. of India, Indian Oil Corporation Limited acquired Government's equity in 2000-01. In view of this BRPL became subsidiary of IOCL in 2001. The capacity of the Refinery has been increased to 2.35 MMTPA in June, 1995 by installing additional unit.

4.3.1.14 Numaligarh Refinery Limited (ASSAM)

Numaligarh Refinery, Popularly known as “ Assam Accord Refinery” has been set up as a grass root refinery at Numaligarh in the district of Golaghat (Assam) in fulfillment of the commitment made by Government of India in the historic “ Assam Accord” , signed on 15-8-1985 (at an approved cost of Rs, 2,724 crore). Numaligarh Refinery Limited (NRL) was incorporated on 22-4-1993. Presently Bharat Petroleum Corporation Limited holds 51% of the company's equity. The other equity holders are Government of Assam, Oil Industry Development Board and Oil India Limited with equity participation of 10% each. The balance 19% equity is earmarked for a Public Issue. The refining capacity of this refinery is 3.0 MMTPA.

4.3.1.15 Mangalore Refinery and Petrochemicals Ltd. (MRPL) (KARNATAKA)

This project has been implemented by a Joint Venture Company with Hindustan Petroleum Corporation Limited, Mumbai and Indian Rayon and Industrial Limited, Gujarat as Co-promoters. The Refinery was commissioned in March, 1996. MRPL which was a Joint Sector Company become a PSU subsequent on acquisition of its majority

shares by ONGC. The capacity of the refinery was assessed at 3.69 MMTPA and has been further expanded to 9.69 MMTPA in September, 1999.

4.3.1.16 Tatipaka Refinery- ONGC (Andhra Pradesh)

A mini refinery of ONGC with capacity of about 0.1 MMTPA with an approved cost of Rs.29.9 crore was commissioned in September, 2001 at Tatipaka in East Godavari District of Andhra Pradesh.

4.3.1.17 Reliance Petroleum Limited (RPL) - Private Sector (JAMNAGAR - GUJARAT)

This Private Sector Refinery (RPL) was commissioned on 14th July, 1999 with an installed capacity of 27 MMTPA at Jamnagar. The present capacity of this refinery is 33.00 MMTPA.

4.3.2 Refining Capacity and Capacity Utilization

To meet the growing demand of petroleum products, the refining capacity in the country has been gradually increased over the years by setting up of new refineries in the country as well as by expanding the refining capacity of the existing refineries. The total refining capacity in the country as on 1.7.2005 stands at 127.37 MMTPA. The refining capacity, actual crude throughput and capacity utilization during the last five years are presented in the next page.

S.No.	Year→→	2000-01	2001-02	2002-03	2003-04	2004-05
1.	Refining Capacity(As on 1st April in MMPTA)	114.59	114.66	116.96	127.37	127.37
2.	Actual Crude throughput (MMTPA)	103.1	106.5	110.6	118.7	124.3
3.	Capacity Utilization (%)	91.00	93.00	95.00	99.00	97.5

Source: Ministry of Petroleum and Natural Gas

***Table 4.3: Actual Crude Throughput and Capacity Utilization
of Refineries in India***

4.3.3 Expansion of Existing Refineries

Expansion plans of refining capacities of existing refineries are as follows:

- (i) Expansion of Panipat Refinery of IOCL from 6 MMTPA to 12 MMTPA is under implementation at an estimated cost of Rs.4165 crore.
- (ii) Expansion of Mumbai Refinery of BPCL from 6.9 MMTPA to 12 MMTPA is also under implementation at an estimated cost of Rs.1831 crore.
- (iii) HPCL is expending the refining capacity of Mumbai Refinery from 5.5 MMTPA to 7.9 MMTPA with an estimated cost of Rs. 1152 crore. The project is expected to be completed by December, 2006.
- (iv) Expansion of Visakha refinery of HPCL from 7.5 MMTPA to 8.33 MMTPA is under implementation at an estimated cost of Rs. 1635 crore. The project is expected to be completed by December-2006.

The following are the three new refineries that are being constructed.

Name of Refineries	Capacity	Proposed Completion Date
IOC, Paradip	9 MMTPA	March-2010
BPC, Bina	6 MMT	Sept.-2009
HPC,Bhatinda	9 MMT	December.-2006

Table 4.4: Newly Planned Refineries

('000 Tonnes)							
REFINERY	Refinery Crude Throughput						
	1990-91	1995-96	2000-01	2001-02	2002-03	2003-04	2004-05* (Apr.-Dec.)
1	2	3	4	5	6	7	8
(a) PUBLIC SECTOR	51772	58741	77411	77620	82015	89495	69232
IOC, Guwahati	783	839	707	656	458	891	742
IOC, Barauni	2416	2322	3122	2876	2994	4304	3813
IOC, Gujarat	9334	10167	12006	11697	12434	12758	9344
IOC, Haldia	2835	3416	3873	4026	4513	4518	4181
IOC, Mathura	7808	8332	7133	8031	8207	8248	4218
IOC, Digboi	566	559	678	653	581	602	488
IOC, Panipat @@	0	0	5707	5822	6101	6338	4821
Total IOC	23742	25635	33226	33761	35288	37659	27607
BPCL, Mumbai	6957	7460	8683	8744	8711	8757	6739
HPCL, Mumbai	5766	5965	5575	5641	6078	6108	4976
HPCL, Visakh	3464	5037	6405	6706	6851	7591	5777
Total HPCL	9230	11002	11980	12347	12929	13699	10753
KRL, Kerala	5006	7421	7520	6797	7580	7854	5956
CPCL, Manali	5698	5599	6046	6123	6176	6387	5767
CPCL, Narimanam	0	370	579	566	643	653	542
Total CPCL	5698	5969	6625	6689	6819	7040	6309
BRPL, Assam	1139	1215	1488	1475	1463	2126	1730
NRL, Numaligarh #	0	0	1451	2307	1879	2200	1400
ONGC, Tatipaka \$	0	0	0	13	93	91	70
MRPL, Mangalore @	0	39	6438	5487	7253	10069	8668
(b) PRIVATE SECTOR	0	0	26033	29654	30544	32345	25718
RPL, Jamnagar ##	0	0	26033	29654	30544	32345	25718
Total (a+b)	51772	58746	103444	107274	112559	121840	94950

* : Provisional Source: Public Sector Undertakings / Private Company.
@ : Commenced production from 25.3.1996
@@ : Commenced production from May 1998
: Commenced production from April 1999
: Commenced production from July 1999.
\$: Commenced production from January 2002.

Source: ONGC Annual Report 2005

Table 4.5: Refinery Crude Throughput (1990-91 to 2004-05)

('000 Tonnes)							
PRODUCTS	1990-91	1995-96	2000-01	2001-02	2002-03	2003-04	2004-05* (Apr.-Dec.)
1	2	3	4	5	6	7	8
(a) From Crude Oil							
1. Light Distillates	10023	12433	25048	26539	28619	31971	24161
of which							
LPG	1221	1539	4088	4778	4903	5348	4088
Mogas	3552	4462	8070	9699	10361	10999	8201
Naphtha	4859	5975	9908	9180	9650	11317	10509
Others ^{LD}	391	457	2982	2882	3705	4307	1363
2. Middle Distillates	26344	29941	52445	54409	55937	60018	46702
of which							
Kerosene	5471	5267	8714	9681	10028	10187	7172
ATF/RTF/Jet A-1	1801	2127	2513	2595	3053	4289	3774
HSD	17185	20661	39052	39899	40207	43316	34193
LDO	1509	1351	1481	1703	2079	1659	1159
Others ^{MD}	378	535	685	531	570	567	404
3. Heavy Ends	12195	12707	18121	19056	19584	21474	17071
of which							
Furnace Oil	4879	5351	6479	7488	7529	8737	7924
LSHS/HHS/RFO	4550	4228	4913	4739	4638	4635	3104
Lube Oils	561	633	684	651	684	666	475
Bitumen	1603	2032	2721	2561	2941	3397	2361
Petroleum Coke	229	256	2473	2784	2659	2743	2359
Paraffin Wax	49	43	51	45	42	53	50
Others Waxes	46	63	61	37	3	Neg.	5
Others ^{HE}	278	101	739	751	1088	1243	793
Total (1+2+3)	48562	55081	95614	100004	104140	113463	87934
(b) From Natural Gas							
LPG	929	1715	2045	2205	2370	2320	1701
* : Provisional Source: Public Sector Undertakings / Private Company.							
LD	: Includes Propylene, C-3, Propane, Hexane, Special Boiling Point Spirit, Benzene, Toluene, Petroleum Hydro Carbon Solvent, Natural Heptane, Methyl Tertiary Butyl Ether, Poly Isobutene, Poly Butadine Feed Stock and Methyl Ethyl Keetone Feed Stock.						
MD	: Includes Mineral Turpentine Oil, JP-5, Linear Alkyl Benzene Feed Stock, Aromex, Jute Batching Oil, Solvent 1425, Low Sulphur Heavy Fuel HSD, Desulphurisation Hydrocracker Bottom and Special Kerosene.						
HE	: Includes Carbon Black Feed Stock, Sulphur, Solar Oil, Light Aluminium Rolling Oil and Extracts.						

Source: ONGC Annual Report 2005

Table 4.6: Production of Petroleum Products (1990-91 to 2004-05)

4.4 Marketing of Petroleum Products

Marketing of refined products in India is done mainly by the four public sector undertakings (PSUs), namely IOC, HPCL, BPCL and IBP Company Limited (IBP). While IOC, HPCL and BPCL have integrated operations in refining and marketing, IBP is a pure marketing company and has been taken over by IOC in February 2002 following disinvestment of Government of India's stake in the company.

Till recently, the marketing sector was strictly under the control of Government of India (GoI). However, the GoI has now decontrolled this sector. With effect from April 1, 2002, pricing of all products are linked to import parity prices. While the administered pricing mechanism for LPG (domestic), SKO (PDS), MS and HSD have been dismantled, prices of LPG (domestic) and SKO (PDS) are partially subsidized. While the four Public sector units account for 90.5% of the total sales of petroleum products in India, the balance 9.5% sales is accounted for by imports/sales of decontrolled products by private parties.

The Government granted marketing rights for automotive fuel, in June 2002 to four companies--Reliance Petroleum, ONGC, NRL and Essar Oil. However, as ONGC and Essar Oil did not have operating refineries, the Government had asked them to provide information on product sourcing from these two companies. These four companies propose to set up 8659 new outlets in the country.

4.4.1 Energy Consumption and Components

The per capita primary energy consumption in India is a low 305 kg against the world average of 1,487 kg. Accordingly, with a total primary energy consumption of 314.7 million metric tonnes of oil equivalent (MMTOE), India accounts for just 3.4% of the total world primary energy consumption. However, at this stage, the point to note is that while the consumption of primary energy in the world grew at a low compounded annual growth rate (CAGR) of 1.1% during 1991-2001, it experienced a higher growth of 4.3% in India. The world primary energy consumption showed a higher growth rate of 3.1% per annum during the 1970s before declining to the current level.

('000 Tonnes)							
PRODUCTS	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05* (Apr.-Dec.)
A. PUBLIC SECTOR							
1 Light Distillates	17958	20473	21770	22916	23567	24948	19722
LPG	5041	6029	6613	7310	8143	9089	7334
Mogas	5507	5909	6613	7011	7570	7895	6120
Naphtha	6652	7970	8059	8128	7284	7329	4855
NGL	330	91	6	27	32	0	0
Others	428	474	479	440	538	635	1413
2 Middle Distillates	51686	54259	52854	50661	50555	50549	38974
SKO	10599	10731	10714	10114	9707	9426	6923
ATF	2112	2197	2249	2256	2269	2481	2056
HSDO	37217	39287	37938	36515	36534	36875	28727
LDO	1278	1512	1399	1202	1413	1181	832
Others	480	532	554	574	632	586	436
3 Heavy Ends	15122	15919	15362	15515	16002	16633	12495
Furnace Oil	6767	6816	6371	7085	6941	7207	5913
LSHS/HHS	4537	4763	4989	4531	4711	4633	3171
Lubes/Greases	885	915	797	819	938	815	576
Bitumen	2412	2879	2618	2428	2847	3367	2253
Petroleum Coke	315	328	414	367	335	308	327
Paraffin Wax	36	53	43	45	41	42	51
Other Waxes	76	89	62	51	13	20	2
Others	94	76	68	189	176	241	202
Total (A) (Excl. RBF)	84766	90651	89986	89092	90124	92130	71190
B. PRIVATE SECTOR							
1 Light Distillates	2573	4058	7544	6702	8188	9151	6486
LPG	311	392	403	418	208	216	165
MS	0	0	0	0	0	0	226
Naphtha / NGL	2239	2831	3614	3600	4645	4539	5504
Benzene	23	33	8	0	0	0	0
Others	0	802	3519 \$	2684 \$	3335 \$	4396 \$	591
2 Middle Distillates	1644	1175	613	778	1510	1475	1401
SKO	1644	1167	593	318	698	804	0
HSDO	0	8	20	31	110	199	1077
LDO	0	0	0	390	650	438	324
Others	0	0	0	39	52	34	0
3 Heavy Ends	1579	1202	1931	3860	4304	4995	4756
Furnace Oil / LSHS	1206	874	1293	1366	1086	1105	816
Lubes/Greases	212	328	246	318	312	611	379
Bitumen	0	0	96	156	139	6	12
Petroleum Coke	78	0	34	1431	2228	2569	1984
CBFS	83	0	230	75	74	177	NA
Others	0	0	32	514	465	527	1565
Total (B)	5796	6435	10088	11340	14002	15621	12643
TOTAL (A+B)	90562	97086	100074	100432	104126	107751	83833
* : Provisional							
Source : Petroleum Planning & Analysis Cell. \$: Includes reformat also.							

Table 4.7: Sales/Consumption of Petroleum Products (1998-99 to 2004-05)

Oil, gas, hydroelectricity, nuclear power and coal are the five constituents of primary energy. Oil and gas account for 62.2% of the total world primary energy consumption. This figure is higher at 64.8% for developed nations like the US. In India, coal is the principle source of energy accounting for over 55% of the total primary energy consumption. However, the share of oil & gas has increased from 34.8% in 1991 to the current level of 38.4%. The reasons for the growing importance of oil and gas are found

in their multiple, varied and cost-effective applications. Further, other factors such as environmental problems (in the case of coal and nuclear energy), difficulty in handling (coal), higher capital costs, and limitation to specific geographic regions (hydroelectricity) have restricted growth in the use of other forms of energy.

(Qty : '000 Tonne, Value : Rs.Crore)								
ITEM	2001-02		2002-03		2003-04		2004-05 (Apr.-Dec.)*	
	Qty.	Value	Qty.	Value	Qty.	Value	Qty.	Value
1	2	3	4	5	6	7	8	9
GROSS IMPORTS								
A. Crude Oil	78706	60397	81989	76195	90434	83528	71818	85695
B. Petroleum Products								
I. Light Distillates	3967	4287	3366	4777	4529	6034	3791	6964
1. LPG	659	810	1073	1867	1708	2558	1799	3452
2. Naphtia	3308	3477	2293	2910	2371	2884	1558	2780
3. Propane	0	0	0	0	450	592	434	732
II. Middle Distillates	424	425	806	934	906	1015	148	240
1. ATF	2	9	2	7	2	9	2	10
2. SKO	391	388	698	808	804	890	0	0
3. HSD	31	28	106	119	100	116	146	230
4. Others	0	0	0	0	0	0	0	0
III. Heavy Ends	2618	2537	2565	2495	2566	2674	1671	1960
1. FO / LSHS	1425	1030	1256	1084	953	810	557	509
2. Lubes / Others ^{HEI}	1193	1507	1309	1411	1613	1864	1114	1451
Total(B)	7009	7249	6737	8206	8001	9723	5610	9164
Grand Total(A+B)	85715	67646	88726	84401	98435	93251	77428	94859
EXPORTS								
Petroleum Products								
I. Light Distillates	5008	4927	4493	5475	5448	7100	4531	8142
1. Naphtia	2515	2234	2067	2325	2176	2653	2135	3615
2. MS	2406	2570	2336	3011	2979	4021	2116	4055
3. TAME	87	123	90	139	83	117	0	0
4. Reformate	0	0	0	0	210	309	280	472
II. Middle Distillates	3084	2747	3875	4337	7841	8713	7088	11295
1. HSD/LDO	2890	2571	3178	3547	6181	6763	5237	8135
2. ATF	194	176	697	790	1660	1950	1840	3138
3. SKO	0	0	0	0	0	0	11	22
III. Heavy Ends	1973	545	1921	1056	1331	968	1406	1268
1. FO/LSHS	482	255	1120	902	1310	928	1266	1084
2. VGO/Lubes/White Oil/Paraffin Wax	272	211	101	109	17	36	107	162
3. Coke/Bitumen	1219	79	700	45	4	4	33	22
Total	10065	8219	10289	10868	14620	16781	13025	20705
NET IMPORTS								
A. Crude Oil	78706	60397	81989	76195	90434	83528	71818	85695
B. Pol. Products	-3056	-970	-3552	-2662	-6619	-7058	-7415	-11541
Grand Total	75650	59427	78437	73533	83815	76470	64403	74154
TAME : Tertiary Amyl Methyl Ether. * : Provisional.								
HEI : Includes Bitumen, Lube Oil Base Stock, Low Sulphur Waxy Residue, Carbon Black Feed Stock, Rubber Processing Oil, Coke and Paraffin Wax.								
Source : Petroleum Planning & Analysis Cell, New Delhi.								

Table 4.8: Imports / Exports of Crude Oil and Petroleum Products

Item	Unit	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04*
1	2	3	4	5	6	7	8
1. Reserves !							
(Balance Recoverable)							
(i) Crude Oil	Mn.Tonne	716	660	703	732	740	733
(ii) Natural Gas	Bn.Cub.Mtr.	675	648	760	763	751	854
2. Consumption							
(i) Crude Oil	Mn.Tonne	68.54	85.96	103.44	107.27	112.56	121.84
(in terms of refinery crude throughput)							
(ii) Petroleum Products (excl. RBF)	"	90.56	97.09	100.07	100.43	104.13	107.77
3. Production :							
(i) Crude Oil	"	32.72	31.95	32.43	32.03	33.04	33.38
(ii) Petroleum Products	"	64.54	79.41	95.61	100.00	104.14	113.46
4. Imports & Exports							
(i) Gross Imports :							
(a) Qty : Crude Oil	Mn.Tonne	39.81	57.80	74.10	78.71	81.99	90.43
Pol. Products	"	23.77	16.61	9.27	7.01	6.74	7.90
Total (a)	"	63.58	74.41	83.37	85.72	88.73	98.33
(b) Value:Crude Oil	Rs.Billion	149.17	400.28	659.32	603.97	761.95	835.28
Pol.Products	"	122.76	141.86	120.93	72.49	82.06	96.77
Total (b)	"	271.93	542.14	780.25	676.46	844.01	932.05
Pol. Imports as per DGCI&S	"	269.19	454.21	714.97	667.70	853.67	945.20
(ii) Exports :							
(a) Qty :							
Pol. Products	Mn.Tonne	0.72	0.75	8.37	10.07	10.29	14.62
(b) Value:							
Pol.Products	Rs.Billion	3.06	6.98	76.72	82.19	108.68	167.81
(iii) Net Imports :							
(a) Qty : Crude Oil	Mn.Tonne	39.81	57.80	74.10	78.71	81.99	90.43
Pol. Products	"	23.05	15.86	0.90	-3.06	-3.55	-6.72
Total (a)	"	62.86	73.66	75.00	75.65	78.44	83.71
(b) Value:Crude Oil	Rs.Billion	149.17	400.28	659.32	603.97	761.95	835.28
Pol.Products	"	119.70	134.88	44.21	-9.70	-26.62	-71.04
Total (b)	"	268.87	535.16	703.53	594.27	735.33	764.24
(iv) Unit Value of Crude oil imports(gross)	Rs./MT	3747	6925	8898	7673	9293	9237
5. India's Total Exports	Rs.Billion	1397.53	1595.61	2035.71	2090.18	2551.27	2836.05
6. Pol. imports as percentage of India's total exports							
(i) Gross Imports	%	19.5	34.0	38.3	32.4	33.1	32.9
(ii) Net Imports	%	19.2	33.5	34.6	28.4	28.8	26.9
7. Contribution of Oil Sector to Centre/State Resources							
(i) Royalty from crude oil	Rs.Billion	17.08	20.49	22.72	24.86	30.67	31.74
(ii) Royalty from gas	"	4.37	5.47	6.08	6.59	7.78	8.54
(iii)Oil Development Cess	"	27.51	27.16	27.28	28.78	50.91	51.43
(iv) Excise & Custom duties	"	215.13	326.62	359.12	361.04	451.27	507.27
(v) Sales Tax	"	134.90	181.06	233.75	200.90	297.41	N.A.
(vi) Dividend	"	22.43	25.87	34.82	32.87	67.94	N.A.
(vii)Corporate Tax/Others	"	26.21	38.63	53.45	N.A.	N.A.	N.A.
8. Natural Gas :							
(i) Gross Production	Bn.Cub.Mtr.	27.428	28.446	29.477	29.714	31.389	31.962
(ii) Utilisation	"	25.716	26.885	27.86	28.037	29.964	30.900

* : Provisional. N.A.: Not Available.

Source: Public Sector Undertakings / DGCI&S, Kolkata / Ministry of Finance.

Table 4.9: Growth of Indian Petroleum Industry

As per the Hydrocarbon Vision 2025, the share of oil & gas in the primary energy is expected to increase to 45% by the year 2025. While, the share of oil would decrease to 25%, the share of gas would increase to 20%. Growth in share of gas would largely be dictated by environmental reasons coupled with efficiency factors. As in the case of per capita primary energy consumption, the per capita consumption of oil & gas in India is also a low 117 kg against the world average of 925 kg. Thus, the growth in primary energy consumption, the increasing share of oil & gas in the primary energy consumption, and the low per capita consumption of oil & gas are indicative of an enormous potential for growth in the demand for oil & gas in India.

4.4.2 Current Status of Marketing (Petroleum Products)

The marketing of petroleum products in India today is dominated by the four state-owned oil companies. The marketing of most petroleum products was completely controlled by the government through the above corporations until the early 1990s. The Oil Coordination Committee, a regulatory body of the government of India, allocated the refined products to various marketing companies. Also, the prices of most petroleum products were fixed under the administered pricing mechanism. As a result of economic liberalization measures of the government of India, implemented over the past few years, many products have been de-controlled for private sector companies to market them at the market-determined prices, e.g. lubricants, greases, benzene, toluene, naphtha, LPG, aviation turbine fuel, kerosene, fuel oil, bitumen etc.

Period	Production (in thousand tonnes)
January 2005	2914
January 2004	2907
December 2004	2876
April 2004 – January 2005	28472
April 2003 – January 2004	27760

Source: Ministry of Petroleum and Natural Gas

Table 4.10: Crude Oil Production

Company	Net sales	Growth	APAT	Growth	EPS	P/E
	(Rs mn)	yoy (%)	(Rs mn)	yoy (%)	Annualized (Rs)	(x)
ONGC	126,798	7.3	41,383	22.3	116.1	8.1
GAIL	36,012	16.9	7,742	69.7	36.6	6.4
IOC	400,452	26.1	9,497	(23.4)	32.5	14.2
HPCL	168,649	24.7	(221)	(107.5)	(2.6)	
BPCL	162,078	21.2	(2,030)	(163.2)	(27.1)	
CPCL	54,586	84.2	1,964	53.7	52.7	4.7
KRL	36,763	19.7	1,627	(24.5)	47.0	3.5
MRPL	60,634	44.8	1,660	(1.5)	3.8	12.4
RIL	207,170	28.2	24,810	41.6	71.2	11.0
IPCL	20,450	12.4	3,030	119.6	48.7	4.5

Source: India Infoline Report -2005

Table 4.11: Performance of Indian Oil Companies (FY 2005)

Except for ONGC, all other companies have witnessed a double-digit growth. The average performance of ONGC was on account of lower production as a result of the Mumbai High fire and restricted growth in realization on account of rise in subsidy burden, which is offered in the form of discounts. CPCL witnessed jump of 84.2% year on year (yoy) growth as the new capacities were completely operational against lower utilization in Q2 FY05 on account of stabilization phase of 'hydro cracker' unit. Other companies' growth was primarily driven by surge in realizations as the product prices surged across the globe and also for the fact that the Government increased the prices of auto fuels. Both the petrochemical companies registered robust growth as petrochemical prices revived after witnessing a lull phase in Q1 FY06.

Among the three integrated oil marketing companies only BPCL registered a loss at the operating level against all registering a loss in Q1 FY06. The improved performance was mainly due to the increased auto fuel prices, higher subsidy sharing by ONGC, subsidy sharing by pure refining companies and higher inventory gains. BPCL was an under

performer in the sector as the company's new 'hydro cracker' unit was brought online and generally it takes a couple of quarters for new secondary units to stabilize. Consequently the GRMs and operating margins decreased considerably.

Driven by a boom in the automobiles sector, demand in the Indian oil sector has been growing consistently. Overall sales of petroleum products grew by 1.2 per cent in March 2005 compared to March 2004. The following are the points highlight the industry's performance in the year 2004-05.

- Petrol sales increased 3.4 per cent, with higher retail sales.
- Kerosene sold through public distribution and cooking gas or LPG recorded growth of 8.4 per cent and 3.4 per cent respectively.
- Sales of furnace oil and low sulphur heavy stock, used mostly by small industrial users, rose 12.8 per cent indicating a growth in the manufacturing sector.
- Aviation turbine fuel also sold 16.2 per cent more than last year. With more airlines lying plying an increased number of routes within and to India, these sales are expected to rise further.

India ranks sixth in the world in terms of petroleum demand, of which 70 per cent is met through import of crude oil. By 2010, India is projected to replace South Korea and emerge as the fourth-largest consumer of energy, after the United States, China and Japan. India's crude oil production rose 2 percent to 34.04 million tonnes, or about 680,000 bpd in 2004/05 but imports rose 5.4 percent driven by higher domestic sales and soaring exports.

Imports rose to 95.3 million tonnes, or about 1.9 million bpd, in the year March 31 from 90.40 million tonnes in the previous year. Crude oil imports have risen faster than domestic demand because of growing exports of refined products.

Exports of refined products in April-February, the first 11 months of the fiscal year, rose 24.8 percent to 16.1 million tonnes.

4.4.3 Transportation Infrastructure

Crude oil imports are handled in different vessel sizes depending on the available facilities at various ports such as Jamnagar, Mumbai, Mangalore, Cochin, Chennai, Vizag and Haldia. Inland transportation of crude from the production sites or ports is primarily undertaken via pipelines. Transportation of refined products on the other hand is carried out through pipelines, the rail system, coastal shipping using tankers and the road system. Approximate shares of these transportation systems in refined product distribution are as follows:

- Pipelines: 40 % approx.
- Marine transportation: 12 % approx.
- Rail transportation: 37 % approx.
- Road transportation: 11 % approx.

4.4.4 Retail Outlets

The deregulation market has provided a challenge to all private players like Essar, Reliance and Shell along with oil PSUs. Loyalty and brand name have become tools to market oil from outlets of HPCL, BPCL, Essar, Shell, and Reliance. According to industry experts this phenomenon would continue in the future. There are all together 3000 retail markets in Mumbai now. Expectations are there that the retail outlets operation in the country is estimated to go up to 36,200 from the present 26,527 by the year 2006.

There is a pressure on marginal value in retail outlets, as there is an increase in consumer expectation. Use of technology, restructuring of retail outlets are on increase, retail value and location too have become important. The number of petroleum retail outlets in various states and union territories of India are shown in the following table.

	IOCL/	IBP	HPCL	BPCL	TOTAL
State / UT					(Col.2-5)
1	2	3	4	5	6
STATES					
Andhra Pradesh	787	352	615	551	2305
Arunachal Pradesh	37	2	0	1	40
Assam	331	23	49	7	410
Bihar	402	208	197	233	1040
Chhattisgarh	124	20	104	102	350
Delhi	144	45	93	99	381
Goa	15	3	27	37	82
Gujarat	553	224	330	381	1488
Haryana	496	214	250	187	1147
Himachal Pradesh	93	20	43	45	201
Jammu & Kashmir	114	7	60	61	242
Jharkhand	183	61	139	121	504
Karnataka	632	160	367	412	1571
Kerala	394	164	380	311	1249
Madhya Pradesh	503	73	297	362	1235
Maharashtra	772	185	727	813	2497
Manipur	35	4	0	0	39
Meghalaya	61	8	10	4	83
Mizoram	15	0	0	0	15
Nagaland	33	2	1	0	36
Orissa	238	71	127	161	597
Punjab	667	396	448	331	1842
Rajasthan	672	120	525	412	1729
Sikkim	11	2	2	3	18
Tamil Nadu	809	214	628	602	2253
Tripura	36	1	0	0	37
Uttar Pradesh	1391	440	732	763	3326
Uttaranchal	117	32	82	61	292
West Bengal	495	206	346	329	1376
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Union Territories					
Andaman & Nicobar	5	0	0	0	5
Chandigarh	16	4	11	10	41
Dadra & Nagar Haveli	2	0	4	1	7
Daman & Diu	5	1	3	3	12
Lakshadweep	0	0	0	0	0
Pondicherry	25	10	29	13	77
Grand Total	10213	3272	6626	6416	26527

Source: Ministry of Petroleum and Natural Gas

Table: 4.12: State-Wise and Company-Wise Retail Outlets (As On 1.4.2005)

4.4.5 Importance of Customer Retention in Oil Retailing Sector

Brand management and value proposition to the customers have gained importance in the marketing of petroleum products. Initiatives launched by oil companies like HPCL (Club – HP), BPCL’s “Petro Card”, “Pure for Sure” programs have enabled customers to deal directly with the oil companies. Reliance Industries Ltd would set up about 2,000 outlets across the country by 2006 while another private oil retailer Essar Oil Ltd would set up 500 outlets by the current fiscal. At present, Reliance Industries Limited (RIL) has set up 300 outlets and is planning to set up about 2,000 outlets till 2006 end. Of the total 2,000 outlets, about 1,500 outlets of RIL would be on franchisee basis and it is one of the largest retail networks to be established in the world by a green field operator. The retail outlets would have a pan-India presence through Reliance Infocomm's nationwide broadband network to provide the Indian consumer with an unprecedented retail experience.

Expecting stiff competition from Reliance and other new players, the existing oil companies have increased the pace of setting up new retail outlets, large scale up gradation of existing sites, innovative marketing initiatives, loyalty programs, and strategic alliances to retain their existing customers. The new entrants are facing many

challenges in creating their retail network. These include proliferation of network by existing players, high cost of land in cities, stringent guidelines, for setting up outlets in national highways

Currently, most of the oil companies have adopted brand value concept. According to the industry experts, “use of technology, restructurings of retail outlets is on increase, retail value and location have become important.” It is expected that there would be more innovative developments in the retail outlets.

4.5 Performance of Oil Industry in 2004-05

Two factors namely high subsidy under-recovery and lower marketing margins affected the profits of Indian oil industry in 2004-05

- The industry's overall profitability declined in 2004-05 on account of lower marketing margins and a subsidy under-recovery burden.
- High international crude oil prices increased the realizations of oil producers in 2004-05. On the product front, demand growth outstripped supply. The resultant increase in international product prices enabled a sharp rise in domestic refining margins in 2004-05. Gross refining margins (GRMs) are estimated at \$6.5 per barrel in 2004-05, as against \$5.25 per barrel in 2003-04.
- Although the increase in refining margins proved to be beneficial to the profitability of standalone refining players, the drop in marketing margins and higher subsidy under-recovery on LPG and SKO lowered the profitability of integrated companies in 2004-05.
- The decrease in marketing margins on retail auto fuels, from Rs 1,500/kl in 2003-04 to 1,200/kl in 2004-05, was on account of the non-revision of MS and HSD prices, even as international prices increased substantially during the year. Public sector oil marketing companies (OMCs) have also been bearing losses on LPG and SKO, on account of the under-recovery of subsidies. With international prices ruling high, the total subsidy under-recovery on these two products is likely to be

substantially high, at Rs 150 billion in 2004-05 (as against Rs. 67 billion in 2003-04).

- The total demand for petroleum products is expected to increase by 3 per cent in 2005-06, driven by the rise in the demand for LPG, MS and HSD. While MS demand is expected to grow by 11 per cent, HSD demand is expected to increase by 5 per cent, largely due to sustained growth in industrial activity and higher rural demand, boosted by a growth in agricultural production. While overall refinery capacity utilization is expected to dip marginally due to capacity expansions in 2005-06, it is forecasted that a 5 per cent growth would occur in the overall supply of petroleum products.
- CRIS INFAC estimates annual average crude oil prices for 2005-06 to be lower at \$39-41 per barrel, as against an expected \$41-42 per barrel in 2004-05. Prices are expected to soften on account of a marginal improvement in demand-supply. While the incremental growth in demand is expected to be lower, OPEC capacity is expected to increase. Despite lower crude prices, GRMs are expected to remain strong in 2005-06 owing to strong international demand. However, they would be tempered to an extent by the reduction in duty protection from 3.1 per cent to 2.6 per cent in the 2005-06 Budget.

4.6 Introduction to Bharat Petroleum Corporation Ltd. (BPCL)

4.6.1 Background

Bharat Petroleum Corporation Limited (BPCL) is a global Fortune 500 petroleum company in India. BPCL is in the business of refining, storing, marketing, and distributing petroleum products. The government of India on the basis of an agreement reached with the UK- based Burma-Shell, has incorporated Burmah-Shell Oil refineries Ltd. in the year 1952. In the year 1975, with the passage of 'The Burmah-Shell (acquisition of undertaking in India) Bill', the government took over the operations of the company and has changed its name to Bharat Refineries. The company that sold only kerosene, slowly expanded to set up service stations to sell petrol as well. Later Bharat Refineries became the first Indian company to introduce LPG for domestic cooking purposes. In the year 1977 the company's name was changed to Bharat Petroleum Corporation Ltd. (BPCL).

The economic reforms initiated by the Government of India paved way for major changes in BPCL. The company entered into marketing contracts with Indo-Burmah Petroleum (IBP), Madras Refineries Ltd. (MRL) and Cochin Refineries Ltd. (CRL). In 1993 BPCL tied up with its erstwhile partner Shell, to form Bharat Shell Ltd. (BSL) In 1994 BSL launched lubricants under the Shell brand. In the year 1994, 3.8 percent of BPCL's equity was disinvested in favor of its employees. In the year 1998-99, the Government has decided to further disinvest 26 percent of its stake in BPCL. This move has given BPCL greater freedom to develop employee policies. It has also enabled the company to take decisions related to capital expenditure projections without the interference of the government.

4.6.2 Structural Changes at BPCL

The year 1995 was considered to be the turning point in the history of BPCL, as the management decided to make radical changes in the operations and structure of the company ready it for the changing dynamics of the market realities. It took a path towards market driven existence by attempting to transform into a 'customer –oriented organization'. The liberalized market has experienced the new entrants' strategies of exploiting the weakness of established players to get a foothold in the market. In most of the cases the weakness of the established players happened to be the lack of customer orientation.

The first step that BPCL took to become customer orientation was a total redesign of the organizational structure. Organization redesign started in 1998 with the help of consultant Arthur D. Little and its group of consultants. They formed a Project Group with over 30 people drawn from different functions and regions with a General Manager as their leader. It was called Project CUSECS meaning customer satisfaction. Their main thrust areas were better customer service, profitability, creation of strategic business units (SBUs) and dividing the organization into regions

The shift was from having functional focus to process-oriented focus. This was a tremendous task and it took nearly three years to complete the task this exercise has led to the establishment of six Strategic Business Units (SBUs) namely, Retail, Aviation, Lubricants, LPG, Industrial & Commercial (I&C) and Refinery. These SBUS were integrated with support entities like Information Systems, finance, Human Resources, Strategy and Brand Management. This restructuring was designed to help the organization focus on specific customer segments and address their individual needs.

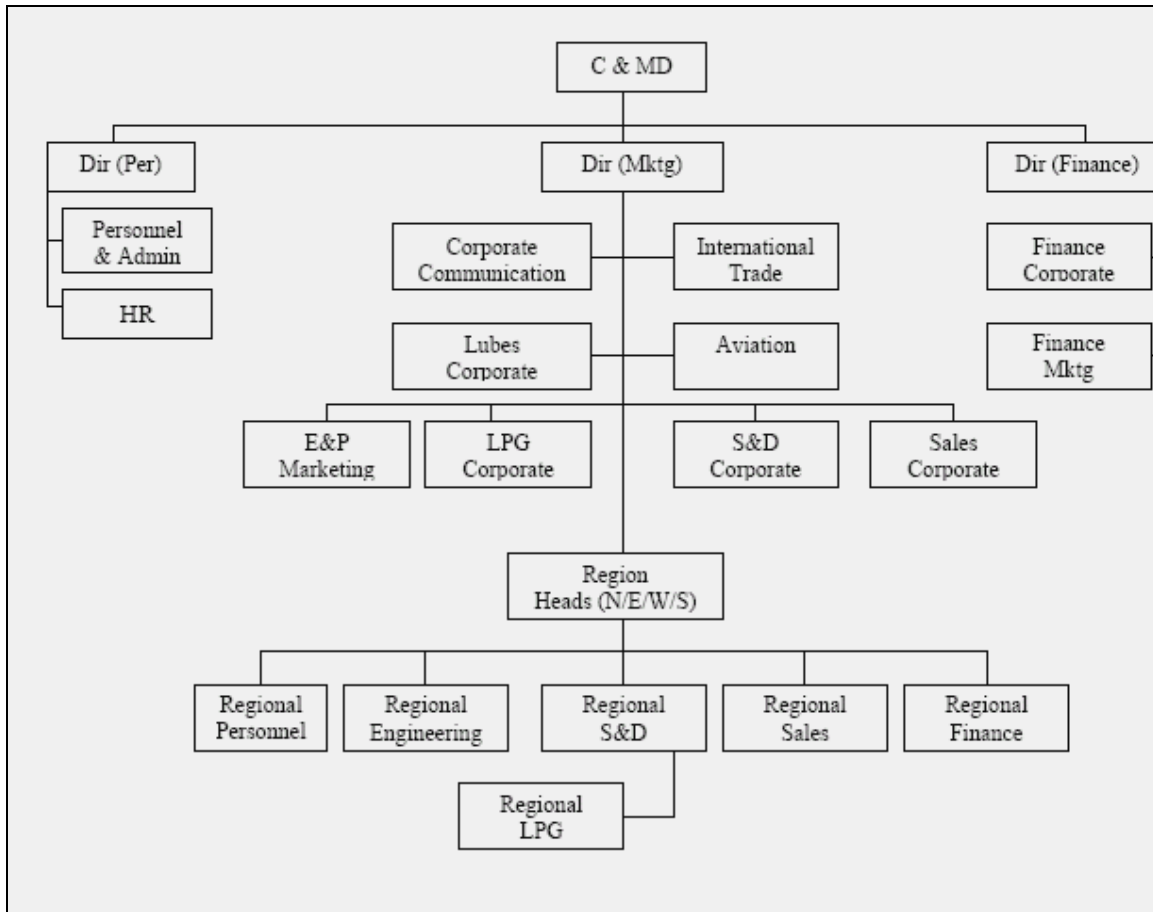


Fig 4.13: Organizational Structure before the Redesign of BPCL

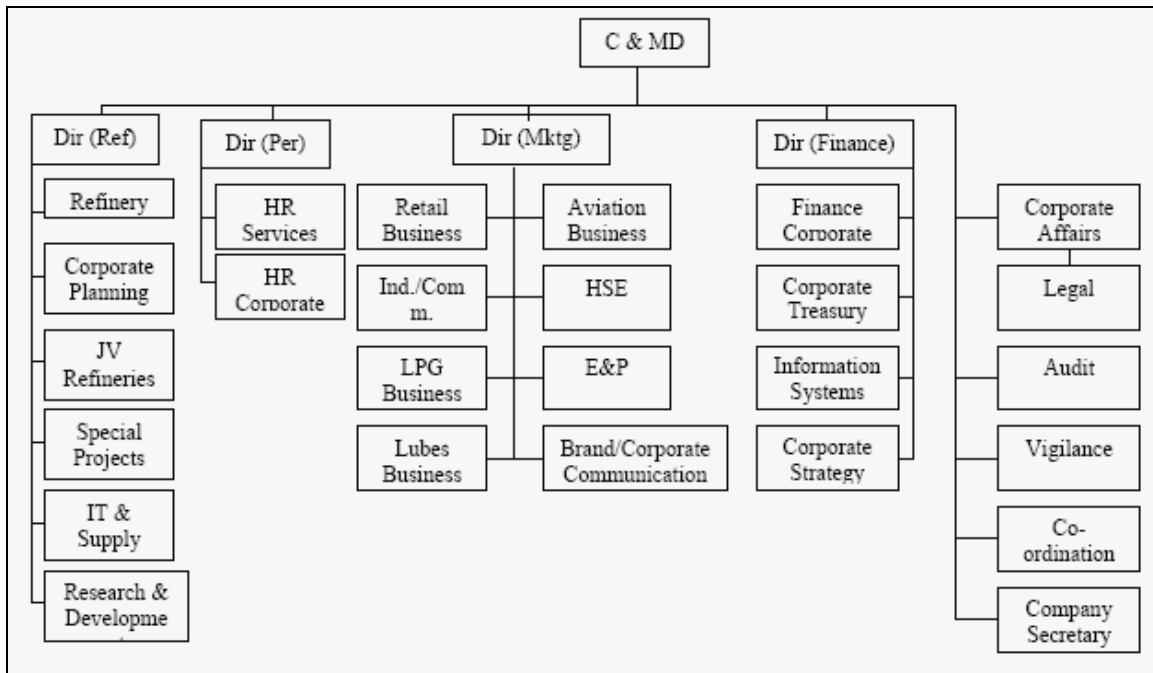


Fig 4.14: Organizational Structure after the Redesign of BPCL

By mid-2001, BPCL's nationwide retail network comprised 4,500 outlets, 60 percent of which were company-owned or leased- the highest percentage among oil PSUs. The retail sales accounted for around sixty percent of the company's sales volume, with average sales per outlet being 223 Kilo Liter per month. In 1999-2000, BPCL's market share was 32 percent in petrol and 27 percent in diesel. However the company's share, in lubricants, the most profitable product, was relatively low, partly because the company had to depend on other oil companies for the base oil needed to make lubricants.

Every year approximately 300 to 400 outlets of BPCL undergo some sort of renovation or up gradation. In some cases it's more rebuilding; in some cases it's only some structural changes and up gradation in terms of laying out the driveways or providing canopies. The underlying principle in this activity was that all this money had to pay for itself. So all the field staff was instructed that before a capital investment was made, it should be capable of giving a return of at least 15 per cent. BPCL has put that as a very strict bar. While the company spends a lot of money they have this confidence that it's spent gainfully. BPCL increased its emphasis on retail business and increase its non-fuel revenues, by leveraging on the strength of its retail network by providing value-added services like convenience stores (known as IN & OUT stores), Automated Teller Machines (ATMs), and Internet kiosks. Simultaneously the company has also realized the importance of Information Technology and has started using IT in its initiatives.

4.6.3 Performance of BPCL in 2004-05

In 2004-05, BPCL showed improved physical performance in both refining and marketing. The consolidated crude throughput increased from 18.8 MMT to 19.1 MMT. Market sales increased from 20.9 MMT to 21.8 MMT. On the financial side, however, the under-realization on retail products resulted in a negative effect on the profitability of the Corporation. High refining margins in the international markets helped all the refining companies in returning excellent results. BPCL profits, however, declined considerably. The company's net profit reduced by about 12% from Rs.23.64 billion to Rs.20.74 billion. The increasing costs of procurement due to increase in international prices of

crude oil and products could not be passed on to the consumers fully. This has resulted in a sharp decline in the margins for the retail business.

On the refining front, the BPCL refinery in Mumbai, commissioned a number of new units, in addition to achieving an increase in the crude throughput. The Mumbai refinery had to undertake a number of projects in order to produce Euro III grade products.

On the marketing front, BPC retained its second position in the retail market. In the year 2004-05, a number of new outlets were commissioned and new initiatives like the new Retail Visual Identity (RVI) have also been taken up to bring in more customers. BPCL also introduced the branded version of HSD under the name 'Hi Speed Diesel'. This has been received well in the market and is expected to emulate the success of 'Speed', which remains the market leader in its segment.

The company focused on network expansion with the commissioning of 892 retail outlets representing 25% of the 3625 new retail outlets commissioned by the industry members. BPCL's new retail outlets have stood apart from the other industry members and this is borne out by the fact that the throughput per retail outlet for BPCL at 173 Kilo Liters (KL) per month is 25% higher than that of other industry members having a similar size of network. On the physical front, the year was marked by extensive success achieved by "Speed", the market leader in the branded fuels segment. With a 14% share of motor spirit (MS) volumes, Speed recorded sales of 344 TMT through a 1598 strong retail outlet network and consolidated its leadership position with a 42.3% share of a rapidly expanding market.

BPCL has introduced the premium HSD product "Hi Speed Diesel" during the year 2004-05. Currently, "Hi Speed Diesel" is available in 443 outlets and has recorded a sale of 42 TMT during the first six months of its launch. The company expects that by the end of the financial year 2005-06, sales of "Hi Speed Diesel" would touch 500 TMT per annum. As far as BPCL's standard products are concerned, MS sales were at 2.11 MMT and HSD sales were at 8.09 MMT.

On the financial side, the retail business had encountered major problems during the year 2004-05. The increasing costs of procurement due to increase in international prices of crude oil and products could not be passed on to the consumers fully. This has resulted in a sharp decline in the margins for the retail business. The average margins realized during 2004-05 were less than half of the margins realized in 2003-04. This has led to a substantial decrease in the earnings for all oil marketing companies and has affected their profitability considerably. In the case of BPCL, the profitability of the retail business is very important as the major portion of the Company's sales are through this channel. The drop in BPCL's profits is mainly a result of this reduction in retail margins. In fact, the problem has worsened during the first three months of the financial year 2005-06 and the retail business has been making a loss on the mainline products.

4.6.4 Lubricants Business of BPCL

The Lubricants Business has led the government controlled oil PSU companies in sales growth with a volume growth of 5% over the previous year (2003-04). This growth was in spite of the increasing base oil prices and other input costs. The significant achievement of BPCL the year was the four major tie-ups signed by BPCL with the market leaders in various segments. BPCL's partners are M/s. Tata Motors, L&T Komatsu, ELGI Compressors and M/s ZF Steerings. These tie-ups are expected to generate healthy volume and customer loyalty, thereby increasing market share and also enhancing brand. The Genuine Oil tie-up for the four stroke engine oil, Hero Honda 4T Plus with M/s Hero Honda has resulted in BPCL gaining the leadership position in the Hero Honda Genuine Oil segment.

Export of lubricants is another area of focus wherein the gains of the previous year (2003-04) were consolidated with impressive growth of 15.6% in 2004-05. Besides a traditional market like Nepal, BPCL has exported consignments to West Africa for the first time. Several new business prospects in some countries in the Middle East, Commonwealth of Independent States (CIS) countries, Africa and South East Asia are being pursued by the company to get new business outside India.

Tables indicating the consolidated results of BPCL (2004-05, 2003-04), performance profile of BPCL (2000-2001 to 2004-05) and sales volume of BPCL (2000-01 to 2004-05) are presented below.

CONSOLIDATED GROUP RESULTS		
	2004-05	2003-04
Physical Performance		
Crude Throughput (MMT)	19.10	18.81
Market Sales (MMT)	21.80	20.95
Financial Performance		
		Rs. in Million
Sales / Income from Operations	720,366.03	627,720.02
Less: Excise Duty Paid	(76,117.60)	(72,090.06)
Net Sales / Income from Operations	644,248.43	555,629.96
Gross Profit	41,032.93	49,172.30
Interest	2,468.94	2,576.66
Depreciation & amortisation	8,809.71	8,266.09
Profit before Tax	29,754.28	38,329.55
Provision for Taxation - Current	7,823.91	11,807.55
Profit after Current Tax	21,930.37	26,522.00
Provision for Taxation - Deferred	2255.65	2173.28
Excess/ (Short) Tax provision in earlier years written back/provided for	1065.93	(705.09)
Net Profit	20,740.65	23,643.63
Minority Interest	5,321.03	3,304.63
Net Income of the group attributable to BPC	15,419.62	20,339.00
Group Earnings per share attributable to BPC (Rs.)	51.40	67.80

Source: BPCL Annual Report 2004-05

Fig 4.15: Consolidated Results of BPCL (2004-05, 2003-04)

	2004-05	2003-04	2002-03	2001-02	2000-01	1
1. Crude Oil Processed (000 Tonnes)						
Imported	5093	4543	3230	3587	2743	
Indigenous	4045	4214	5481	5183	5919	
TOTAL	9138	8757	8711	8770	8662	
2. Production Quantity (000 KL)	10473	10210	10291	10355	10348	
Light Distillates %	32.39	33.27	34.32	33.51	34.74	
Middle Distillates %	49.13	49.13	50.73	50.45	49.43	
Heavy Ends %	18.48	17.60	14.95	16.04	15.83	
3. Fuel and Loss as % of Crude Processed	5.9	5.7	5.6	5.6	5.4	
4. Aromatics Production (MT)						
Benzene	44243	43178	69798	56360	75293	
Toluene	10042	12759	20013	16610	16344	
5. Market Sales (MMT)	21.03	20.37	19.86	19.15	19.35	
6. Lubricants Production (MT)	106287	101245	112730	99875	96624	
7. Market Participation %	21.9	22.1	22.0	21.5	21.4	
8. Marketing Network						
Installations	12	12	17	19	19	
Depots	123	129	153	171	164	
Aviation Service Stations	19	19	19	19	19	
Total Tankages (Million KL)	3.05	3.08	3.13	3.23	2.94	
Retail Outlets	6426	5530	4854	4711	4562	
Number of LPG Bottling Plants	44	42	40	40	38	
LPG Distributors	2061	1922	1828	1729	1421	
LPG Customers (No. Million)	21.32	19.43	16.99	15.28	13.80	
9. Manpower (Nos.)	12029	12434	12494	12586	12670	
10. Sales and Earnings (Figures in Rs. Million)						
i) Sales and Other Income *	633500	529828	475844	425597	471532	
ii) Gross Profit before Depreciation, Interest & Tax	20922	33016	27204	21144	20332	
iii) Depreciation	5960	5612	4809	4810	6645	
iv) Interest	1398	1050	2459	3066	2556	
v) Profit before Tax	13563	26355	19935	13268	11131	
vi) Tax	4271	9284	7281	4911	2930	
vii) Excess/(Short) provision for Taxation in earlier years written back/provided for	366	(125)	(154)	141	126	
viii) Profit after Tax #	9658	16946	12500	8498	8327	
* Figures from 1986-87 includes Sales to Other Oil Companies.						
# After adjusting prior period tax.						

Source: BPCL Annual Report 2004-05

Fig 4.16: Performance profile of BPCL (2000-2001 to 2004-05)

SALES VOLUME ('000 MT)

	2004-05		2003-04		2002-03		2001-02		2000-01	
	Sales	Market Share (%)	Sales	Market Share (%)	Sales	Market Share (%)	Sales	Market Share (%)	Sales	Market Share (%)
Light Distillates :										
Naphtha	1047	16.0	1373	19.4	1263	17.2	1379	17.2	1326	16.4
LPG (Bulk & Packed)	2593	26.1	2329	25.6	2030	24.9	1788	24.5	1612	24.3
Motor Spirit	2460	30.0	2453	30.9	2384	31.3	2192	31.2	2062	31.1
Special Boiling Point Spirit/Hexane	24	16.9	30	19.0	34	38.2	36	37.2	46	43.8
Benzene	48	53.2	46	52.9	66	55.0	59	60.8	78	53.8
Toluene	11	20.3	8	20.7	19	30.2	17	31.5	15	24.6
Polypropylene Feedstock	49		17		5		3		4	
Regasified-LNG	250		-		-		-		-	
Others	100		82		54		30		28	
Sub Total	6582		6338		5855		5504		5171	
Middle Distillates :										
Aviation Turbine Fuel	587	20.6	566	22.5	517	22.4	506	22.3	509	22.6
Superior Kerosene Oil	1619	16.8	1614	16.7	1656	16.6	1653	15.9	1791	16.4
High Speed Diesel	9112	23.9	9023	24.3	8853	24.1	8743	23.9	9237	24.2
Light Diesel Oil	158	14.5	146	12.3	181	12.6	132	10.9	152	10.6
Mineral Turpentine Oil	85	36.8	93	41.7	101	42.1	94	44.8	101	45.3
Sub Total	11561		11442		11308		11128		11790	
Others :										
Furnace Oil	1671	20.7	1366	19.1	1331	19.6	1281	18.5	1238	19.4
Low Sulphur Heavy Stock	708	16.2	741	16.1	801	17.0	711	15.3	607	12.2
Bitumen	387	11.7	371	10.9	444	15.8	421	17.4	440	16.6
Lubricants	117	14.1	111	12.6	117	12.3	106	12.8	99	12.3
Sub Total	2883		2589		2693		2518		2384	
Grand Total	21026	21.92	20639	22.07	19856	22.0	19150	21.5	19345	21.4

Note: Market Share is based on Sales Volumes of Public Sector Oil Companies.

Source: BPCL Annual Report 2004-05

Fig 4.17: Sales Volume of BPCL (2000-01 to 2004-05)

4.7 CRM Initiatives at BPCL

As mentioned in the earlier sections the petroleum retail sector in India, in the recent years has witnessed fundamental changes in the way business is being done. With the deregulation of the sector in 1999, and the ongoing process of divestment of the government's stake in the business, the sector has been exposed to new market forces. The competitive threat has become bigger for the existing players. Significantly, the existing players have recognized the need for them to evolve to be marketing driven, service driven and, ultimately, relationship driven.

The retail experience, with the petrol outlet till recently, was considered as a place to buy fuel for the vehicle, and pay the cash through preferred payment mode. In recent times, however, the outlets have seen a complete facelift, with new multi-fuel dispensers, better trained attendants, and service elements. The product offering has widened to include blended fuels, branded fuels, high-octane fuels, lubricants, groceries and more. The outlet itself is expanding to include grocery stores, cafes, bank ATMs, internet kiosks, etc., giving the customer more reasons to spend time and money at a location that offers more than just fuel. Credit cards, debit cards and loyalty cards are also widely accepted.

The pioneer in introducing customer relationship program in petroleum retail sector was BPCL with its 'smartcard' (plastic card with a micro processor chip embedded on it) based Petro Bonus program, launched in September 1999. When developing the program, BPCL had no significant local examples to go by, except the frequent flyer programs being run by the airlines. Petro Bonus has become the largest loyalty program in India. It rewards the customers for all purchases made at Bharat Petroleum retail outlets. Petro Bonus offers the convenience and security of paying through electronic purse, with the added opportunity to earn valuable rewards and exclusive benefits. On enrolling into the program, the customer would receive a personalized stored value smart card- the Petro Card.

4.7.1 Objectives of CRM Initiatives at BPCL

A detailed study and careful analysis of the information related to CRM initiatives undertaken at BPCL would reveal the following objectives of the programs undertaken by the company. The objectives are listed as follows:

- To increase the loyalty of customers towards BPCL, through the launch of card based loyalty program.
- To provide quality products to the customers, thereby improving the brand image.
- To encourage the customers to buy lubricants etc. from BPCL outlets, thereby attempting at up-selling.
- To reward the customers who have shown high loyalty towards the purchase of BPCL products.
- To encourage customers to buy convenience items at the stores located at the fuel outlets, thereby attempting at cross- selling.

4.7.2 Details of Petro Bonus Program

The Petro Card is a plastic card with a micro processor chip embedded on it; it accepts stores and sends information. It can hold as much as eighty times more data than a magnetic stripe cards (like a normal credit card). One can load money at the BPCL Petro Bonus outlets and use the Petro Card to purchase fuel, lubricants and all items sold in the IN & OUT stores. Each time the customer uses the Petro Card to make payments; he/she would earn loyalty points called Petro miles, which one can redeem for gifts and rewards. The loyalty points are stored on the card, which also has advanced security features.

A sample of 'Petro miles' earned for a purchase worth Rs.100/- (one hundred rupees)

Amount Spent	'Petro miles' earned
Rs.100 on petrol	15
Rs.100 on 'Speed'	25
Rs.100 on diesel	15
Rs.100 on lubricants	250
Rs.100 on IN & OUT Stores	100

The concepts of IN & OUT Stores and SPEED fuel are explained later in the following sections.

4.7.2.1 Other opportunities to Earn ‘Petromiles’

Apart from the purchases made at BPCL retail outlets, a customer can also obtain ‘petromiles’ through the following means.

Occasion	Bonus Petromiles
Enrollment	250
Birthday	250
Loading bonus	
Rs. 1,500 to Rs. 3,000	60
Rs. 3,100 to Rs. 4,500	250
Rs. 4,600	350

4.7.2.2 Loading money on the ‘PetroCard’

The following are the steps involved in loading money on to the ‘Petrocard’.

- The customer should pay money to be loaded on the Petro Card to the dealer (a minimum of Rs. 500 or multiples of Rs. 100 thereafter) and hand over his card to the dealer at the outlet.
- The dealer will insert the Petro Card into the reader and load the card equal to the money paid by him. Then he returns the card now loaded with money along with a receipt, which will be printed by the terminal. The card will then be ready to be used for payments of all items purchased at the PetroBonus outlet.

4.7.2.3 Exchanging ‘Petromiles’ for Rewards

The following are the steps involved in exchanging ‘Petromiles’ for rewards.

- The member visits the redemption counter at the ‘PetroBonus’ outlet and informs the counter staff of the number of ‘Petromiles’ he wishes to redeem.

- The counter person will insert the card, enter the 'Petromiles' to be redeemed and ask the customer to enter his PIN and hand over his redemption receipt to him.
- Once the 'Petromiles' are deducted from the 'PetroCard' the contact person will give the reward to the customer.

The "Petro Card" base grew by 0.3 million customers to reach 1.45 million. Keeping in mind the increasing penetration of credit and debit cards in various consumer segments, BPCL has entered into strategic payment-facilitating alliances with State Bank of India and HDFC Bank.

4.7.2.4 Working of the "PetroCard"

DIREM is one of the consultancy firms that had helped BPCL in conceiving and implementing the loyalty program. Pine Labs, another consultancy firm selected by BPCL, for this project built a complete smart card solution that included proprietary back end software, point of sale (POS) terminal software, communication software interfacing with a X.25 provider, and security layer. For the project to be declared a success, the solution needed to be available 24x7 with an up time of 99.9%. The solution should also include high security encryption to prevent fraud prevention, provide accurate transactions data, successful communication with banks, and integration into the bank's systems for periodical reconciliation of accounts.

The solution is integrated with smart cards and POS terminals supplied by multiple vendors including Schlumberger.

This application has following modules:

- Card Issuance Engine
- Transaction processing
- Backend processing
- Financial reconciliation
- Reporting and third party integration

The solution has been in operation since September, 1999. It has been migrated in February, 2003 from Windows based system to multi-tier J2EE architecture.

At present, the solution has three components:

- Payment application
- Loyalty application
- Fleet application

This largest smart card based project in India was a huge success and it provided the edge to BPCL over its competitors. The software is currently running in 40 cities and 1,000 gas stations in Asia. The current cardholder base is about 1,500,000 with about 100,000 transactions worth about \$1,000,000 a day.

The terms and conditions for petrobonus members and general information related to the program are presented at the end of this chapter.

4.8 The Concept of “PURE FOR SURE”

Bharat Petroleum recognized that one of the basic needs of the customers is pure quality and correct quantity of fuels. Bharat Petroleum had passionately committed to making this need a reality at its retail outlets. As one of the major initiatives in this direction, Bharat Petroleum has launched an 'Enhanced Fuel Proposition' (EFP) program - A nation-wide effort at dispensing pure quality and correct quantity of fuel, and at the same time delivering courteous, fast and efficient service.

The retail outlets covered under this program display the '**Pure for Sure**' sign - an outturned palm forming a circle with the thumb and the first finger - also imprinted on the dispensing units and on the back of the blue uniform sported by the staff, and TUV's (TUV SUDDEUTSCHLAND - INDIA, a renowned international quality agency) certificate displayed at the outlet. At such Retail Outlets, Bharat Petroleum guarantees that the correct quality and quantity are dispensed. In order to be able to do so, strict quality control and tracking measures have been put in place at every point from the Supply Point (Depot) to the customer's fuel tank.

Special locks have been provided in tank lorries and comprehensive sealing has been undertaken at the dispensing units. Before certification, the retail outlets are subjected to stringent tests by TUV SUDDEUTSCHLAND - INDIA, a renowned international quality agency, to ensure that all parameters of the program are complied with. Mystery audits and extensive inspections are carried out at these Retail Outlets to ensure that they continue to comply with the requirements of the EFP program.

4.8.1 Expectations of the Customers from 'PURE FOR SURE' Program

According to the executives of BPCL "Pure for Sure" program could fulfill the following expectations of the customers.

- Value for money from "Pure for Sure" outlets as these outlets dispense right quantity of pure fuel.
- Better mileage and lower maintenance expenses on their motor vehicles.
- Efficient fuelling and courteous service resulting in saving of time.
- Reduced pollution due to the use of pure fuel.

During the last three years Bharat Petroleum has implemented a set of Customer Service Standards, which has been well appreciated by customers. The 'Pure for Sure' program is an even more focused, and intense effort towards ensuring Quality and Quantity, courteous and quick service.

4.8.2 Guaranteed 'Q&Q' (Quality & Quantity) Program

The main features of this program are:

- a) Tamper proof locks: - Supplying product to retail outlets in modified tank lorries fitted with tamper proof locks.
- b) Comprehensive sealing: - dispensing units are sealed in a comprehensive manner, which makes meter tampering impossible.
- c) Periodic and surprise checks by staff: - Stringent periodic and surprise checks are carried out to check for correct delivery and the sealing of the pumps.

d) Testing of product samples: - regular comprehensive testing of samples for clinical and octane rating is done with an element of surprise.

e) Certification of Retail Outlets: - periodic audits and re-certification of retail outlets by a reputed certification agency called M/s. TUV SUDDEUTSCHLAND, India, headquartered in Germany.

f) Efficient Fuelling: - In view of the time pressures, brought about by factors like changing lifestyles, consumers do not like to wait at the retail outlet for fuel. Consequently, smooth traffic flow, optimum use of the facilities creates opportunities for efficient fuelling of vehicles.

g) Dedicated manpower: - Dedicated field staff has been placed to monitor and sustain the program.

4.8.3 Courteous Service

BPCL believes that customers choose vendors on their value perceptions, which include quality, reliability and expertise. According to the company executives, each time the customer drives into the retail outlet he needs to be recognized and acknowledged, greeted with a smile, made to feel special, and cared for. It may perhaps take three or four fills for the customer to notice an improvement in Q&Q. But his first exposure to exemplary courtesy and personalized service will make an instant impact, resulting in reinforced consumer confidence and positive referrals.

4.8.4 Efficient Fuelling

As time is a vital factor, the level of service should be quick and efficient so as to bring home the fact that precious time is not wasted on delayed transactions. In adherence with its Q&Q promise to the consumer, Bharat Petroleum has evolved systems that are aimed at vigilantly tracking performance on measures that monitor these efforts, as well as the resultant performance on various elements. Feedback on an outlet, i.e. dealer performance, time taken to fuel each vehicle, Q&Q checks, etc. Performance is also

tracked through feed backs obtained from customers frequently patronizing an outlet, through a questionnaire specially designed for the purpose.

The measures taken by BPCL with its market driven operations have made an impact on competition. Hindustan Petroleum Corporation Ltd. (HPCL) launched 'Club HP' initiative as a response towards BPCL's 'Petrobonus' program. For BPCL the Petro Card holders turned out to be faithful clientele. With over one and half million users, the Petro Card is the most successful loyalty program in the industry. The world over, integrated oil firms get over 20% of their total profits from retail. This indicates that competition is bound to increase in this area. Petroleum retail outlets across the world are shifting their focus into value added services like vehicle management, non-fuel services like fast food centers, convenience stores etc.

BPCL has successfully demonstrated that even a public sector enterprise, with the right focus on the customer, and efficient Customer Relationship Management programs could do a better job in delivering customer value, thereby improving customer loyalty, resulting in an overall increase of share holder wealth. Excluding the new outlets BPCL has nearly spent about Rs 150-200 crores a year on the remodeling of out lets.

4.8.5 Status of 'Pure for Sure' Program

Bharat Petroleum dealers have responded voluntarily to join the "Pure for Sure" program. This has made a joint initiative between the Company and the dealers possible to provide courteous service, assured Quality and Quantity and efficient fuelling at the retail outlet. This program is a continuous effort and involves systematic certification and therefore, interested Dealers are able to join the program only in phases.

This program is being launched in phases. The first phase of Retail Outlets that have been certified covered the four Metros Bangalore & Hyderabad, at one hundred and eight sites. BPCL's commitment to delivering value to the customer remained at the forefront with expansion of the "Pure for Sure" (PFS) network through the enrolment of one thousand three hundred and fourteen retail outlets under the PFS brand during the year 2004-05. With a total of three thousand nine hundred and seventy three (3973) retail outlets

certified under the PFS banner, 62% of the BPCL's retail outlets network consistently delivers superior value to the customers covering 75% of the Company's fuel volumes. BPCL is making efforts to ensure proper quality and delivery of right quantity even at non – PFS outlets. In this direction, even these outlets have been brought within the ambit of a third party audit. Keeping pace with the changing times, a new Retail Visual Identity (RVI) of BPC has been developed after an extensive idea generation and conceptualization exercise. The new RVI, built on the theme of water under the forces of nature, is being displayed at 80 retail outlets with work in 82 more in an advanced stage of completion.

4.9 “IN & OUT” Convenience Stores

BPCL is the pioneer establishing convenience stores in India. In the year 1994 BPCL has set up the first convenience store in New Delhi. BPCL has commissioned one hundred and forty six (146) “In & Out” Convenience Stores during the year 2004-05. The network of 380 In & Out stores, considered to be the largest organized convenience retailing proposition in the country, grew by 62% in sales turnover to Rs.700 million. During the year, 2004-05, five “In & Out” stores moved up to the “millionaire club” by touching sales of Rs.1 million per month, with several more stores within close range. Aware of its social commitment, BPCL has ensured that select In & Out stores have special facilities for ease of access and upgraded toilet facilities for the benefit of physically challenged customers.

BPCL firmly believed that a single format of retail is not going to work everywhere. So it considered the catchment area to be the key factor. During the course of time, the other learning of the company was that in terms of range or products offered BPCL needs to be very focused and selective. During a research among the consumers in cities, BPCL has found some critical factors. In the metros, customers in their feed back have preferred facilities such as payment of bills, telephone cards, developing photographs (daily services under the same roof) etc. With this finding, BPCL thought of developing this further and that's how the concept of 'In & Out' was born.

The mix of convenience offerings from the store is being enriched through the expansion of alliances with an intention to fill customer need gaps in an innovative manner. According to the company executives, the whole model was based on the Western concept of convenience retailing. In this system BPCL typically had a whole range of things, with some of them being purely impulse products. In addition to this BPCL had a lot of things that were tailored to local needs and left to the local team to decide. They stores also varied in size. In&Out stores have a wide range of services viz., ATMs of leading Banks, Music stores from Planet M and Music World, Beverages from Pepsi, Coffee and snacks from Cafe Coffee Day and Coffee Day Xpress and a variety of impulse buys including confectionery, snacks, convenience foods, toiletries and select range of branded groceries and other FMCG products through exclusive tie-ups with such FMCG majors like ITC, Cadbury and Frito-Lay.

4.9.1 Strategy behind 'IN & OUT'

BPCL wanted to try the IN & OUT concept in metros first, as the company officials believed that it is in metro cities where customers are short of time and would love to have somebody do all these small things that are an irritant but that need to be done. It thought that people wouldn't mind paying a nominal charge to have these things done. BPCL describes that as the 'Errand Mall'.

BPCL uses a core area where convenience products or impulse products would be displayed and are surrounded with some of the services that will make sense to the customer. The company looked at a number of services and short-listed some of them, the logic being that it should not take much time - not more than 3 to 5 minutes per transaction (thus the name 'In & Out') and also something that will make sense from the network point of view. Also, there was a need for flexibility, to be able to replace one service with another. When the company explained the whole concept to its partners, it made a lot of sense to them as well. What it meant to them was that it was very flexible

so if it's not working very well they could remove it and without having to make much investment.

Most of the IN & OUT stores are located in all the metros. In the case of ATMs, BPCL made offers to several banks. So it had several partners such as HDFC, Standard Chartered, ICICI etc. The whole 'In & Out' concept involves two kinds of partners. One set run the counter themselves. For example, companies such as Kodak or Qwiky's have their own people to run their counters. The other category group engages common service personnel along with BPCL outlet. However, the overall management of the store is done through BPCL's dealer, except in company-owned and operated outlets where BPCL directly runs them.

The other option BPCL has identified apart from metro cities is the outlets located on highways. Here BPCL's first experiment was with McDonald's at Mathura on the Delhi-Agra route. BPCL claims that it's been a success. The company is now examining other sites where this kind of arrangement is possible.

Along the highways BPCL has outlets that the company calls 'One-Stop Truck Shop'. They have a dhaba (a place where typical north Indian food is prepared and served) which is leased to someone else. They also have rest rooms with bathing facilities for truck drivers. There are also tyre shops and a small store that caters to the needs of truck drivers. This format is still evolving.

4.10 Concept of 'Fleet Card'

The Petro Card was aimed at individual customers. This facility catered to the needs of individuals, but people such as truck operators asked for the facility where they could pay at one point and have several cards with various drivers. This gave BPCL the idea for the Fleet Card. It offers a centralized payment system and allows the reward points on all cards to be accumulated.

BPCL also realized that there are many large transport operators who work on the highways. It thought about a way of linking them to their drivers through this card. When a driver uses a card at an outlet; the head office of his company immediately gets a message about where the card was used and at what time. So the company can keep track of its drivers. BPCL is also working on a message system through which the drivers can send messages to the head office and vice versa. It is also examining at all sorts of other services such as recovery services and other emergency services.

Regarding the connectivity given for Fleet Card users, BPCL is examining the possibility of connecting Delhi, Mumbai, Chennai and Kolkata. Around 300 outlets on this route have been selected and the system is already operational in around 70 per cent of these outlets. The “Smart Fleet” (smart fleet concept is explained in the later sections) base grew to 0.49 million with the enrolment of 63,000 heavy vehicles during the year 2004-05.

4.11 Terms and Conditions of PetroBonus Program

BPCL has given the following terms and conditions applicable to PetroCard holders. The terms and conditions are intended to protect customers’ rights as a Member of PetroBonus. These provisions will govern customers’ participation in this program. Membership and benefits of PetroBonus Rewards Program are offered at the sole discretion of Bharat Petroleum Corporation Limited.

4.11.1 Definitions of Terms used in ‘PetroBonus’ Program

“PetroBonus” & “Programme” refers to “The PetroBonus Rewards Programme” which is owned and operated by BPCL in various cities/outlets across India.

‘Member’ means a Member of PetroBonus.

‘Petro Card™’ and ‘Card’ refers to the pre-paid card that the member receives as a Member of PetroBonus.

“Petromiles” means the award given to a Member for utilizing the services or facilities offered by BPCL or its Service Partners as specified in the Programme from time to time.

‘Service Partners’ refers to all of the partners that offer services, benefits, Petromiles, redemptions or any facilities and arrangements to the Members of PetroBonus.

‘Reward’ is the benefit and service that a Member can avail of through exchange of his or her Petromiles.

Participating BPCL Outlets’ refers to the BPCL outlets offering Petromiles earnings.

‘Member Service Centre’ means the dedicated centre for Members’ queries related to PetroBonus only.

4.11.2 General Terms

The PetroBonus Terms and Conditions are governed by the laws of the Republic of India and will be restricted to the Mumbai jurisdiction under the Mumbai High Court.

The PetroBonus membership and its benefits are offered at the sole discretion of BPCL.

4.11.3 ‘PetroBonus’ Membership Enrolment

Membership is open to all individuals who are aged 18 (eighteen) years or more by filling up a PetroBonus Application Form and paying an enrolment fee (currently Rs.250/-) at any of the participating BPCL Outlets.

Enrolment into PetroBonus must be in the individual’s full legal name, and proof of identification will need to be provided on request.

Any change of information as provided in the PetroBonus Application Form must be notified to Member Service Centre in writing.

The PetroBonus membership is valid for a period of six years from the date of joining the Program. The Petromiles earned are valid for a period of six years from the date of earning those Petromiles, subject to having a valid membership.

However, on expiry of the membership and / or expiry of the Petromiles, the member shall get three months time during which he or she can redeem these Petromiles.

All communication must be addressed to the Member Service Centre. It is the responsibility of Members to inform PetroBonus about any changes in their mailing address. All communication will be deemed to have been received by the Member and BPCL bears no responsibility for communication not received or lost in the mail or courier.

PetroBonus has no predetermined termination date and may continue until such time as BPCL decides to terminate the Program, at any time, with or without notice. Petromiles accumulation will cease immediately on termination of the Program. However, members will be given three months from the date the Program termination is announced to redeem a desired reward (if eligible).

BPCL reserves the right to add, modify, delete or otherwise change any of the rules, conditions, benefits, rewards or reward levels pertaining to the Program at its sole discretion, with or without notice, even though changes may affect the value of Petromiles or rewards already accumulated. For example, BPCL may increase or decrease the Petromiles required for a reward.

PetroBonus membership entitles members the right to earn Petromiles, which can be redeemed for rewards in accordance with the Terms and Conditions of the Program.

BPCL reserves the right to grant or refuse Membership to PetroBonus.

BPCL reserves the right to terminate PetroBonus membership to any member who appears to be using the program in a manner inconsistent with the terms and conditions or intent of the Program or any portion of the Program, including, but not limited to, reward redemption. BPCL also reserves the right to discontinue membership for any member who acts in a manner inconsistent with local or state laws, statutes or ordinances.

Discontinued membership may result in the loss of all accumulated Petromiles and the cancellation of all PetroBonus rewards, benefits and privileges.

Petromiles issued have no monetary value and cannot be bartered or sold for cash at any point in time. These Petromiles may only be exchanged for rewards or benefits on offer through PetroBonus. Any Petromiles or benefits which BPCL deems to have been transferred, sold, or assigned in violation of Programme rules may be confiscated or cancelled.

All interpretations of Program rules shall be at the sole discretion of BPCL.

Any member who has not earned Petromiles for three consecutive months may be removed from the mailing list of active members without prior notification. A member may reactivate his or her account by accumulating Petromiles or by other such means that BPCL may establish.

Any Member requesting replacement of their Petro Card will be charged Rs. 50 per replacement.

When the member is removed from the Program, a voucher for all accumulated Petromiles will be issued to the member via mail, to the member's mailing address on record. The member will have 3 months from the date the voucher is issued to request any reward for which the member is eligible; the account will then be closed at the end of the three month period.

Failure to take the action described above within the prescribed three month period will result in the closure of the member's account and the forfeiture of all accumulated Petromiles.

Each member is responsible for remaining knowledgeable as to the program rules and as to the number of Petromiles in his or her account. BPCL will attempt to send correspondence to Members to advise them of matters of interest, including notification of program changes.

Accrued Petromiles do not constitute property of the members. Except as specifically provided, no accrued Petromiles are transferable in the event of death, as part of a domestic relations matter or otherwise by operation of law. Specific Program benefits and services have been established for all PetroBonus members. However, benefits and privileges offered by participating Service Partners may vary.

BPCL is not responsible, and assumes no liability, for changes or discontinuance of Service Partner's service which may affect program rewards offered, the accrual of Petromiles or devaluation of Petromiles. The Program and any benefit, offering, or the like relating to the Program, shall not be construed as or constitute a contract or otherwise establish a contractual relationship between BPCL and any PetroBonus Member. Nothing in the PetroBonus Rules is intended or shall be construed to create or establish any agency, partnership or joint venture relationship between BPCL and the Service Partners.

4.11.4 Accrual of 'Petromiles'

Petromiles can be earned only at Participating BPCL Outlets. The list of Participating BPCL Outlets is subject to change at any time, without notice. Additions and deletions to the list of Participating BPCL Outlets will be announced from time to time.

To earn Petromiles, a member must be a registered Member of the Program and meet all the conditions as described in the Terms & Conditions. Members will earn Petromiles on every Indian Rupee spent on eligible charges (fuel, lubricants and In&Out) only at Participating BPCL Outlets. All applicable taxes such as Central, State or local will be omitted for purposes of Petromiles accrual.

Petromiles will be automatically credited only if the Petro Card is used for payment at the Participating BPCL Outlets. Petromiles earned by any individual Member cannot be combined with or transferred to other PetroBonus Member or to reward programs administered by past, present or future Partners of BPCL. Any Petromiles offered in conjunction with specific facilities will be considered earned when the facility has been fully paid for.

If a member has not received Petromiles for any transaction made by the Petro Card, or any partner Petromiles, he or she must submit a written request for such credit(s) to the member Service Centre, together with a legible copy of the Member's receipt received at the time of the particular transaction.

Failure to supply adequate and unaltered documentation may result in denial of such Petromile credit. For the Member's protection, he/she should retain all receipts until the point credit has appeared on his or her Petromiles statement. Requests must be received at the PetroBonus Member Service Centre within six months from the date of activity. Written requests must also include the Member's name, Petro Card number, mailing address and daytime telephone number.

A Member cannot purchase Petromiles and add these to Petromiles already earned in order to redeem these Petromiles for a reward. Petromiles can only be earned by the Member by eligible spend at Participating BPCL Outlets and Service Partners.

Any fractional Petromiles earned will be truncated to the nearest integer. For example, if a Member earns 125.90 Petromiles from a transaction, it will be rounded off to 126 Petromiles, but if he / she earns 125.40 Petromiles it will be treated as 125 Petromiles.

Birthday bonus will be loaded onto the card if Member transacts at a Participating BPCL outlet within a week of his / her birthday. All communication will be deemed to have been received by the Member and BPCL bears no responsibility for communication not received or lost in the mail or courier.

PetroBonus Membership entitles members the right to earn Petromiles, which can be redeemed for rewards in accordance with the terms and conditions of the Program.

4.11.5 ‘Petromiles’ Statements

All PetroBonus Members will receive a Petromiles statement once in three months through post or email, in case they have transacted in the last three months. Members who have not transacted in the last three months will not be eligible to receive their Petromiles statement.

4.12 Survey of BPCL Customers

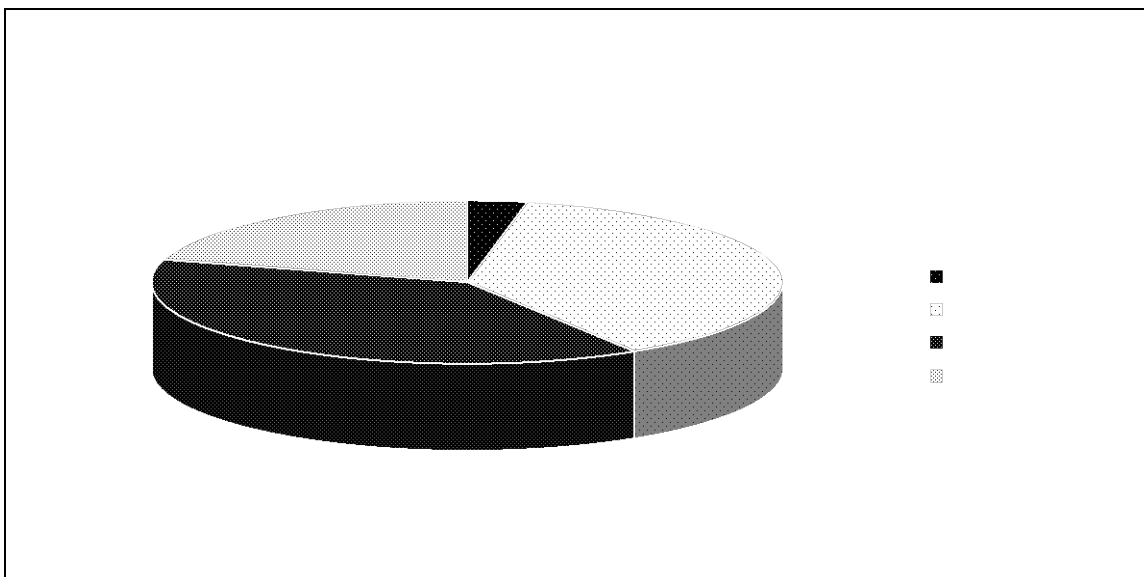
As per the research design, discussed in the second chapter, a survey was carried out in the twin cities of Hyderabad and Secunderabad, among the customers of BPCL. The sample consisted of both members of 'PetroBonus' Program ('Petrocard' holders), and non members of the 'PetroBonus' Program. A structured questionnaire was used to carry out the survey. The survey was carried out at select retail outlets of BPCL located in Hyderabad and Secunderabad. A total number of sixty eight 'Petrocard' holders and sixty six non 'Petrocard' holders were interviewed in the process. The questionnaire used for the survey is presented in the appendix.

Both open ended and close ended questions were used in the survey. For the close ended questions, in order to analyze the results, the responses were grouped into different categories as per the choices selected by the respondents. For the open ended questions, depending on the responses given by the respondents, different categories were created and the responses were grouped under these categories.

4.12.1 Analysis of Data

In order to have a better understanding of the survey, various bar charts and pie diagrams were constructed, as per the data obtained. In the analysis part, each question is presented separately, along with the frequency tables, in each category of response (number of responses under each of the categories for a particular question), and the corresponding bar chart/ pie diagram is also presented, followed by the observations made. Details of non-parametric tests which were conducted to test the statistical significance of the results obtained are presented in the appendix.

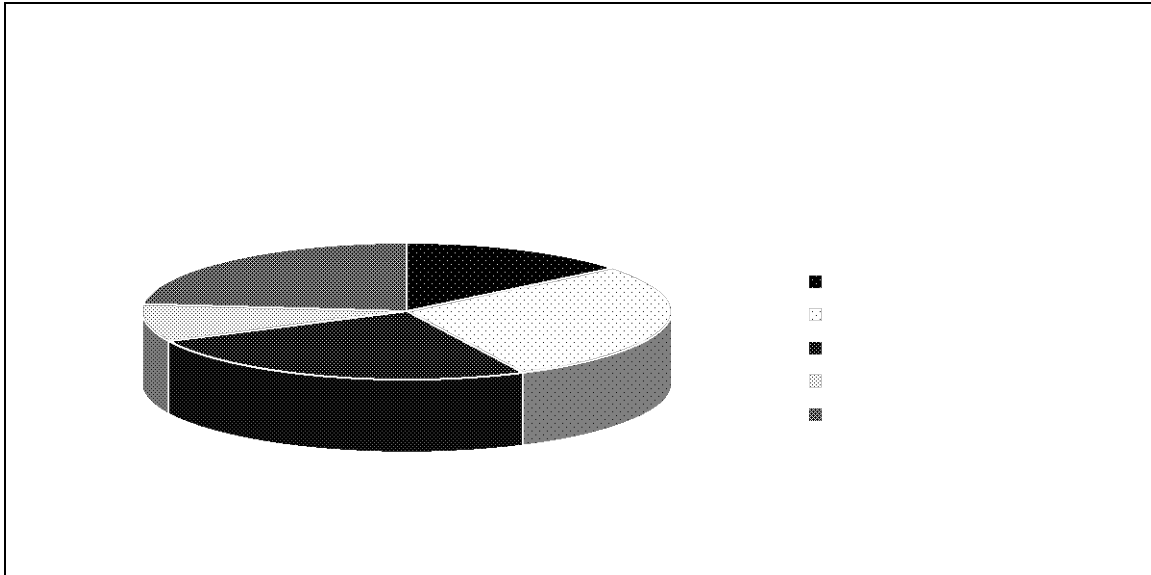
Analysis of Data Related to BPCL ‘PetroCard’ Holders Survey



Age	No. of Responses	Percentage (%)
18-25 Years	2	3
Above 25, up to 30	26	38
Above 30 up to 50	26	38
Above 50	14	21
Total Responses	68	100

Observation

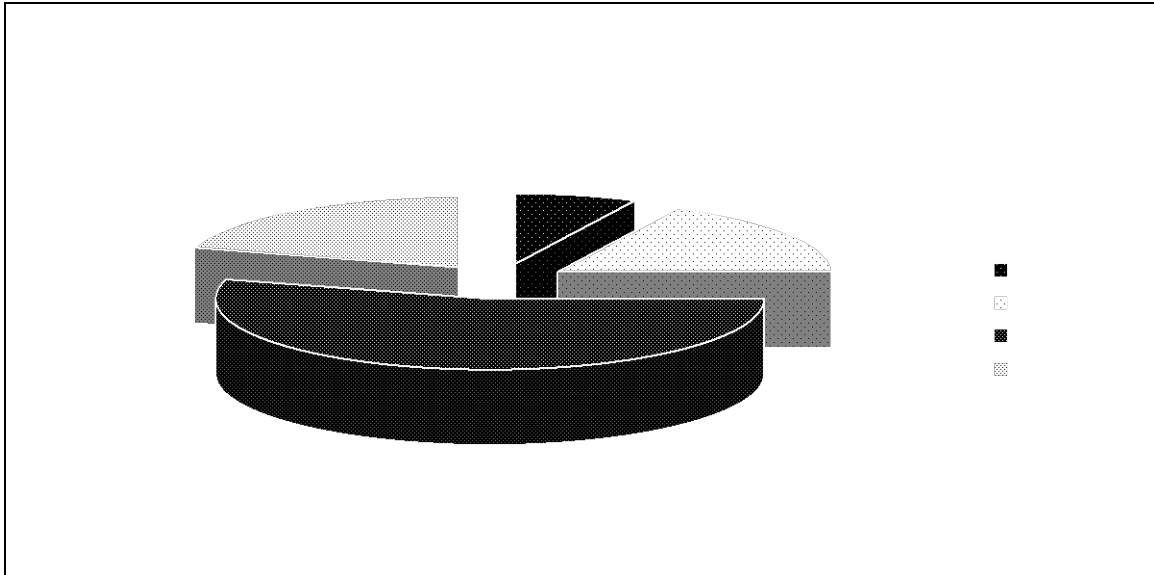
Thirty eight percent of the respondents used belonged to the age group between 25 to 30 years, another 38% of them belonged to the age group between 30 and 50 years, twenty one percent of them were above 50 years, and three percent of them were in the age group between 18 to 25 years. Over all, by clubbing the second and third age group categories, it can be observed that seventy six percent of the respondents are in the age category of twenty five to fifty years.



Monthly Income	No. of Responses	Percentage (%)
Less than/ equal to Rs. 5000/-	8	14
Above Rs. 5000, ≤Rs.10,000	16	29
Above Rs.10,000 ≤Rs.15,000	14	25
Above Rs.15,000≤20,000	5	9
Above Rs.25000	13	23
Total number of responses	56	100

Observation

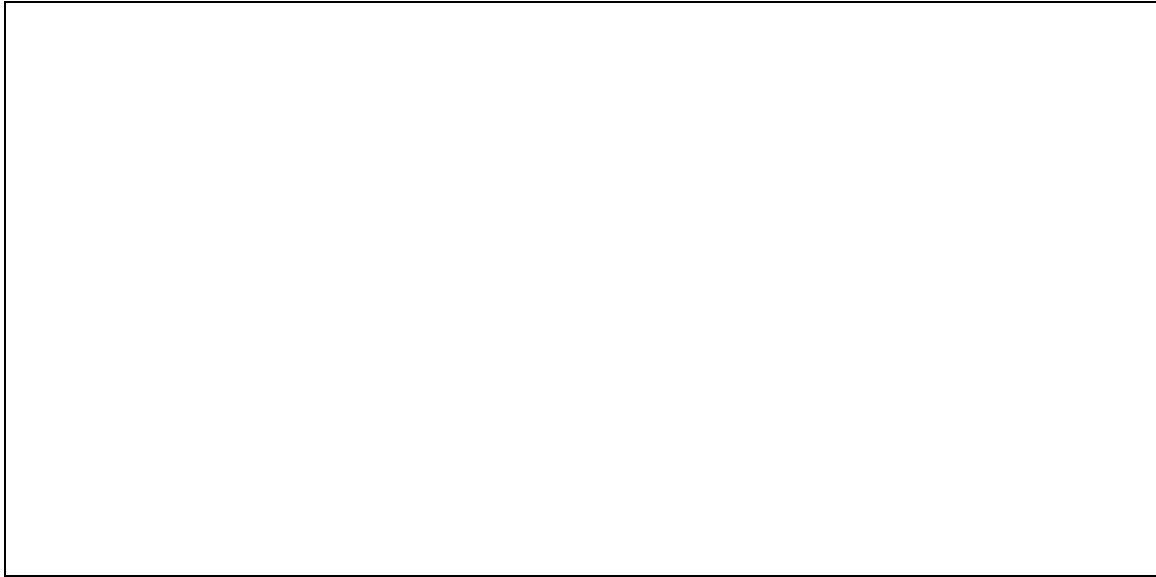
From the above table, it can be observed that twenty nine percent of the respondents had a monthly income between Rs.5000/- and Rs.10, 000/-, while 25% of them had a monthly income above Rs.10, 000/- and below Rs.15000/-. Twenty three percent of the respondents had a monthly income above Rs. 25000/-, fourteen percent of the respondents had a monthly income of less than Rs.5000/-, and nine percent of the respondents had a monthly income between Rs.15000/- and Rs.20000/-. Overall majority of the respondents (54%) of the respondents are in the income group between Rs. 5000/- to Rs. 15, 000/- per month.



Types of Vehicles used	No. of Responses	Percentage (%)
Mopeds	5	7
Scooters	12	18
Motorcycles	37	54
Cars/Jeeps	14	21
Total number of responses	68	100

Observation

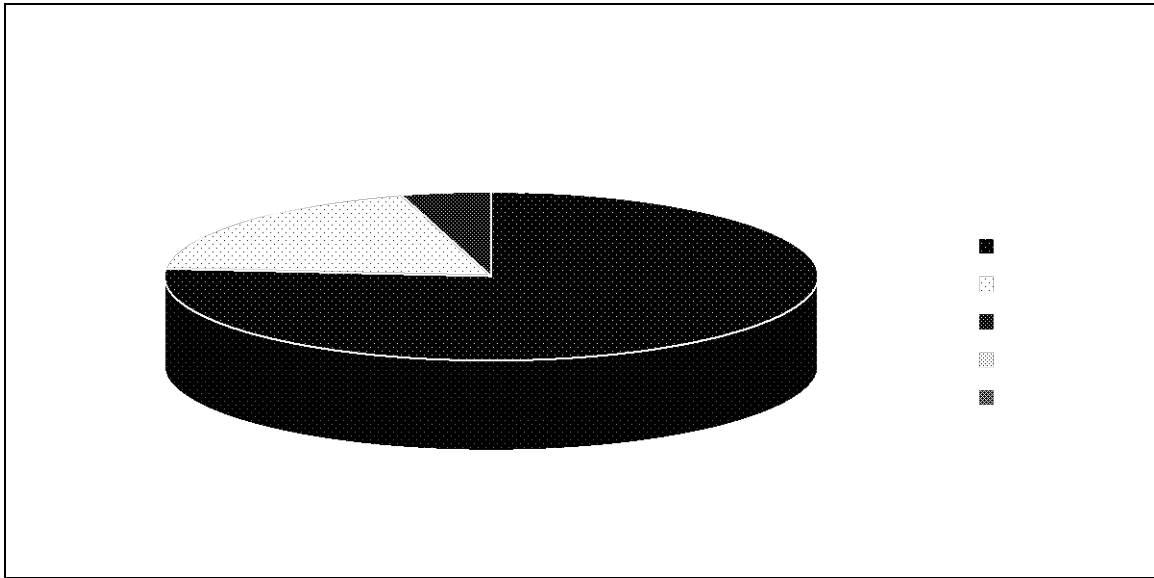
Fifty four percent of the respondents used motor cycles, twenty one percent of the respondents used four wheelers like cars and jeeps, while seven percent of the respondents used mopeds. Over all it can be observed that majority of the respondents (79%) were using one or the other form of two wheelers.



Vehicle Ownership	No. of Responses	Percentage (%)
Own Vehicles	60	88
Company provided Vehicles	8	12
Total Responses	68	100

Observation

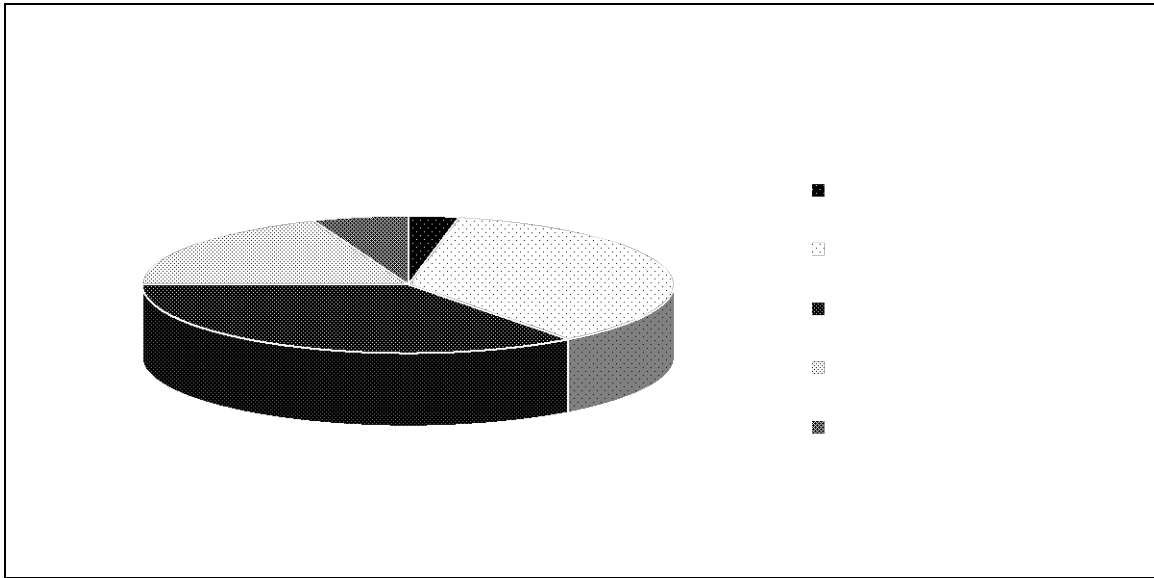
Eighty eight percent of the respondents owned their vehicles while twelve percent of the respondents used company/ organization provided vehicles. As discussed in the earlier chapter, many finance options are available to the respondents for buying vehicles, and it can also be observed from the earlier question that most of the respondents were using two wheelers, which are more affordable compared to the four wheelers. These factors would explain the reasons behind the ownership pattern observed.



Q1. Do you always buy petrol at BPCL outlets		
Response Category	No. of Responses	Percentage (%)
Always	52	76
Frequently	13	19
Sometimes	3	4
Rarely	0	0
Never	0	0
Total Responses	68	100

Observation

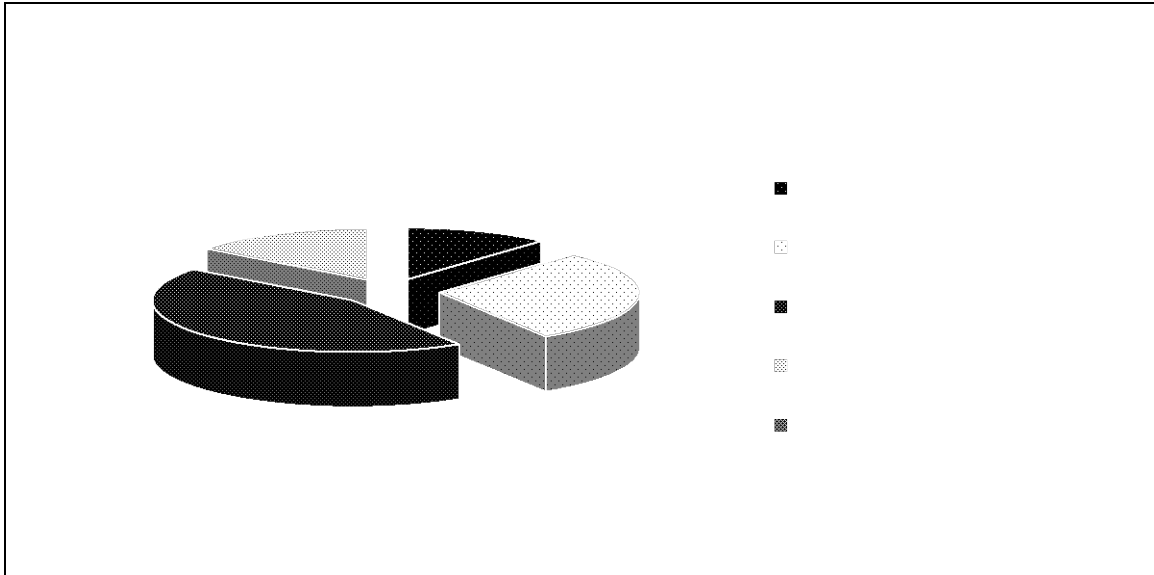
Seventy six percent of the respondents always bought petrol at BPCL outlets, 19% of them bought petrol frequently from BPCL outlets, while four percent of the respondents replied that they occasionally (some times) bought petrol from BPCL outlets. The reasons for choosing a particular outlet are discussed in the next questions.



Q2 How frequently do you visit BPCL outlets		
Response Category	No. of Responses	Percentage (%)
Every Day	2	3
Once in 2 Days	25	37
Twice a Week	24	35
Once a Week	13	19
Others (when required etc, not sure)	4	6
Total Responses	68	100

Observation

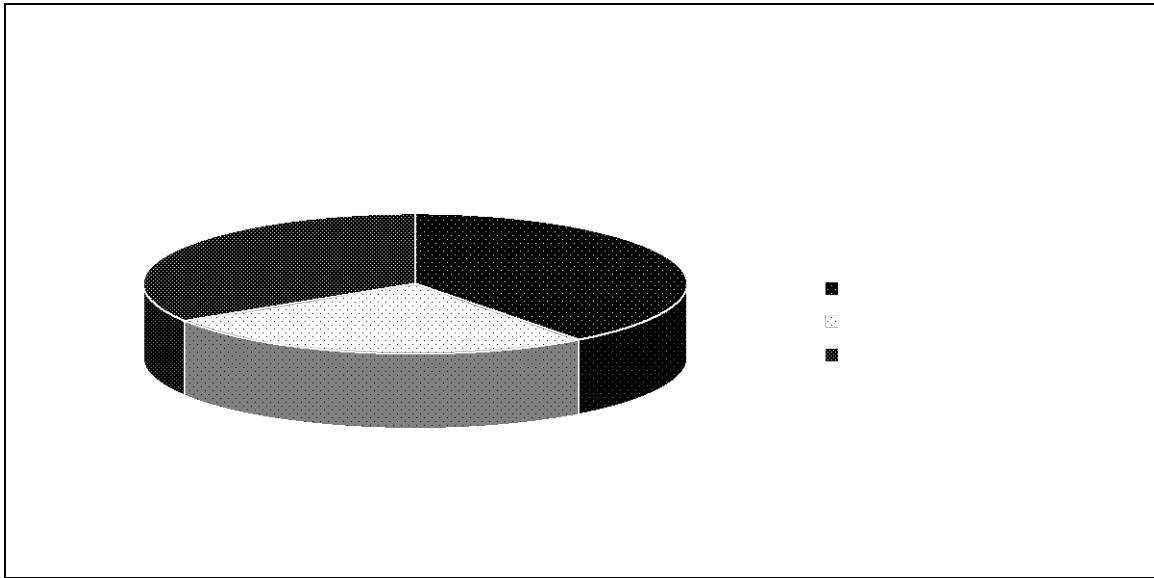
Thirty seven percent of the respondents informed that they visit BPCL outlets once in two days; thirty five percent of them visit BPCL outlets twice a week, nineteen percent of the respondents visit BPCL outlets, once in a week, six percent are not sure about their visit, while three percent of the respondents replied that they visited BPCL outlets every day. These answers could be further supplemented by the knowing the average distance traveled by the respondents per day. This question comes later in the questionnaire.



Q3 What matters you most while buying petrol at an outlet		
Response Category	No. of Responses	Percentage (%)
Waiting time at the outlet	8	12
Brand of petrol	20	29
Nearness of the outlet	30	44
Correctness of measurement and quality of fuel at the outlet	10	15
Other reasons	0	0
Total Responses	68	100

Observation

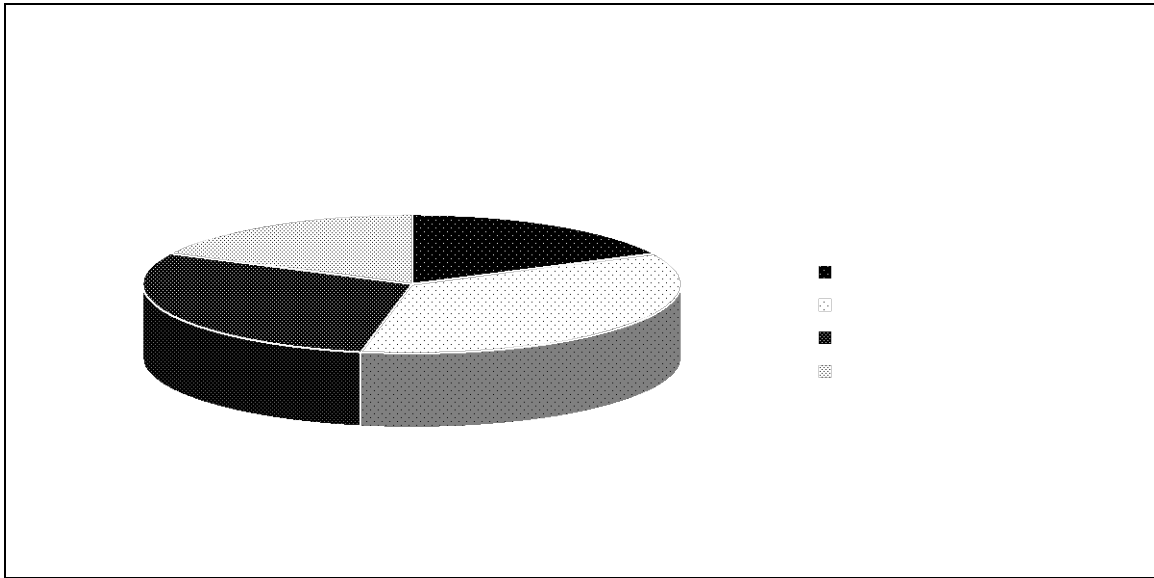
Forty four percent of the respondents mentioned “nearness to the petrol out let” as the main factor while buying Petrol, 29% indicated ‘brand of the petrol’, to be the deciding factor, 15% of the respondents indicated the ‘quality and correct quantity’ factor, and 12% respondents indicated the ‘waiting time’ factor while buying petrol. If we analyze the factors mentioned, we can find that in addition to the brand of the fuel, the nearness of the petrol outlet matters most for the respondents. This factor directly refers to the convenience factor, related to the product distribution.



4 b) Reasons for joining the "PetroCard" program		
Response Category	No. of Responses	Percentage (%)
Earning gifts with Petro miles	27	40
Ease of payment	18	26
No problems with change	23	34
Total Responses	68	100

Observation

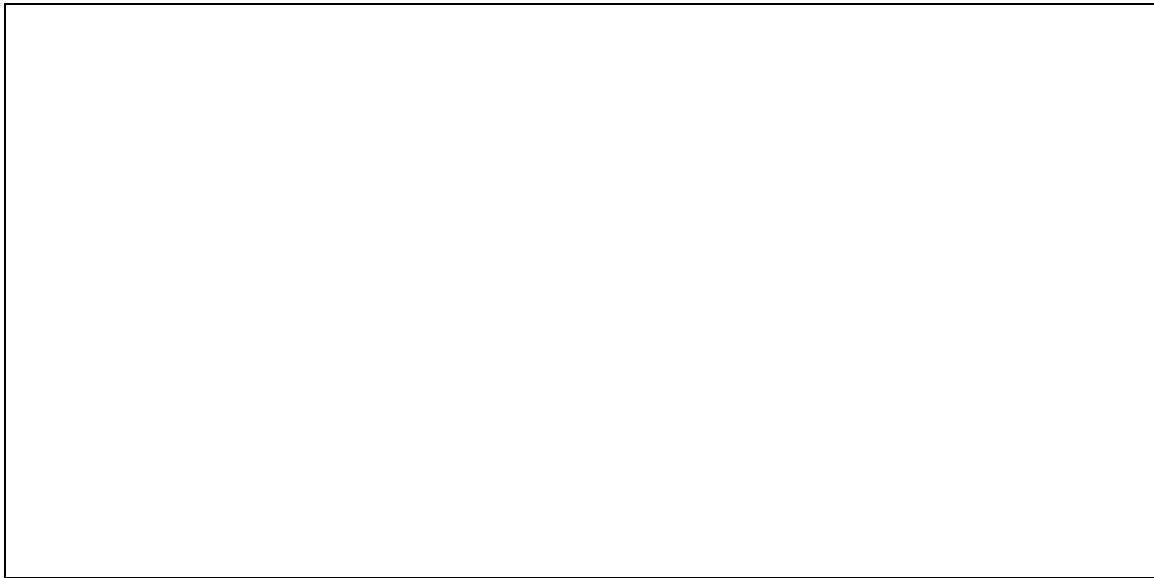
Forty percent of the respondents joined the Petro Card program with an intention of earning 'petromiles' and converting them into gifts. Thirty four percent of the respondents joined the program as they felt that there would be no problem with change (cash), and twenty six percent of the respondents felt that Petro card program enabled them easiness in payment at the petrol outlets. While earning gifts through accrual of "petromiles" happens to be the prime reason, it is quite interesting to note that 60% of the respondents have indicated the reasons linked to easiness in the payment



Q5 How much worth of fuel do you purchase on an average during a visit to the petrol outlet		
Response Category	No. of Responses	Percentage (%)
Up to Rs.50	12	18
Above Rs.50 & up to Rs.100	24	35
Above Rs.100 & up to Rs.200	20	29
Above Rs.200	12	18
Total Responses	68	100

Observation

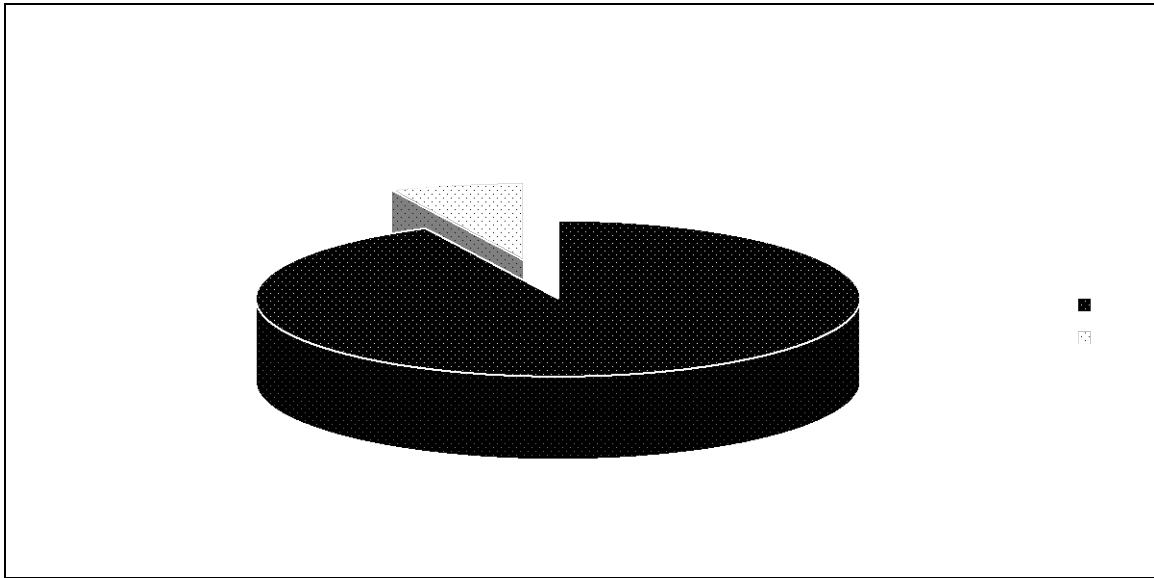
Thirty five percent of the respondents purchased petrol worth Rs.50/- to Rs.100/- during a visit to the outlet, followed by twenty nine percent of the respondents who purchased petrol in the range between Rs.100/- to Rs.200/- during a visit. Eighteen percent of the respondents purchased Petrol worth above Rs.200/- and another eighteen percent of the respondents purchased petrol worth below Rs.50/- during a visit to the retail outlet. The responses to this question would be further understood easily when we analyze the answers given for the next question, related to the distance traveled on a day.



Q6 How many kilometers do you travel per day (approximately?)		
Response Category	No. of Responses	Percentage (%)
Up to 50 KMs	46	68
Above 50 and up to 100KMs	18	26
Above 100KMs	4	6
Total Responses	68	100

Observation

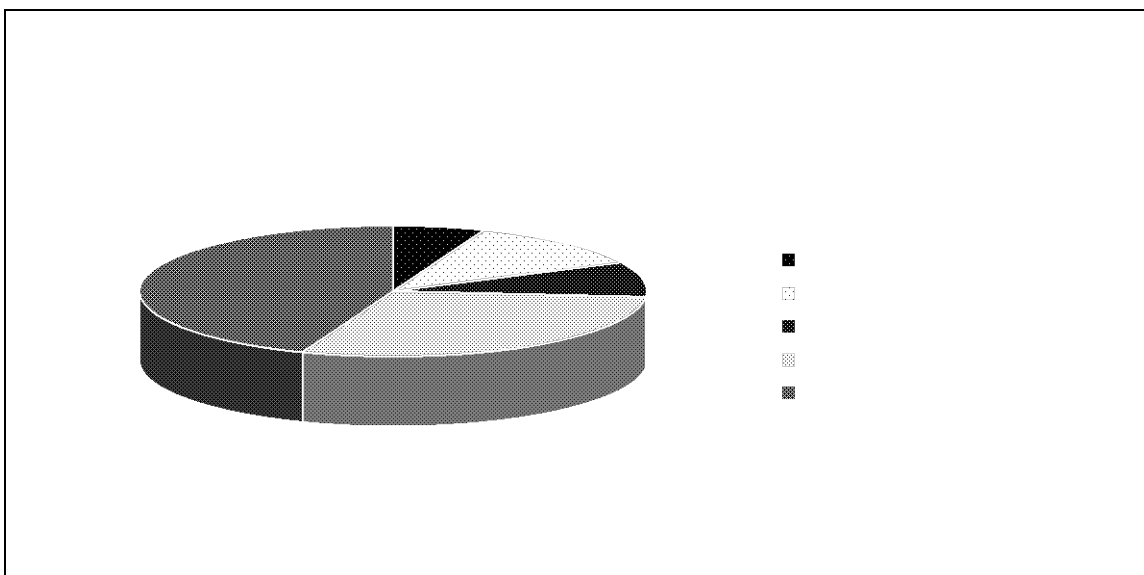
Sixty eight percent of the respondents traveled up to 50Kilo Meters a day, while another 26% of the respondents traveled a distance of the range above 50 Kilo Meters during a day. The remaining six percent of the respondents replied that they travel above 100 Kilo Meters a day. The analysis clearly indicates that most of the respondents (94%) travel up to hundred kilometers a day, on an average.



Q7 Are you aware of IN & OUT Stores located at BPCL petrol Outlets		
Response Category	No. of Responses	Percentage (%)
Yes	63	93
NO	5	7
Total Responses	68	100

Observation

Although all the respondents are Petro Card holders, still seven percent of them were unaware of IN & OUT stores located at some of the BPCL outlets. Ninety three percent of the respondents are aware of the IN & OUT stores. This analysis reflects the importance of communication with customers. Although all the respondents are members of a specialized program, some of them are not completely aware of the offerings of the company. This factor of awareness is crucial, as we found out in the later analysis that even out of all the respondents who are aware of the IN & OUT stores, only a few tried out purchases.



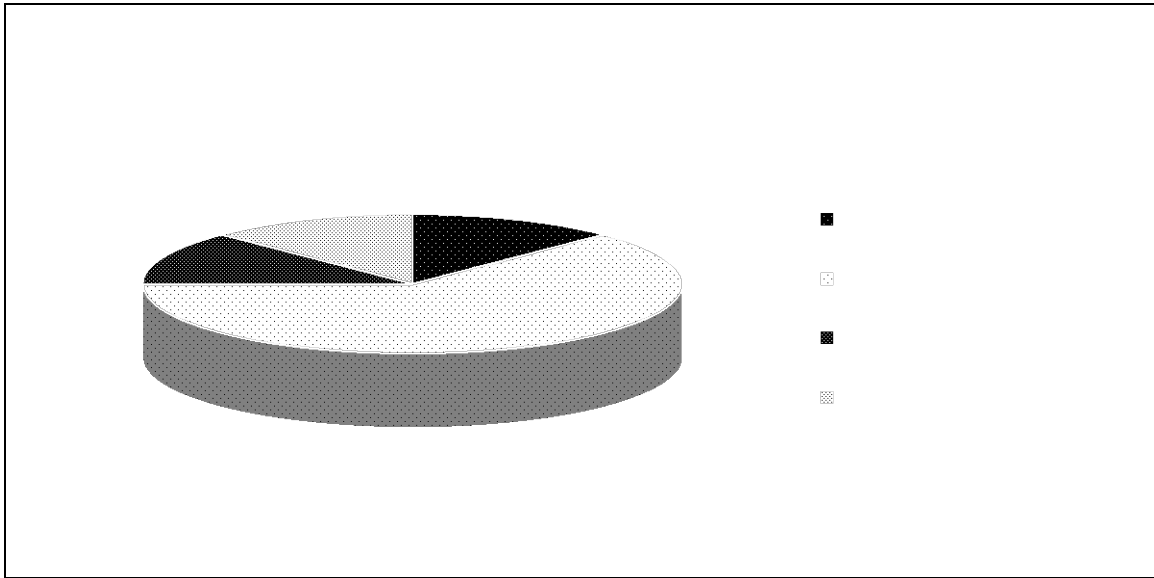
Q7a)Do you purchase any items at IN & OUT stores		
Response Category	No. of Responses	Percentage (%)
Always when I visit BPCL outlets	4	6
Frequently	8	12
Sometimes	6	9
Rarely	20	29
Never	30	44
Total Responses	68	100

Observation

Forty four percent of the respondents never bought items from IN & OUT stores, while twenty nine percent of the respondents informed that they bought items rarely from IN & OUT stores. Twelve percent of the respondents informed that they bought items frequently from IN & OUT stores. Nine percent respondents informed that they sometimes bought items from IN & OUT stores, while six percent respondents informed that they always bought items from BPCL outlets.

Q7b)Reasons for purchase	No. of Responses	Percentage (%)
Earning Petromiles	16	100

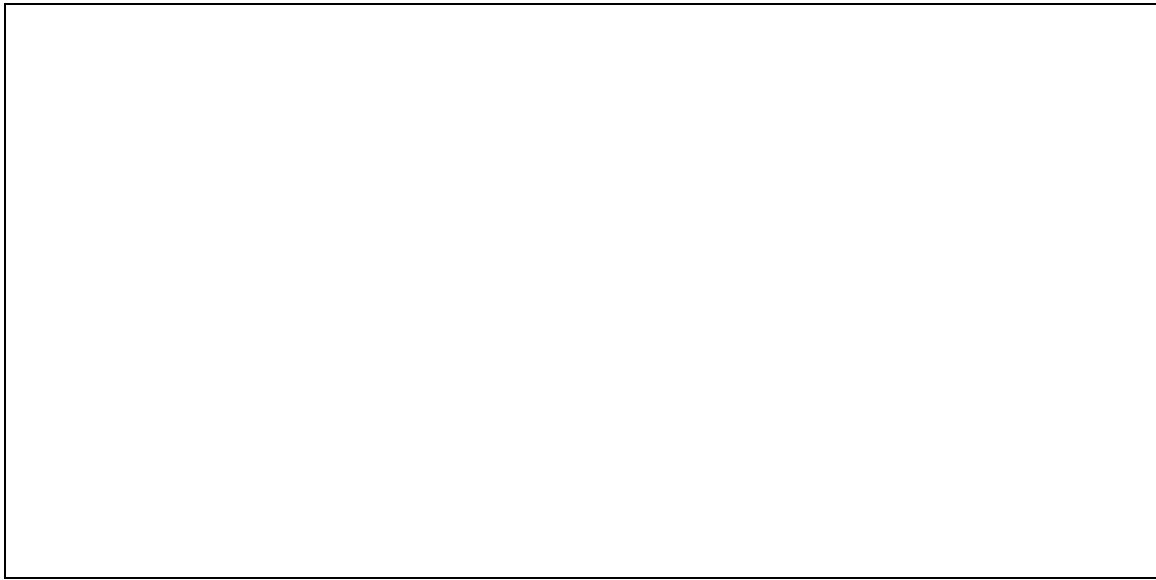
All the sixteen respondents to the query ‘The reasons for purchase of items from IN & OUT stores’ said that they made purchases with an intention of earning Petro Miles.



Q7c)Non Purchase reasons		
Response Category	No. of Responses	Percentage (%)
High prices	2	13
Non-availability of time	10	63
Lack of idea about the goods available	2	13
Need not felt	2	13
Total Responses	16	100

Observation

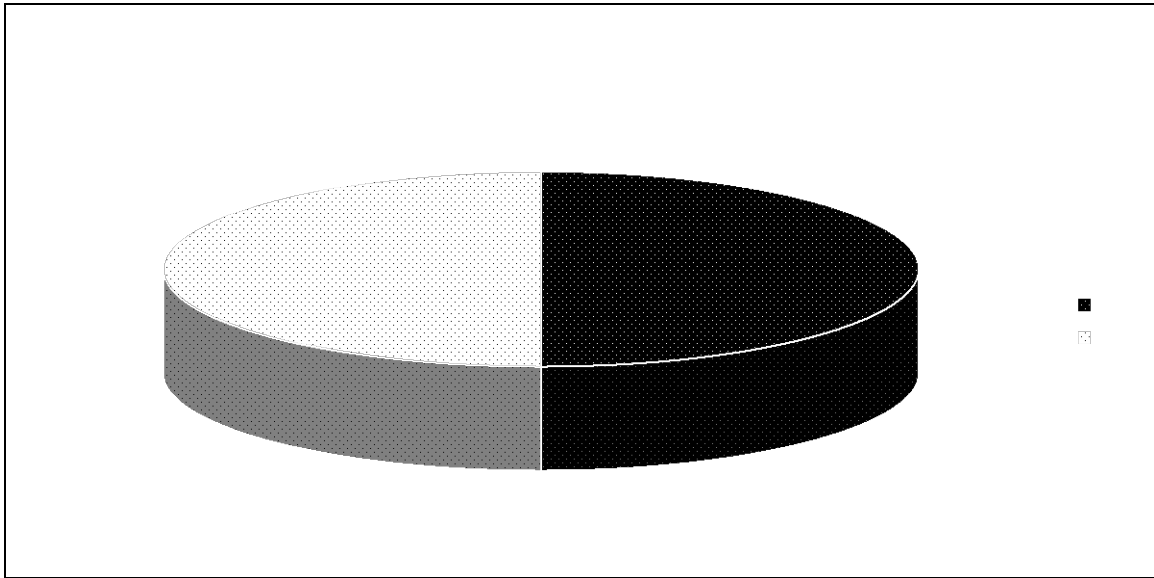
“Non- availability of time” was the main reason mentioned for non purchase of items at IN & OUT stores (63% of the respondents). Thirteen percent of the respondents mentioned ‘high prices’ as the reason, ‘lack of idea about the goods available at IN & OUT stores’ was the reason mentioned by another thirteen percent respondents, while the remaining thirteen percent respondents replied that they never felt the need to purchase items at IN & OUT stores. The responses clearly indicate the challenges involved in cross selling, even though bonus points are available for purchases, most of the respondents referred to non availability of time as the prime factor for non purchases.



Q8 If you have purchased from IN & OUT stores, what items did you purchase?		
Response Category	No. of Responses	Percentage (%)
Groceries	18	45
Cassettes, magazines, CDs etc	8	20
Snacks, water, soft drinks etc	8	20
Cell phone recharge cards	4	10
Chocolates	2	5
Total Responses	40	100

Observation

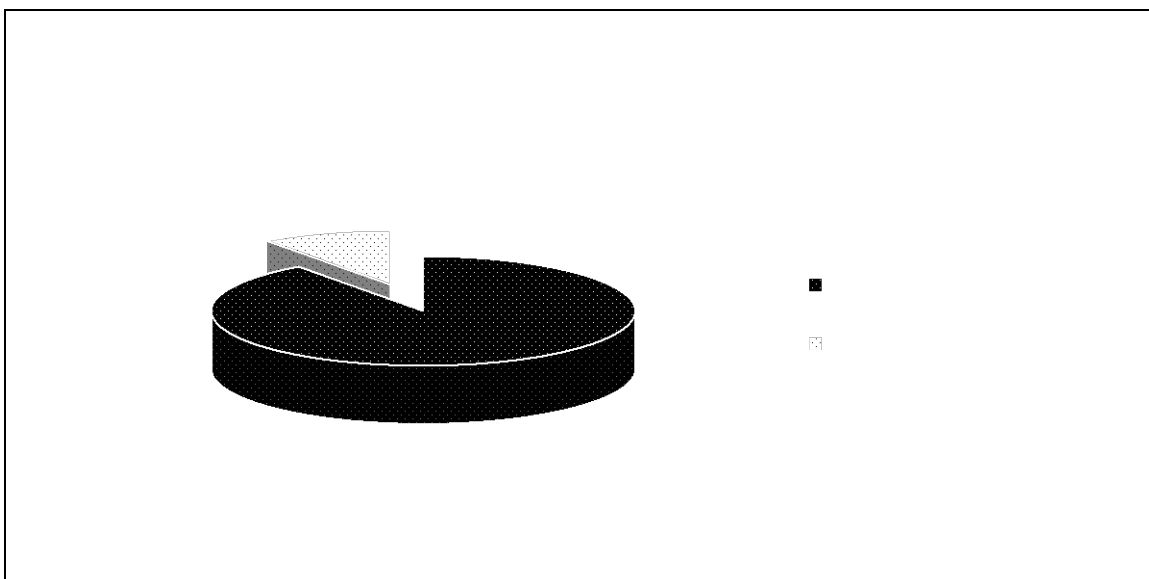
Out of the total variety of items purchased at IN & OUT stores, the leading category was 'Groceries', accounting for forty five percent of the total categories. This was followed by 20% for items like Cassettes, magazines, CDs etc, snacks, water and soft drinks accounted for another 20 percent. Cell phone recharge cards accounted for ten percent, while chocolates accounted for another five percent. While groceries and cell phone recharge cards refer to the necessities, the other categories of items i.e., magazines, cassettes, chocolates, soft drinks would refer to impulse items.



Q9 Are you aware of BPCL's PURE for SURE Campaign?		
Response Category	No. of Responses	Percentage (%)
Yes	34	50
No	34	50
Total Responses	68	100

Observation

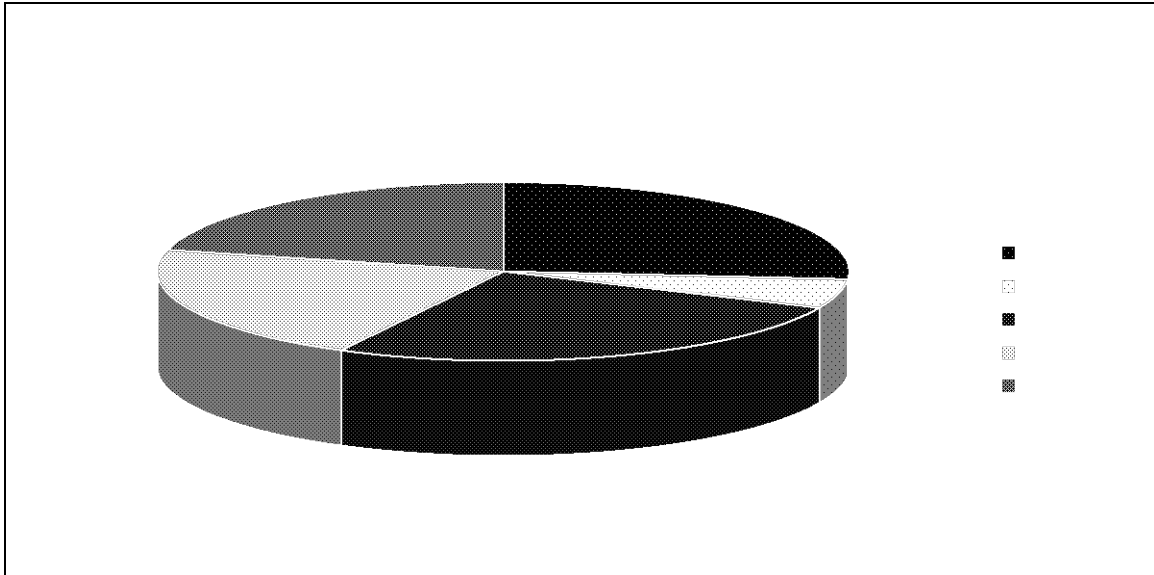
Fifty percent of the respondents were aware of BPCL's PURE for SURE campaign, the remaining fifty percent were not aware of PURE for SURE campaign. It is again quite interesting to note that fifty percent of the respondents, although being members of a specialized loyalty program, are unaware of "Pure for Sure" program launched by BPCL. The responses to this question again emphasize the need for better and focused communication with the customers.



Q9a) What do you expect from PURE for SURE petrol outlets		
Response Category	No. of Responses	Percentage (%)
Correct Measurement & Good quality petrol	18	90
Increase in engine life	2	10
Total Responses	20	100

Observation

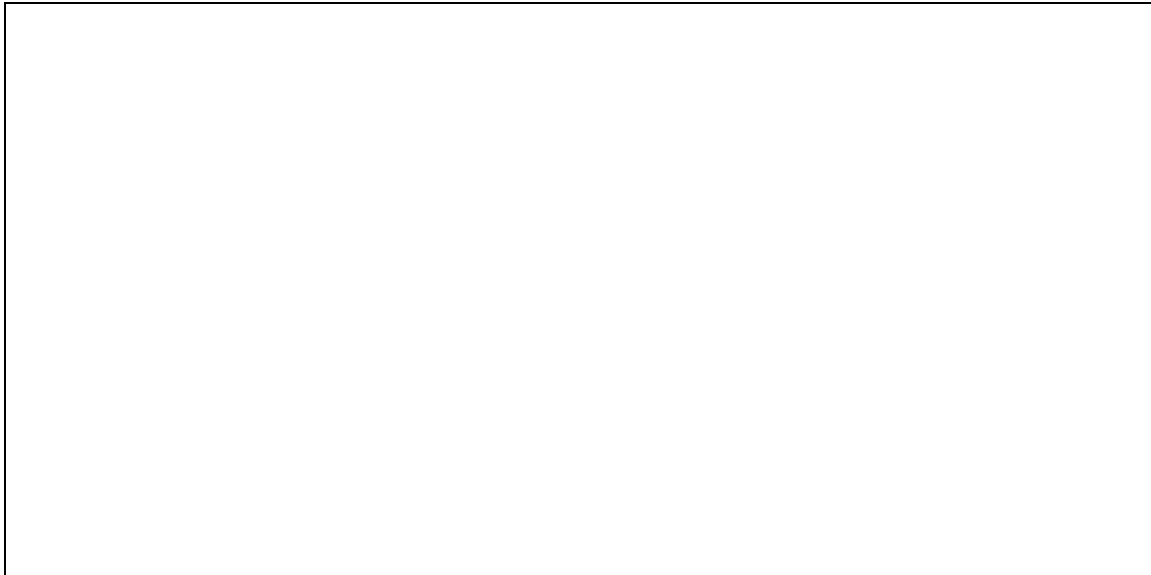
Out of the twenty respondents who answered this question, ninety percent of the respondents (18 respondents) replied that they expected ‘Correct quantity and quality’ from PURE for SURE petrol outlets. The remaining ten percent respondents expected an increase in engine life for their vehicle, with the use of petrol from PURE for SURE outlets.



Q10 Do you buy lubricants from BPCL petrol outlets?		
Response Category	No. of Responses	Percentage (%)
Always	10	26
Frequently	2	5
Sometimes	10	26
Rarely	8	21
Never	8	21
Total Responses	38	100

Observation

Twenty six percent of the respondents always bought lubricants from BPCL outlets, while another twenty six percent respondents bought lubricants sometimes from BPCL outlets. Twenty one percent respondents bought lubricants rarely from BPCL outlets. Another twenty one percent respondents never purchased and five percent respondents frequently purchased lubricants from BPCL outlets. The reasons given for the responses are analyzed in the next questions.



Q10a) Reasons for purchase of lubricants at BPCL

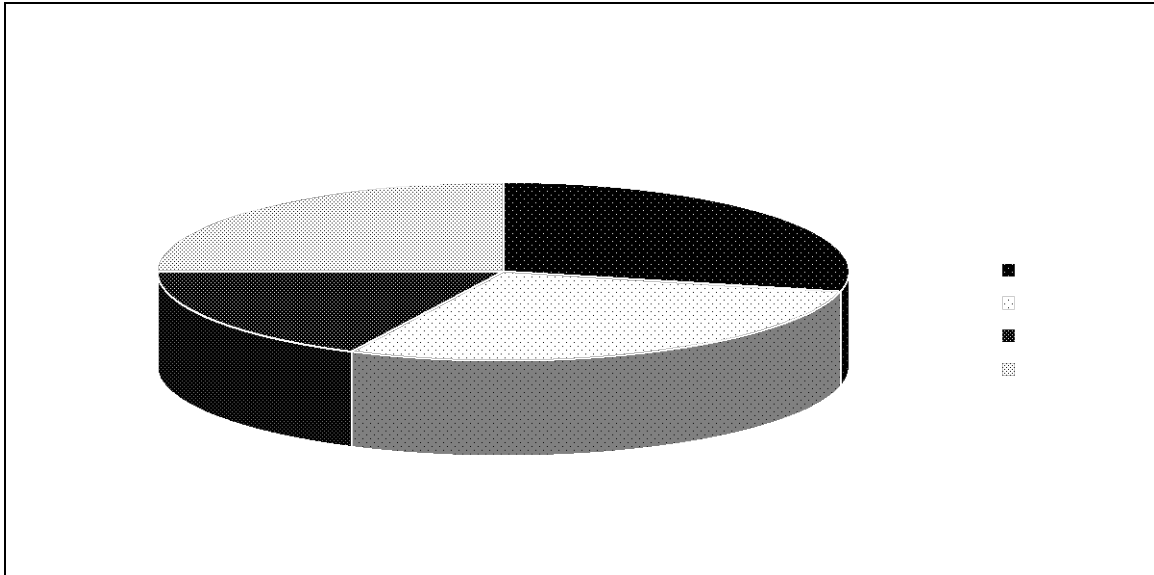
Response Category	No. of Responses	Percentage (%)
To earn extra Petromiles	14	70
To improve engine performance	4	20
Availability	2	10
Total Responses	20	100

Observation

Seventy percent of the respondents replied that they bought lubricants from BPCL out lets to earn extra ‘petromiles’, twenty percent replied that they purchased lubricants from BPCL out lets with a belief that it would improve engine performance, while another two percent mentioned the ‘availability’ (easiness/ convenience and reach of product) factor.

Q10 b)Reasons for non-purchase		
Response Category	No. of Responses	Percentage (%)
Service outlet buys the lubricant	8	100

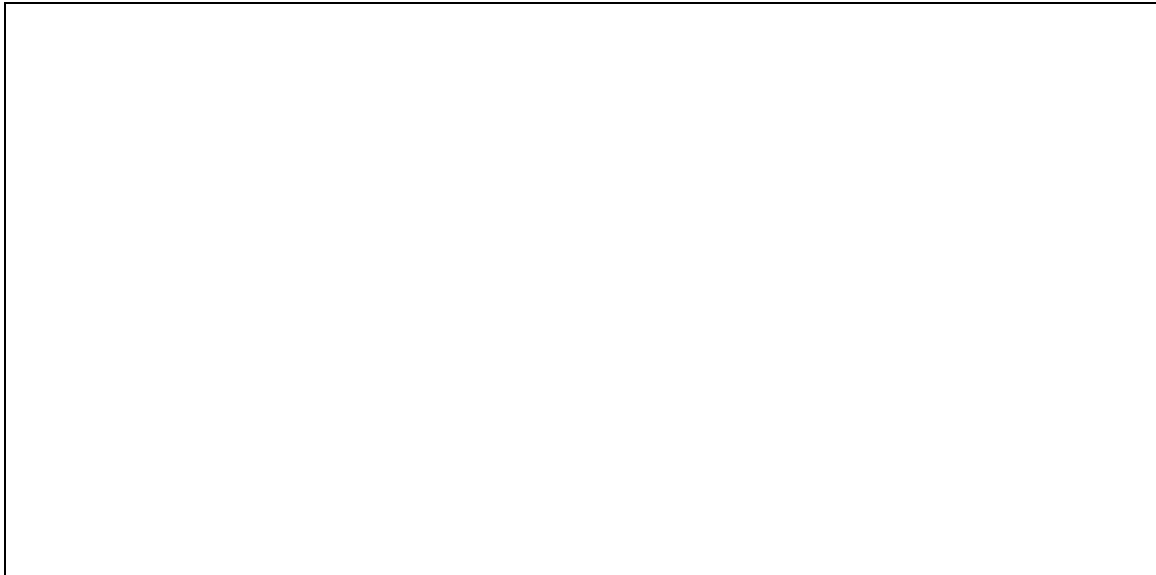
All the respondents replied that the service outlet (of their vehicle) buys the lubricant. This response clearly indicates the role and influence of buyer versus the role of consumer.



Q11 Do you buy SPEED petrol sold at BPCL outlets		
Response Category	No. of Responses	Percentage (%)
Regularly	16	28
Sometimes	16	29
Rarely	10	18
Never	14	25
Total Responses	56	100

Observation

Twenty nine percent of the respondents regularly purchased SPEED petrol from BPCL outlets, while another 29% bought SPEED some times. Eighteen percent respondents replied that they rarely purchased SPEED and twenty five percent never purchased SPEED Petrol. Overall it can be observed that seventy five percent of the respondents tried SPEED petrol sold at BPCL outlets.

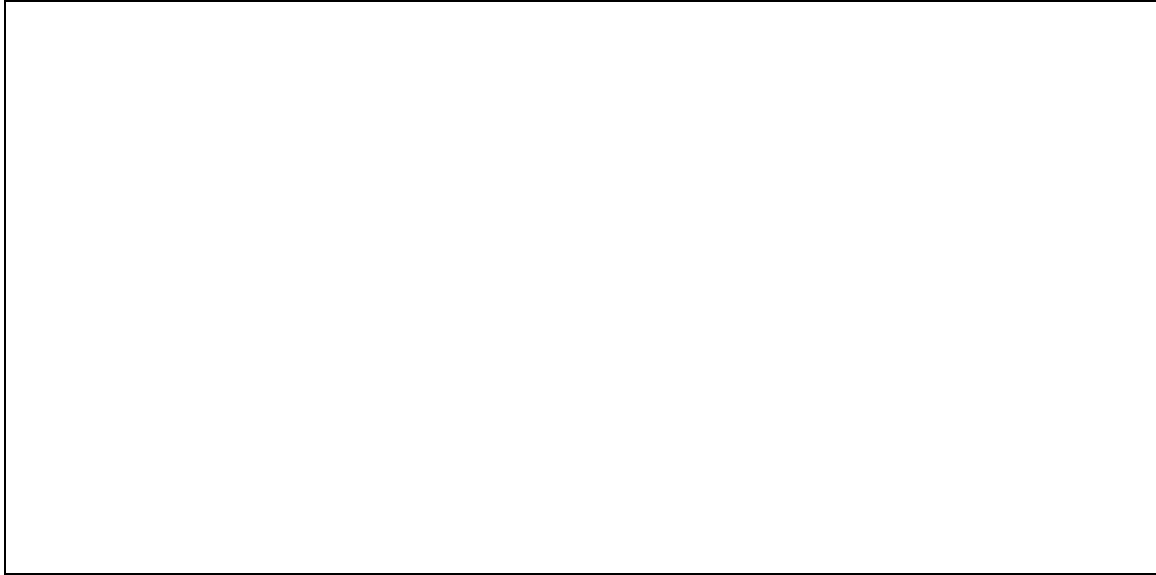


Q11 a) Reasons for purchase of SPEED

Response Category	No. of Responses	Percentage (%)
To gain 'petromiles'	8	27
To improve mileage of the vehicle	22	73
Total Responses	30	100

Observation

Majority of the respondents that is seventy three percent of the respondents replied that they purchased SPEED to improve the mileage of their vehicle. The remaining twenty seven percent respondents replied that they wanted to gain 'petromiles' with the purchase of SPEED petrol. The responses clearly indicate that the customer is very focused on the end benefit from the purchase of the product, apart from the bonus points he receives with the purchase of the product.



Q11 b)Reasons for non purchase of SPEED		
Response Category	No. of Responses	Percentage (%)
Not aware	2	14
No specific reason	12	86
Total Responses	14	100

Observation

Of the fourteen respondents who answered the question, eighty six percent of the respondents could not mention any specific reason for non purchase of SPEED Petrol. Fourteen percent of the respondents replied that they were not aware of SPEED Petrol. Increasing the awareness about the new product (SPEED), and educating the customer regarding the benefits of SPEED would help the company in improving the sales of SPEED fuel.

Q12 Your suggestions for improvement of service at BPCL		
Response Category	No. of Responses	Percentage (%)
Staff behavior should be courteous	6	30
Drinking water should be made available	4	20
Provision of seating facility	2	10
Provision of Internet facility	2	10
Number of pumps should be increased	2	10
All outlets should function round the clock	2	10
All outlets should be made PURE & SURE	2	10
Total Responses	20	100

Observation

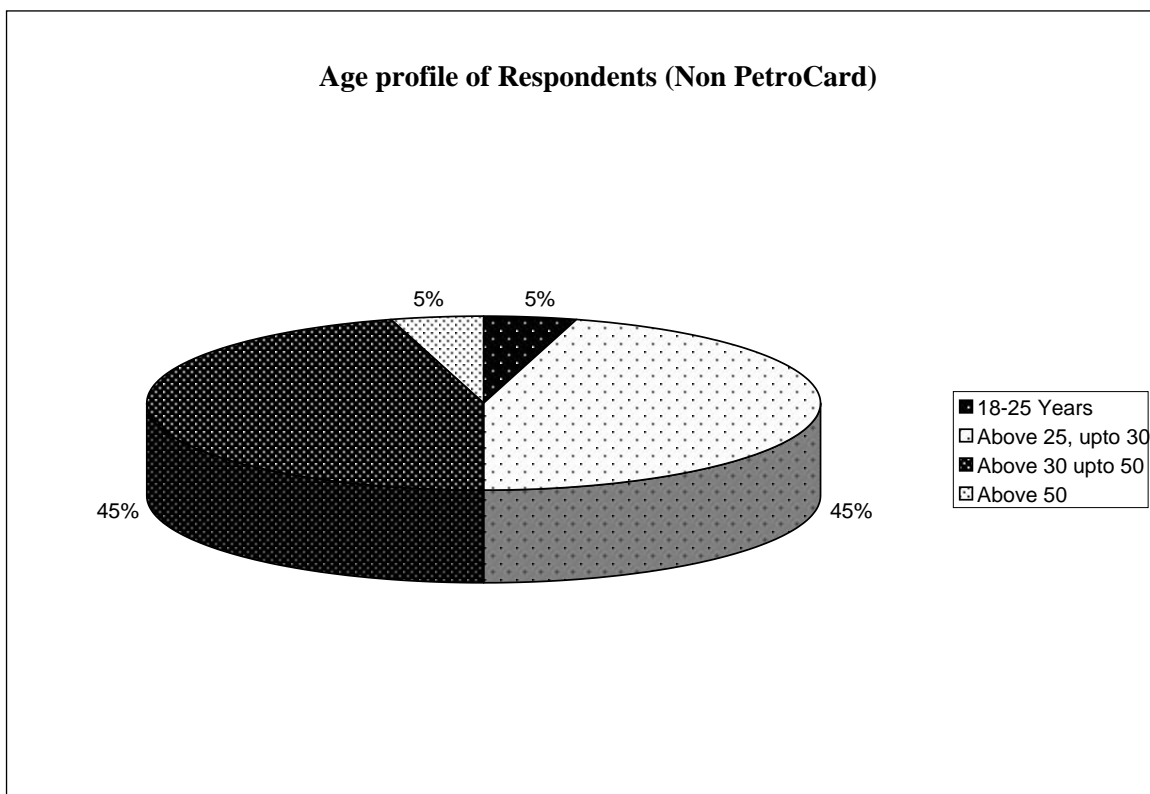
Out of the many suggestions for improvement of service at BPCL, majority respondents (30%) mentioned that staff should be courteous; another twenty percent suggested that drinking water should be made available at the out lets. Other suggestions included provision of seating facility, internet facility, increase in number of pumps, round the clock functioning of out lets, conversion of all out lets into PURE for SURE. Although it is impossible to implement all the suggestions, it is extremely important to note that most of the suggestions are related to courteous behavior of the staff, which is quite reasonable from the customer point of view and possible from the company's point of view.

Q13 Your suggestions for improvement of Petro Card program		
Response Category	No. of Responses	Percentage (%)
It should be combined with Bharat Gas	3	33
Gifts should be available at the 'points redemption centers'	2	22
All outlets should accept 'petrocards'	2	22
BPCL should take feed back from customers and should follow up	2	22
Total Responses	9	100

Observation

Interestingly thirty three percent of the respondents suggested the combination of 'Petrocard' program with Bharat Gas. Other suggestions included immediate redemption of gifts at Petro miles redemption centers and the suggestion that company should regularly seek feed back from customers and follow up.

Analysis of Data Related to BPCL Non-‘PetroCard’ Holders (Customers of BPCL who are not members of ‘Petrobonus’ program) Survey

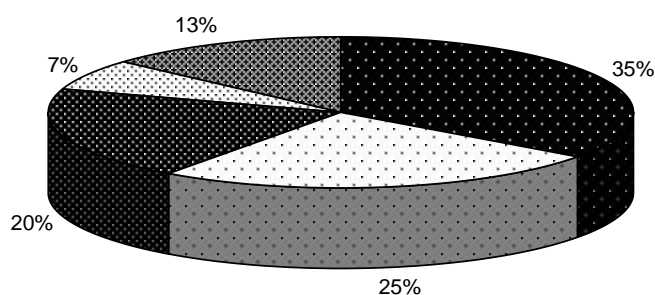


Age		
Response Category	No. of Responses	Percentage (%)
18-25 Years	3	5
Above 25, up to 30	30	45
Above 30 up to 50	30	45
Above 50	3	5
Total number of responses	66	100

Observation

A total of ninety percent of the respondents belonged to the age group between 25 to 50 years, with 45% of them each belonging to the age groups above 25years, up to 30 years, and above 30 and up to 50 years. Five percent of the respondents belonged to the age group between 18-25 years, and another 5% belonged to the age group above 50 years. It can be observed that majority of the respondents (90%) belong to the age group between twenty five to fifty years.

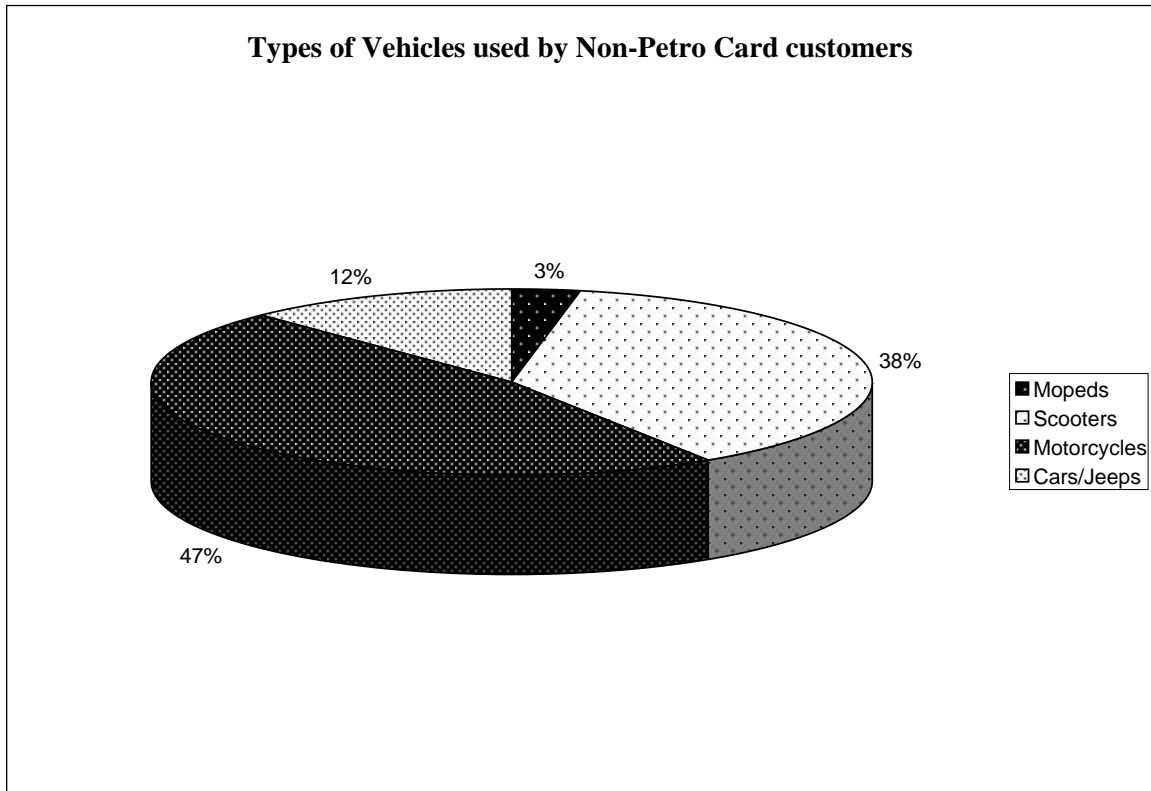
Monthly Income Profile of Respondents (Non-Petro Card Customers)



Monthly Income		
Response Category	No. of Responses	Percentage (%)
Less than/ equal to Rs. 5000/-	21	35
Above Rs. 5000, ≤Rs.10,000	15	25
Above Rs.10,000 ≤Rs.15,000	12	20
Above Rs.15,000≤20,000	4	7
Above 25000	8	13
Total number of responses	60	100

Observation

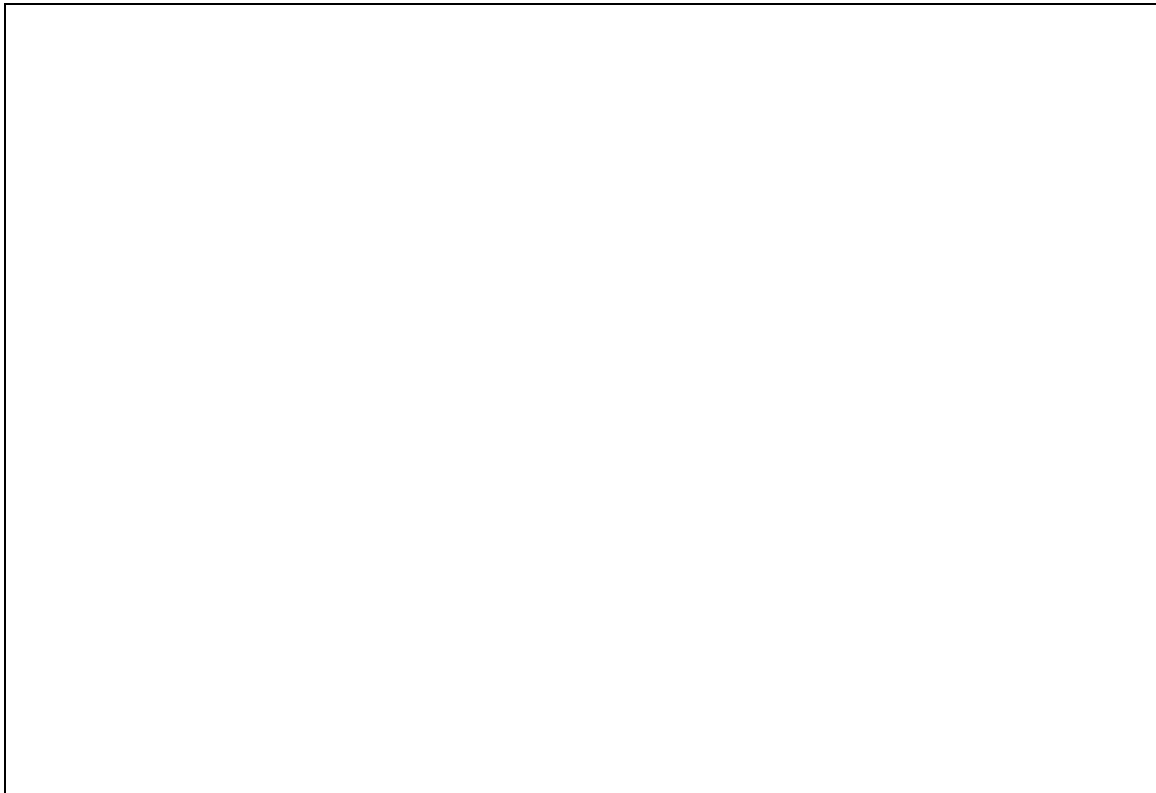
Thirty five percent of the respondents had monthly income less than Rs.5000/- per month, followed by 25% of respondents who had a monthly income above Rs.5000/- and below Rs.10000/-. Another 20% of the respondents had a monthly income above Rs.10000/- and below Rs.15000/-. Thirteen percent of the respondents had monthly income above Rs.25000, and 7% of the respondents had a monthly income above Rs.15000/- and below Rs.20000/-. Over all majority of the respondents (60%) belong to the income group of below Rupees ten thousand per month.



Types of Vehicles used	No. of Responses	Percentage (%)
Mopeds	2	3
Scooters	25	38
Motorcycles	31	47
Cars/Jeeps	8	12
Total number of responses	66	100

Observation

Majority of the respondents (47%) used motorcycles; followed by 38% of the respondents who used Scooters. 12% of the respondents used four wheelers like Cars/Jeeps, while 3% used mopeds. Over all it can be observed that majority of the respondents (88%) were using one or the other form of two wheelers.

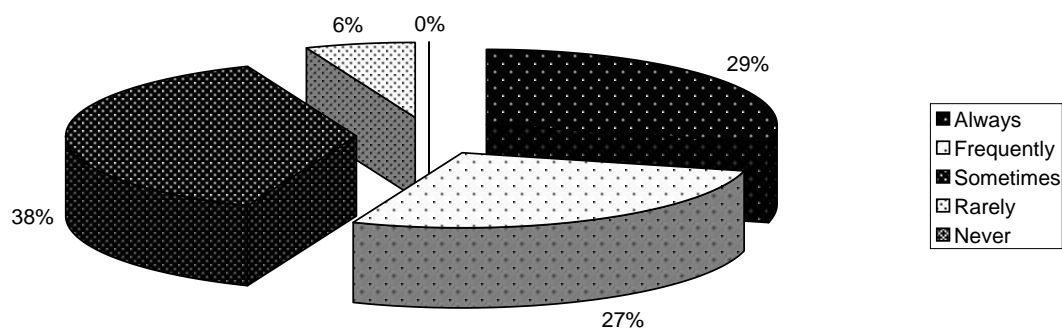


Ownership of the Vehicle		
Response Category	No. of Responses	Percentage (%)
Own Vehicles	57	86
Company provided Vehicles	9	14
Total number of responses	66	100

Observation

Eighty six percent of the respondents owned the vehicles they were using, while 14% of the respondents used company provided vehicles. As discussed in the earlier chapter, many finance options are available to the respondents for buying vehicles, and it can also be observed from the earlier question that most of the respondents were using two wheelers, which are more affordable compared to the four wheelers. These factors would explain the reasons behind the ownership pattern observed.

Do you always buy petrol at BPCL Outlets (Non PetroCard)



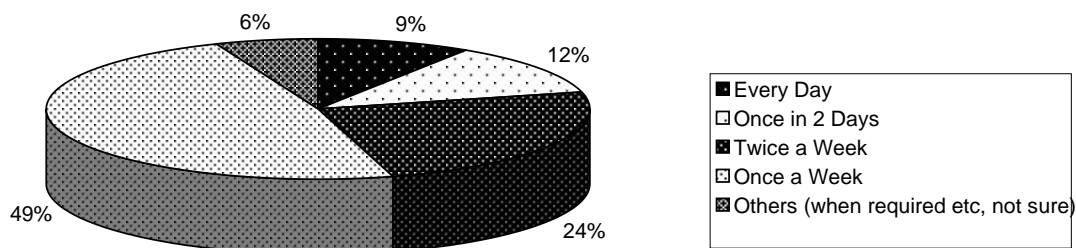
Q1. Do you always buy petrol at BPCL outlets

Response Category	No. of Responses	Percentage (%)
Always	19	29
Frequently	18	27
Sometimes	25	38
Rarely	4	6
Never	0	0
Total number of responses	66	100

Observation

Thirty eight of the respondents replied that they buy petrol from BPCL outlets sometimes only, 29% respondents replied that they would always buy petrol from BPCL outlets, and 27% replied that they frequently bought petrol from BPCL outlets, and 6% replied that they rarely bought petrol from BPCL outlet. The reasons for choosing a particular outlet are discussed in the next questions.

Frequency of visiting BPCL Out lets (Non PetroCard)

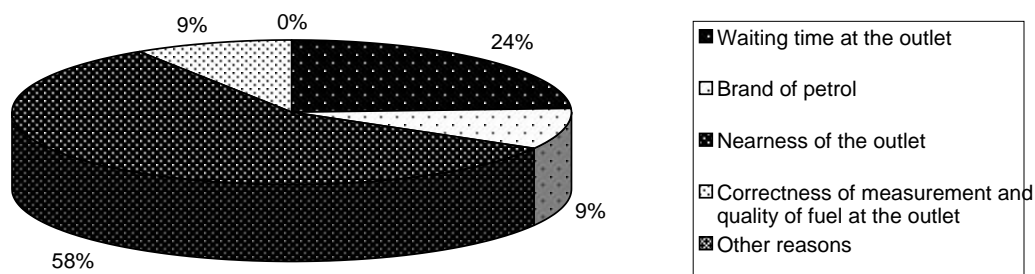


Q2 How frequently do you visit BPCL outlets		
Response Category	No. of Responses	Percentage (%)
Every Day	6	9
Once in two Days	8	12
Twice a Week	16	24
Once a Week	32	48
Others(when required etc, not sure)	4	6
Total number of responses	66	100

Observation

Forty eight percent of the respondents replied that they visit BPCL outlets once in a week, followed by 24% of the respondents who visited BPCL outlets, twice in a week, 12% of the respondents visited the outlets once in two days, and 9% visited the out lets every day, while 6% of the respondents were not sure about their visits. These answers could be further supplemented by the knowing the average distance traveled by the respondents per day. This question comes later in the questionnaire.

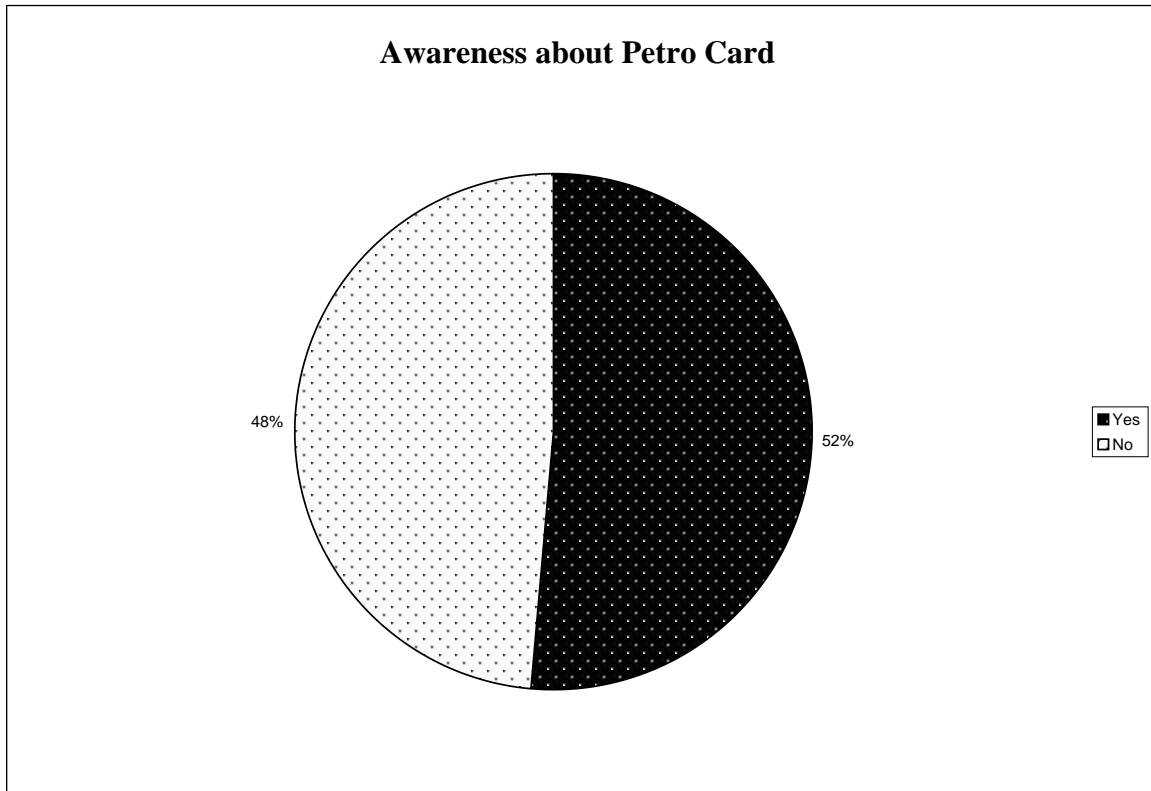
Important factors considered while purchasing Petrol (Non PetroCard)



Q3 What matters you most while buying petrol at an outlet		
Response Category	No. of Responses	Percentage (%)
Waiting time at the outlet	16	24
Brand of petrol	6	9
Nearness of the outlet	38	58
Correctness of measurement and quality of fuel at the outlet	6	9
Other reasons	0	0
Total number of responses	66	100

Observation

Nearness to the outlet emerged to be the prime factor in choosing a petrol outlet (58% of the respondents), while waiting time was the main factor for 24% of the respondents, another 9% of the respondents indicated brand as one factor and the other nine percent indicated quantity and quality of the fuel as the other factor. If we analyze the factors mentioned, we can find that in addition to the waiting time, the nearness of the petrol outlet matters most for the respondents. This factor directly refers to the convenience factor, related to the product distribution

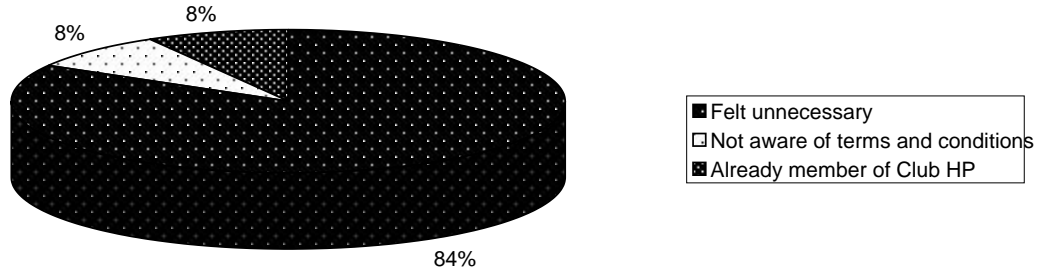


Q4 Are you aware of BPCL's Petro Card program		
Response Category	No. of Responses	Percentage (%)
Yes	34	52
No	32	48
Total number of responses	66	100

Observation

Fifty two percent of the respondents were aware of the Petro Card program, while forty two percent of the respondents were not aware of it. The analysis of the answers emphasizes the importance of communicating with the customers, regarding the programs launched by the company. The reasons for not joining the program, despite being aware of it are analyzed in the next question.

Reasons for not Joining Petro Card Program

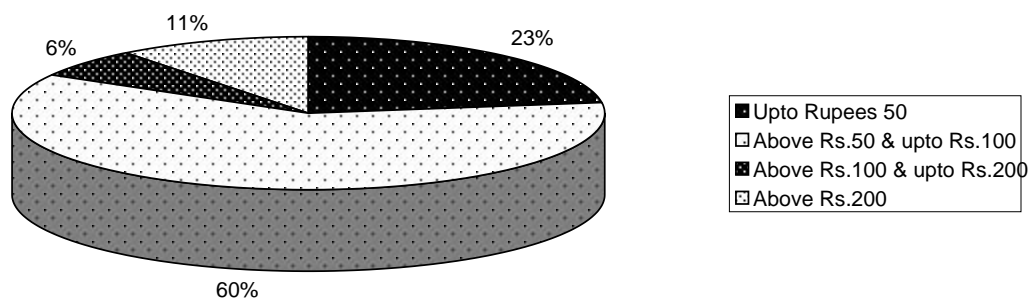


Q4b) Reasons for not joining the Petro Card program		
Response Category	No. of Responses	Percentage (%)
Felt unnecessary	20	83
Not aware of terms and conditions	2	8
Already member of Club HP	2	8
Total number of responses	24	100

Observation

As the research dealt with non petro card holders in this section, respondents were asked the reasons for not joining the program. Eighty three percent of the respondents felt that it was unnecessary, while 8% said that they were not aware of the terms and conditions, and another 8% of the respondents were already members of BPCL's rival company's loyalty program.

Average value of Petrol Purchased during a Visit (non Petro Card)

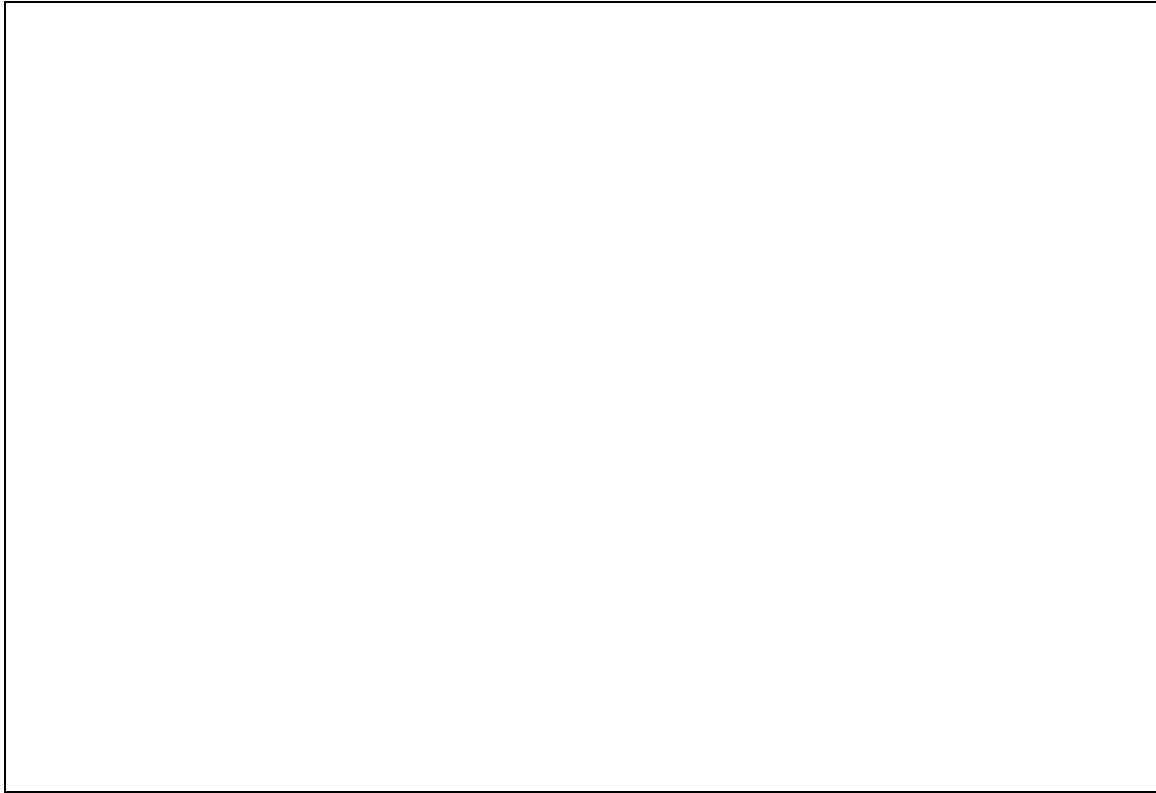


Q5 How much worth of fuel do you purchase on an average during a visit to the petrol outlet		
Response Category	No. of Responses	Percentage (%)
Up to Rupees 50	15	23
Above Rs.50 & up to Rs.100	40	60
Above Rs.100 & up to Rs.200	4	6
Above Rs.200	7	11
Total number of responses	66	100

Observation

Sixty percent of the respondents purchased petrol worth between Rs.50/- to Rs.100/-.

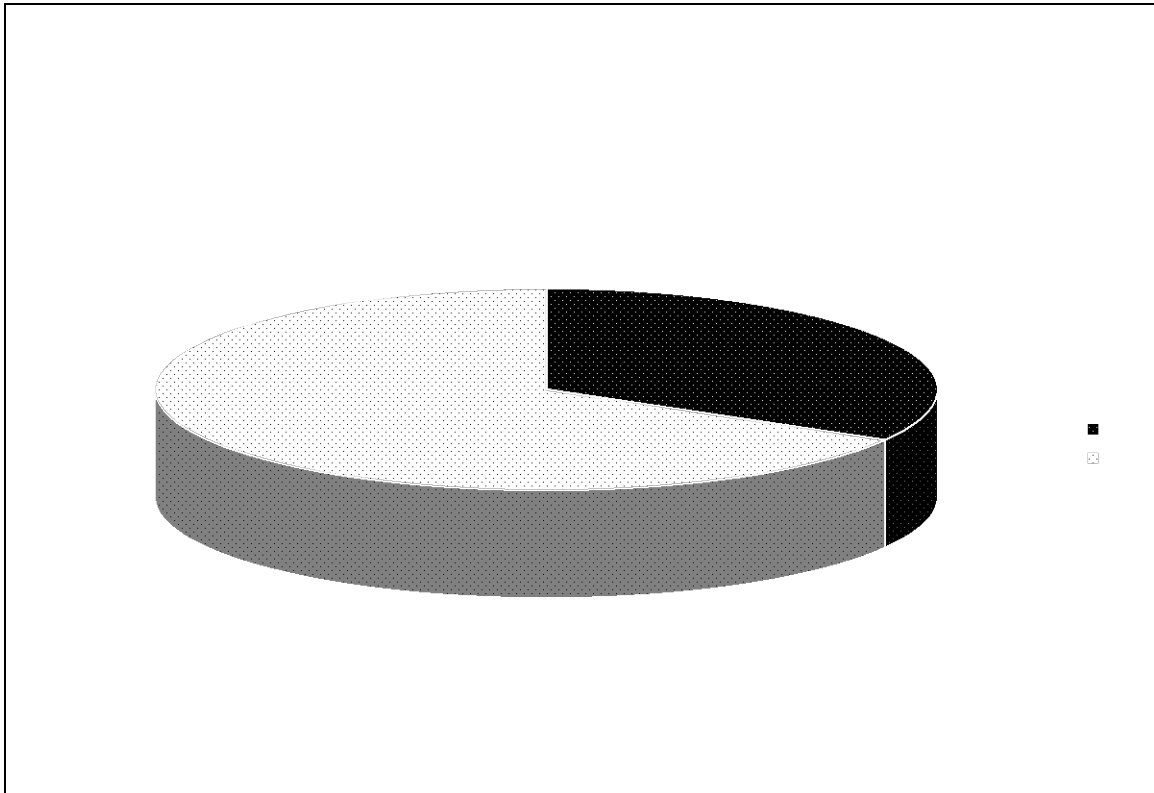
Twenty three percent purchased up to Rs.50/-, eleven percent of the respondents purchased petrol worth above Rs.200/- during a visit to the out let. The responses to this question would be further understood easily when we analyze the answers given for the next question, related to the distance traveled on a day.



Q6 How many kilometers do you travel per day (approximately?)		
Response Category	No. of Responses	Percentage (%)
Up to 50 KMs	51	77
above 50 and up to 100KMs	14	21
Above 100KMs	1	2
Total number of responses	66	100

Observation

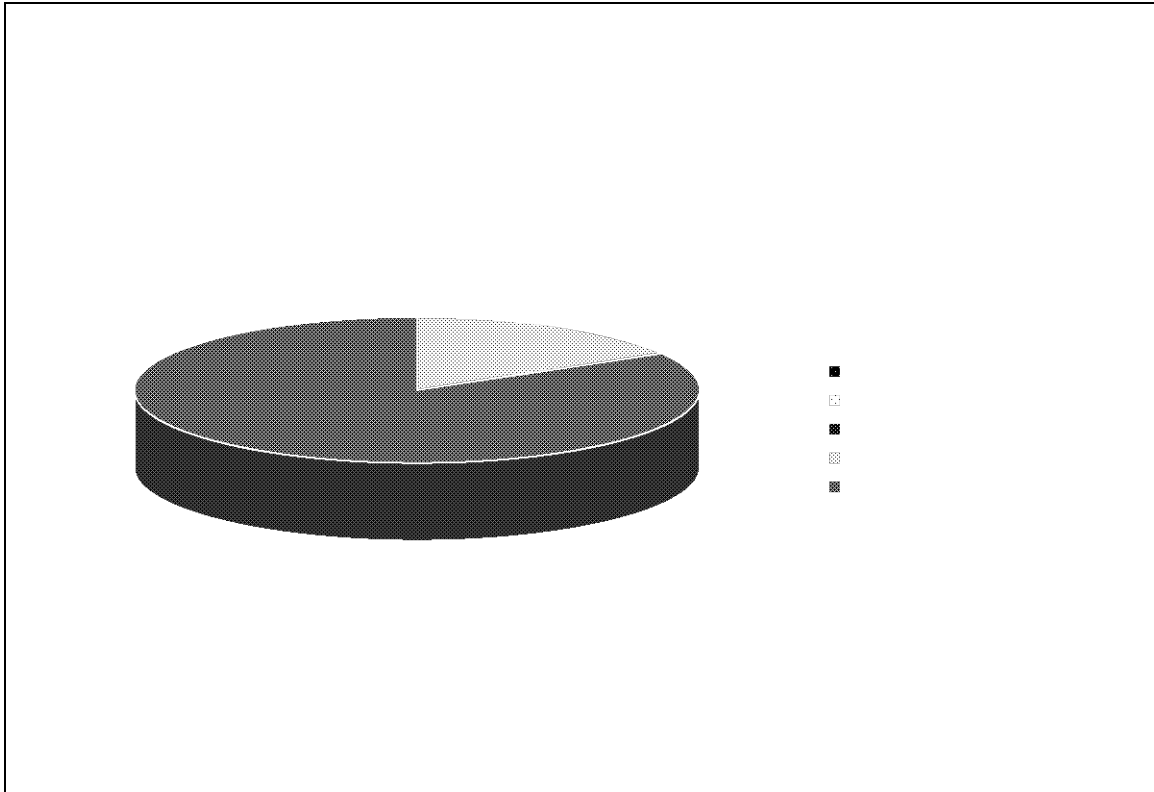
Seventy seven percent of the respondents replied that they would travel up to 50 kilo meters per day, 21% of the respondents traveled between 50 and 100 kilo meters and 2% traveled above 100 kilo meters. The analysis clearly indicates that most of the respondents (98%) travel up to hundred kilometers a day, on an average.



Q7 Are you aware of IN & OUT Stores located at BPCL petrol Outlets		
Response Category	No. of Responses	Percentage (%)
Yes	22	33
NO	44	67
Total number of responses	66	100

Observation

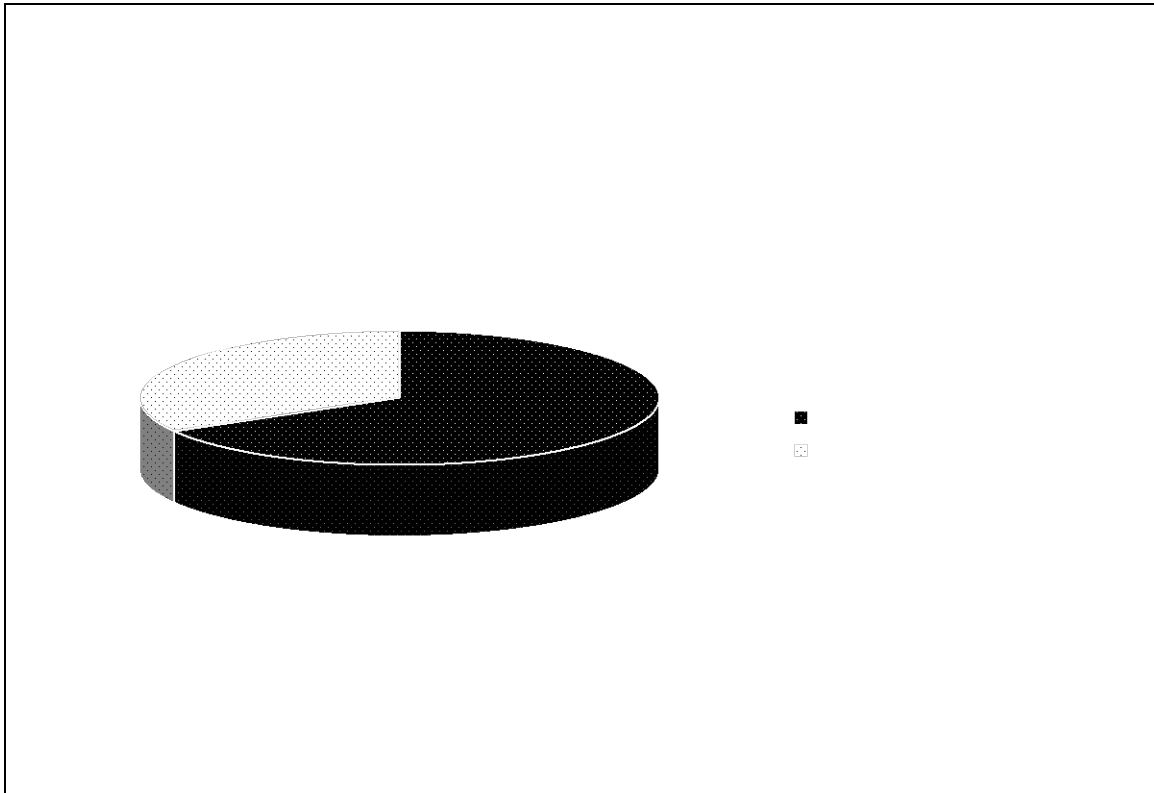
Sixty seven percent of the respondents were not aware of IN & OUT stores located at BPCL outlets, and 33% of the respondents were aware of them. This factor of awareness is crucial, as we found out in the later analysis that even out of all the respondents who are aware of the IN & OUT stores, only a few tried out purchases.



Q7a) Do you purchase any items at IN & OUT stores		
Response Category	No. of Responses	Percentage (%)
Always when I visit BPCL outlets	0	0
Frequently	0	0
Sometimes	0	0
Rarely	4	17
Never	18	83
Total number of responses	22	100

Observation

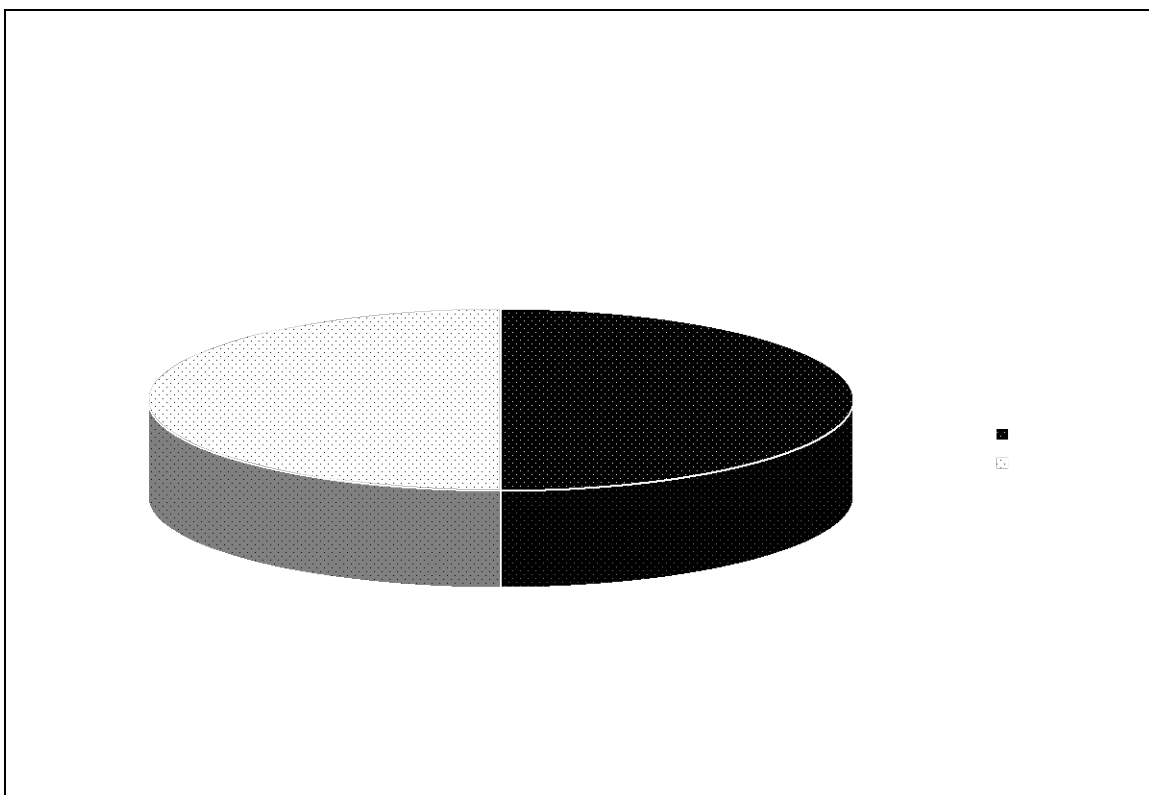
Of the twenty two respondents who responded to the question, eighty three percent of the respondents (18 respondents) never purchased items from IN & OUT stores, while seventeen percent of the respondents rarely purchased from the IN & OUT stores.



Q7b) Reasons for purchase		
Response Category	No. of Responses	Percentage (%)
Kids' pressure	4	67
Other stores closed on Sunday	2	33
Total number of responses	6	100

Observation

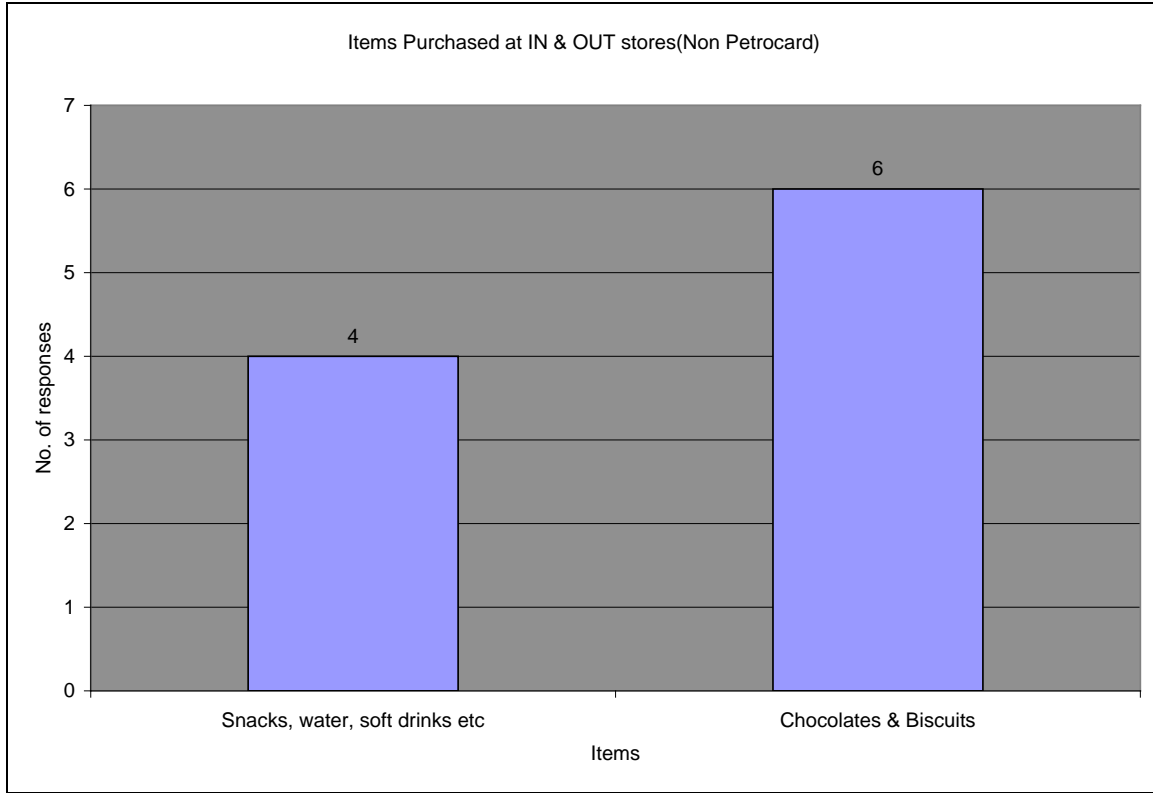
Total number of reasons given by the four respondents who purchased items at IN & OUT stores was six. 'Kid's pressure' was the prime reason mentioned for their decision to purchase from IN & Out stores, while 33% of the reasons mentioned for purchases at IN & OUT stores related to the factor of other shops being closed on Sundays.



Q7 c) Non Purchase reasons		
Response Category	No. of Responses	Percentage (%)
Not interested	2	50
High rates	2	50
Total number of responses	4	100

Observation

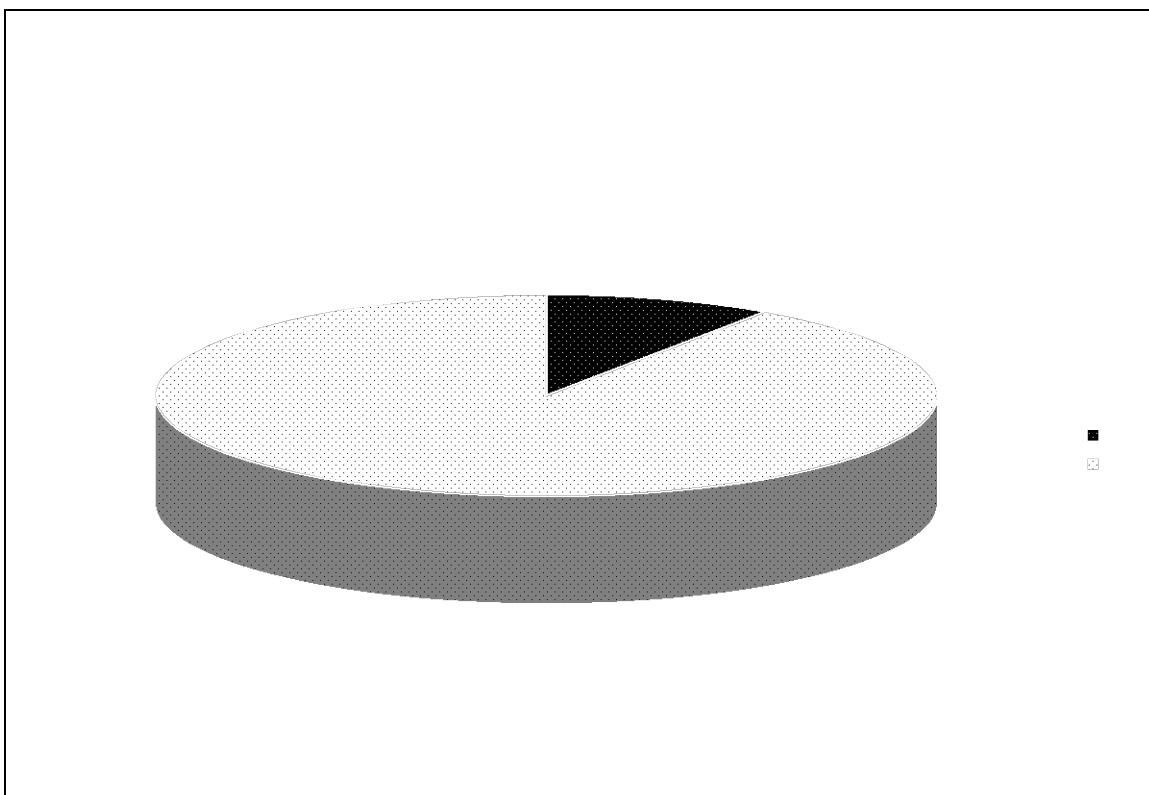
Fifty percent of the respondents said that they were not interested to buy from IN & OUT stores, while another 50% of respondents mentioned ‘high rates/ prices’ of items at IN& OUT stores, as the reason for not buying items at the stores.



Q8 If you have purchased from IN & OUT stores, what items did you purchase?		
Response Category	No. of Responses	Percentage (%)
Snacks, water, soft drinks etc	4	40
Chocolates & Biscuits	6	60
Total number of responses	10	100

Observation

Chocolates and biscuits accounted for 60% of the purchases, while snacks, water, soft drinks accounted for 40% of the purchases. Clearly all the items relate to the impulse items.



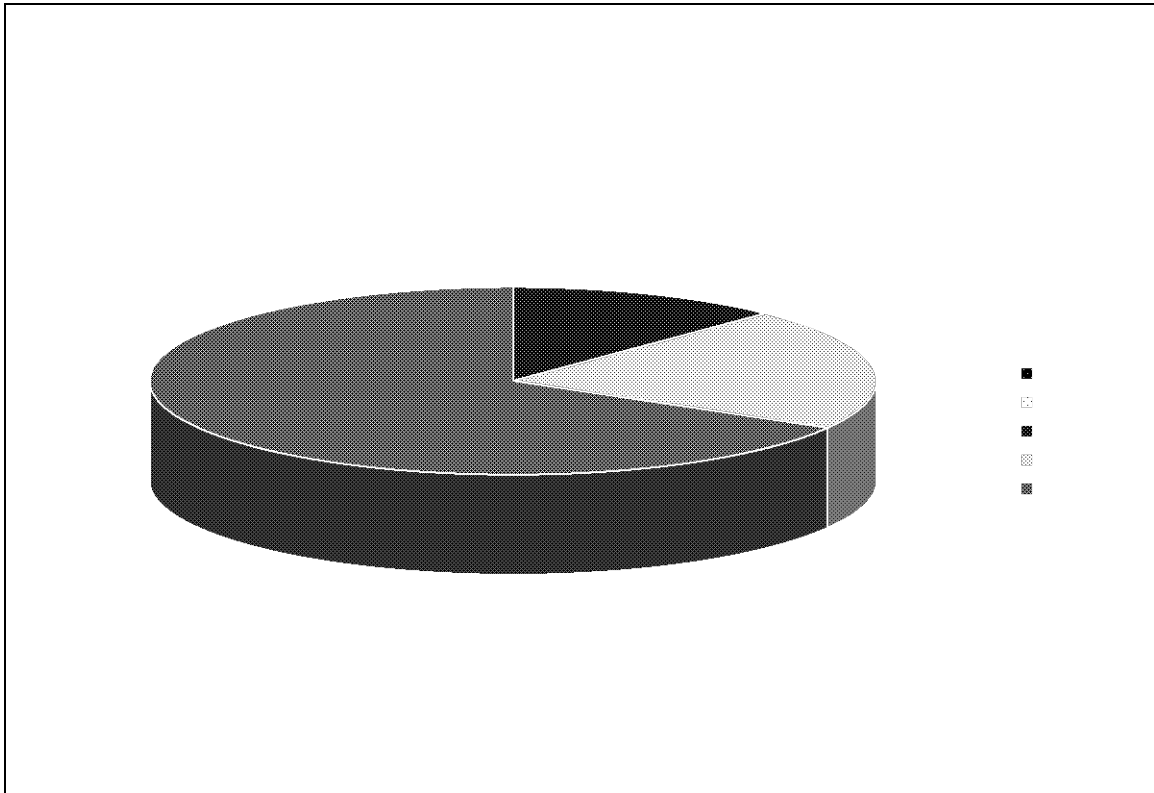
Q9 Are you aware of BPCL's PURE for SURE Campaign?		
Response Category	No. of Responses	Percentage (%)
Yes	6	9
No	58	91
Total number of responses	64	100

Observation

Ninety one percent of the respondents were not aware of PURE for SURE campaign, while nine percent of the respondents were aware of it. The responses to this question again emphasize the need for better and focused communication with the customers.

Q9a) What do you expect from PURE for SURE petrol outlets		
Response Category	No. of Responses	Percentage (%)
Good Mileage	6	100

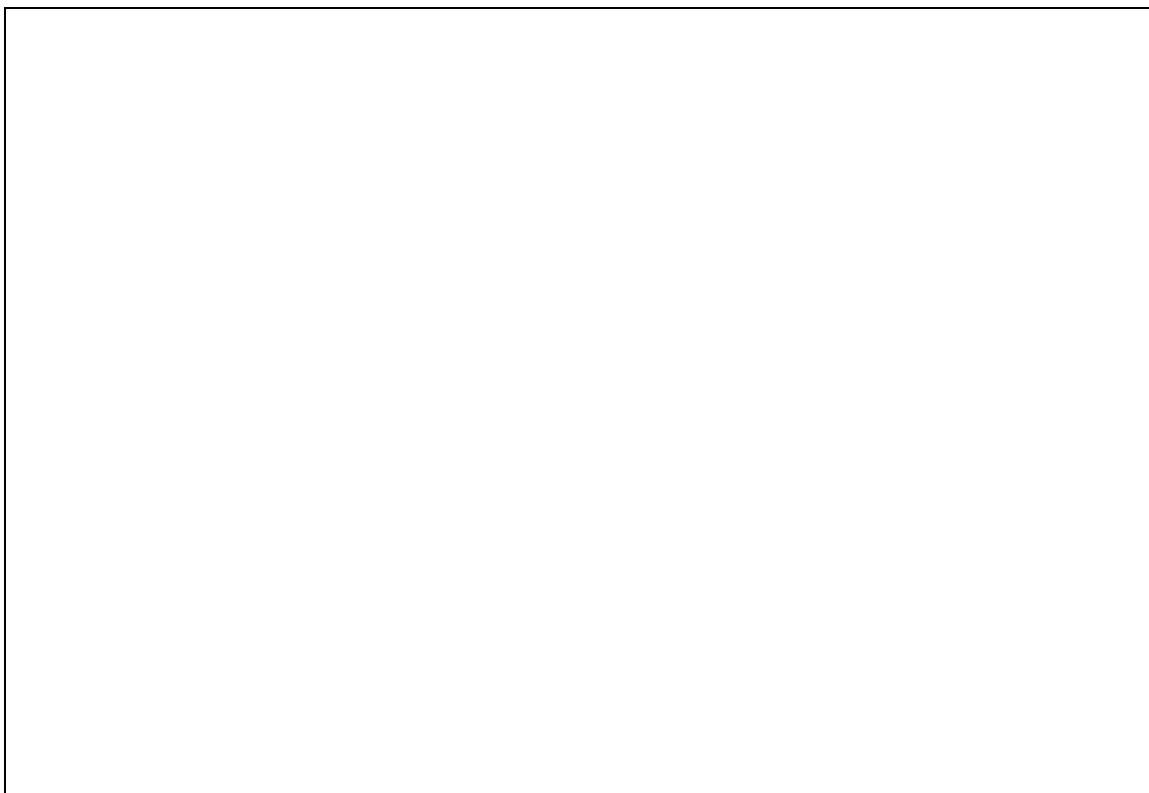
Observation All of the six respondents who replied, to the question said that they expected "Good Mileage" from the petrol purchased at PURE for SURE out lets.



Q10 Do you buy lubricants from BPCL petrol outlets?		
Response Category	No. of Responses	Percentage (%)
Always	0	0
Frequently	0	0
Sometimes	8	12
Rarely	14	21
Never	44	67
Total number of responses	66	100

Observation

Sixty seven percent of the respondents never purchased lubricants from BPCL outlets, 21% of the respondents purchased lubricants rarely, and 12% respondents purchased sometimes. The reasons given for the responses are analyzed in the next questions.



Q10a) Reasons for purchase		
Response Category	No. of Responses	Percentage (%)
Availability	8	67
Quality	2	17
Out of urgency	2	17
Total number of responses	12	100

Observation

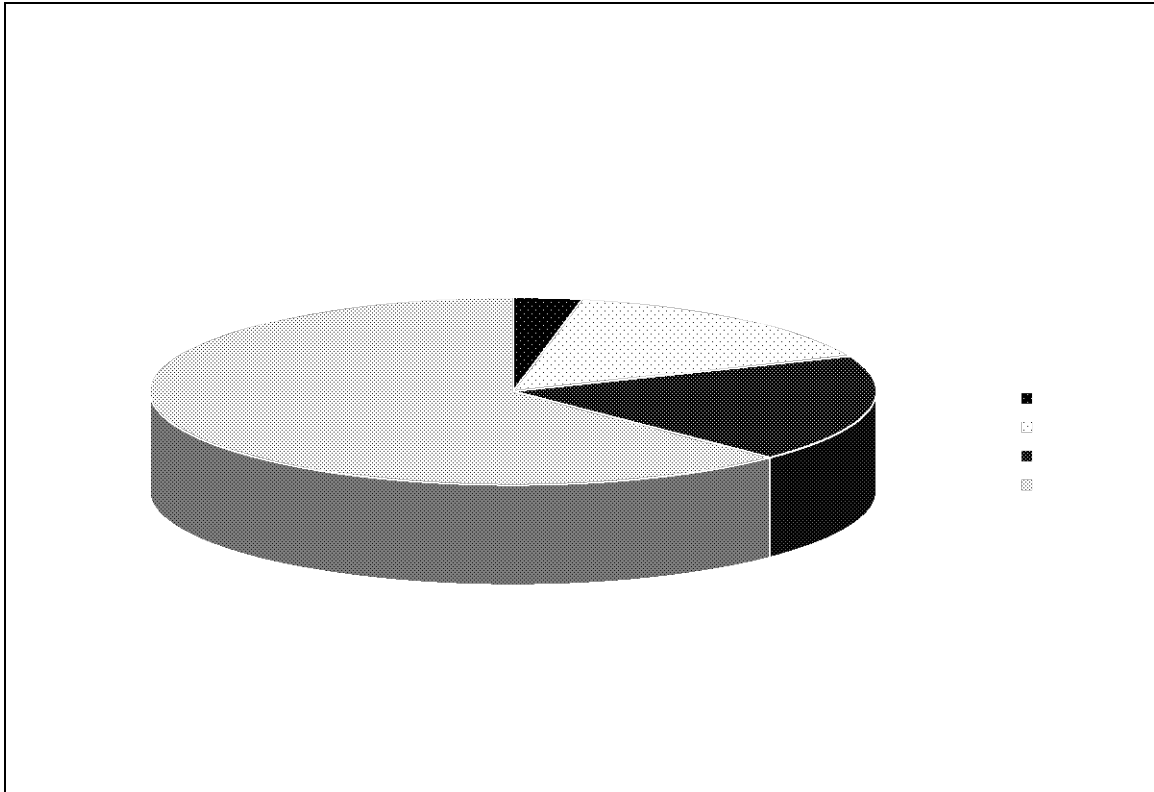
Sixty seven percent of the respondents who purchased lubricants at BPCL outlets mentioned the factor of ‘availability’ of the lubricants as the main reason for purchase, another 17% mentioned Quality as the reason and the remaining 17% mentioned ‘Urgency’ as the reason for purchase of lubricants.



Q10b) Reasons for non-purchase		
Response Category	No. of Responses	Percentage (%)
Service outlet takes care	2	50
Prefer buying in discount stores	2	50
Total number of responses	4	100

Observation

Out of the four specific responses we had for non- purchase of lubricants, it was found that the lubricant for the customer's vehicle is normally purchased by the service outlet(50% respondents), while another 50% of the respondents said that they prefer buying the lubricant at an out let that offers them some discount.



Q11 Do you buy SPEED petrol sold at BPCL outlets		
Response Category	No. of Responses	Percentage (%)
Regularly	2	3
Sometimes	10	16
Rarely	12	19
Never	40	63
Total number of responses	64	100

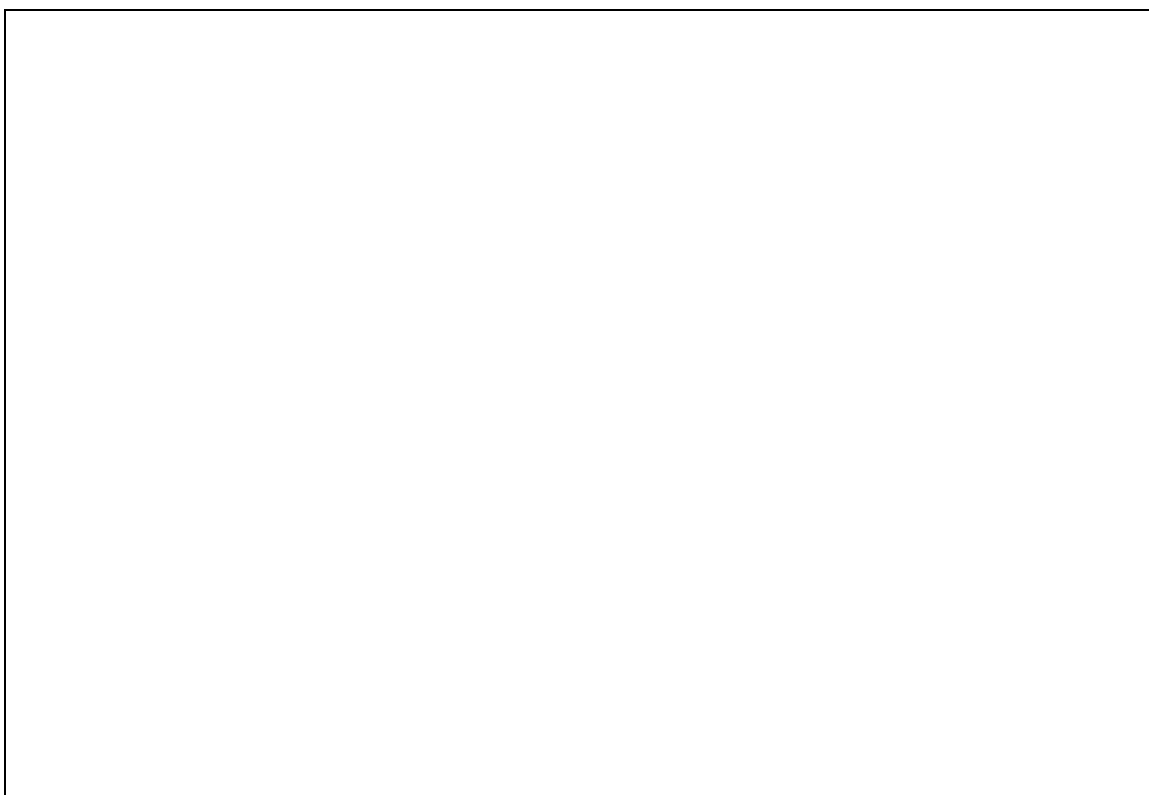
Observation

Sixty three percent of the respondents never purchased SPEED from BPCL outlets, while 19% purchased it rarely, 16% purchased it some times, and 3% purchased it regularly.

Q11a) Reasons for purchase of SPEED		
Response Category	Frequency	Percentage
Increase in mileage	10	100

Observation

All of the respondents mentioned 'increase in mileage' as the reason behind purchasing SPEED fuel. . The responses clearly indicate that the customer is very focused on the end benefit from the purchase of the product.



Q11b) Reasons for non purchase of SPEED		
Response Category	No. of Responses	Percentage (%)
Costly	2	50
Not recommended by the vehicle manufacturer	2	50
Total number of responses	4	100

Observation

When asked about the reasons for non purchase of SPEED fuel four responses were obtained, out of which 50% of the respondents mentioned that it was costly compared to normal petrol, and another 50% respondents said that it was not recommended by their vehicle manufacturer.

Q12 Your suggestions for improvement of service at BPCL		
Response Category	No. of Responses	Percentage (%)
Number of outlets to be increased	2	13
Attendants behavior should be improved	3	20
Puncture shops should be made available	2	13
Number of pumps at outlets should be increased	2	13
Seating facility be provided	2	13
First-aid box to be provided	2	13
Quality of fuel should be improved	2	13
Total number of responses	15	100

Observation

A wide variety of suggestion like increase in no. of out lets, increase in number of pumps at the out lets, puncture repair facility were made by the respondents, but most of them (20%) indicated that the behavior of the attendants at the out lets should be improved. Although it is impossible to implement all the suggestions, it is extremely important to note that most of the suggestions are related to courteous behavior of the staff, which is

quite reasonable from the customer point of view and possible from the company's point of view.

Q13 Your suggestions for improvement of Petro Card program		
Response Category	No. of Responses	Percentage (%)
Insurance should be provided to Petro card holders	2	100
Total number of responses	2	100

Observation

Even though this section of the research dealt with non petro card holders, two of them made an interesting suggestion that insurance cover should be provided for petro card holders.

CHAPTER V
CASE STUDY OF IDEA CELLULAR LTD.

5. Introduction to Cellular Telephony

Cellular telephony, which enables a person the power to communicate round the clock, across the world, has ushered in major changes in the entire industry of telecommunications. Mobile telephones have become an integral part of the growth, success and efficiency of any business / economy. The most widely used wireless standard in the world today, is GSM. The GSM Association (Global System for Mobile Communications) was instituted in the year 1987 to promote and expedite the adoption, development and deployment and evolution of the GSM standard for digital wireless communications.

The GSM Association was formed as a result of a European Community agreement on the need to adopt common standards suitable for cross border European mobile communications. Starting off primarily as a European standard, the Groupe Speciale Mobile as it was then called, soon came to represent the Global System for Mobile Communications as it achieved the status of a world-wide standard. GSM is today, the world's leading digital standard accounting for 68.5% of the global digital wireless market. The Indian Government when considering the introduction of cellular services into the country, made a landmark decision to introduce the GSM standard, bypassing obsolescent technologies and standards.

5.1 Cellular Telephony Industry in India

It was recognized by the Government of India that the provision of a world-class telecommunications infrastructure and information is the key to rapid economic and social development of the country. It is critical not only for the development of the Information Technology industry, but also has widespread ramifications on the entire economy of the country. It is also anticipated that in the future years, a major part of the GDP of the country would be contributed by this sector. Accordingly, it is of vital importance to the country that there be a comprehensive and forward looking telecommunications policy which creates an enabling framework for development of this industry.

5.2 Liberalization of Indian Telecom Sector

Telecommunications sector is now universally recognized as one of the prime movers of the modern economy; it is especially important for a developing country like India. The availability of adequate infrastructure facilities is critical for acceleration of the economic development of any country. In fact international studies have established that for every 1% increase in tele-density, there is a 3% increase in the growth of GDP. Accordingly, the Government of India has accorded the highest priority to investment and development of the telecommunications sector. Telecom industry requires very huge levels of investments and it was believed that the Indian Government alone would find it difficult to organize public funding of this sector on such a massive scale. In fact the national telecom Policy 1994, estimated a resource gap of Rs.23, 000 crores to meet the telecom targets of the eighth five-year plan of the Government of India (1992-97).

It was for this reason to bridge the resource gap between government funding and the total projected funds requirement and to provide the additional resources to achieve the nation's telecom targets that the telecommunications sector was liberalized in 1992 and the Government invited private sector participation in telecommunications. Cellular mobile services were one of the first areas to be opened up to private competition. The whole country was divided into the 4 metropolitan cities of and 19 telecom circles, which were roughly analogous with the States of India. In the year 1995 tenders invited for cellular services in 20 Telecom circles. The circles were roughly analogous to the states of India and were divided into "A", "B" and "C" categories based on their perceived business potential.

Category A comprised the states of Maharashtra Gujarat, AndhraPradesh, Karnataka and Tamil Nadu. Category B comprised the states of Kerala Punjab Haryana Uttar Pradesh (West) Uttar Pradesh (East) Rajasthan Madhya Pradesh and West Bengal. Category C comprised the states of Himachal Pradesh, Bihar, Orissa, Assam and North East states. Cellular Licenses were awarded to the private sector - first in the metropolitan cities of Delhi, Mumbai, Kolkata and Chennai in 1994 and then in the 19-telecom circles in 1995. The first metro cellular network started operating in August 1995 in Calcutta.

When cellular mobile services were first introduced in 1994 it was as a duopoly (that is a maximum of two cellular mobile operators could be licensed in each telecom circle), under a fixed license fee regime and for a license period of 10 years. The initial response of the private sector was very encouraging. The attractiveness of the Indian market - the low tele-density, the high latent demand and a burgeoning middle class - brought in some of the largest global telecom players, foreign institutional investors and the major Indian industrial houses to invest in telecom, especially the Indian cellular industry. Telecom proved to be a powerful attractor of foreign investment. The cumulative FDI inflow into telecom since 1993 has exceeded Rs. 43,000 Million. Within telecom, the cellular industry has attracted most of the foreign investment since 1993, accounting for almost 50% of the FDI inflow into telecom - representing amongst the biggest investments in any one sector in India.

5.3 FDI in Telecom Sector

Annual foreign investment in telecom increased steadily from an insignificant Rs. 20.6 Million in 1993 to Rs. 17,756.4 Million in 1998. However, the attractiveness of the Indian market did not last for very long, as by 1997-98; the private cellular operators were confronted with a series of problems that threatened their very viability and survival. As a result of this, Foreign Direct Investment (FDI) inflow into telecom dropped sharply, declining by almost 90% to Rs. 2126.7 Million in 1999. This dropped further in Year 2000 - as until June 2000, only Rs. 918 Million had flown into the country. One of the key factors responsible for the critical state of the telecom sector & consequently also the cellular industry was that liberalization / deregulation was undertaken in an inverted manner vis-à-vis international practices and generally accepted norms. Usually, deregulation is preceded by tariff rebalancing, institution of a strong and independent regulator and only then is private sector participation invited.

5.4 Private Sector Participation in Indian Telecommunications Sector

In India, private sector participation was invited in 1992, the Regulatory Authority was set up in 1997 and the tariff rebalancing exercise commenced in 1999 and is still far from complete. Further, even when the regulatory authority was set up, there was considerable

ambiguity on its powers, which resulted in virtually each and every order of the Authority being challenged by the Licensor / incumbent. Another important factor was the basic approach of the Government towards liberalization. Consumer benefit was not given the due importance and the telecom sector was viewed as a revenue generator / cash cow for the Government exchequer. The huge license fees paid by the private operators resulted in a high cost structure leading to un-affordable tariffs and lower growth of the market.

5.5 New Telecom Policy of India (NTP 1999)

It was under the above circumstances that the Government undertook a review of telecom policy & the role of the regulatory authority. The result was NTP 99, which was announced in March 1999 & the amendment of the TRAI Act in January 2000. NTP 99 is an extremely forward-looking policy. It significantly changed the dynamics of the Indian telecom industry as it not only replaced the high cost fixed licensing regime with a lower cost licensing structure through revenue sharing, but also provides for greater degree of competition and more flexibility in choice of technologies. The amendments in the Telecom Regulatory Authority of India (TRAI) Act resulted in a considerable strengthening of the Regulator & greater clarity on its role and powers. It also put in place a separate dispute settlement mechanism in the form of the Telecom Dispute Settlement and Appellate Tribunal to expeditiously deal with and resolve issues relating to the telecom sector.

The existing private cellular operators at that point of time migrated to the new telecom policy regime with effect from August 1999. The migration to a more beneficial regime translated into tangible consumer benefits - lower tariffs, greater subscriber uptake and increased coverage. Cellular tariffs have dropped by over 90% since May 1999 - a phenomenon unparalleled by any other sector or industry in India. The average airtime tariff in Year 2001 was prevailing around Rs. 2 per minute as against the peak ceiling tariff of Rs. 16.80 per minute when NTP 99 was announced. At the same time, there has also been a significant drop in the cost of mobile handsets. Cellular handsets that were available for around Rs. 25-30,000 in the initial days of cellular have now dropped significantly, with a base level handsets being available for as little as Rs.2,000 upwards.

This has come about as a result of increased volumes and some degree of rationalization of government levies.

5.6 Growth of Mobile Telephony in India

As a result of improved affordability, there an increased take-up of the service and the cellular operators were able to venture into more and more cities & towns of the country. In fact cellular services are now available in almost 1400 cities & towns of India. With the lower tariffs and increased coverage, there was also a resultant increase in the number of cellular subscribers. The point of inflexion for subscriber take-off is clearly post NTP-99. From 1.2 million subscribers in April 1999, to almost 2 million by April 2000, the number of cellular subscribers has grown to almost 6.5 million by the end of March 2002.

By March 2001, the industry had invested nearly Rs. 16,000 crores in cellular infrastructure and it is estimated that these investments will grow to Rs. 20,000 crores in the next 4-5 years. The year 2001 also saw the entry of BSNL and MTNL as the third cellular operators as had been mandated in NTP 99. Further, in July 2001, cellular licenses were awarded to the 4th cellular operators in different telecom circles. With this the number of cellular operators has gone up to 89 licenses.

As of March 2002, the Indian cellular mobile industry had 42 networks on air, serving over 1400 towns and cities and covering thousands of villages and serving almost 6.5 million subscribers across the country. The quality of the service is widely accepted to be of international standards and till date there has been no waiting period involved in availing of this service. The cellular industry has been growing at an average rate of 85% per annum and it is hoped that the industry will be able to sustain this growth in the coming years. The Working Group on the Telecom Sector set up by the Government of India for the tenth five-year plan, has estimated that over the next five years, around 31.55 million cellular subscribers would be added all over India.

Indian telecom sector registered a record growth during the year 2005. More than 30 million telephony subscribers added during 2005, total base nears 125 million. The gross additions were around 5 millions in December, 2005. The Tele-density of India reached

11.43. The GSM mobile industry continued to grow at a rapid pace and the GSM industry had added a record 3.5 million subscribers during the month of January '06. This is also the highest monthly subscriber additions recorded by the GSM industry since inception of service. The GSM subscriber base crossed the 60 million mark and reached 62 million as on January 2006 from 58.5 million in December 2005, representing a growth of 6% in January 2006.

Sl. No.	Company	No of Subscribers (In Mn)		Additions Over Previous Month (in Mn)	% Growth over Previous Month	% Market Share
		Nov'05	Dec'05			
1	Bharti	15.41	16.33	0.92	5.97%	27.91%
2	BSNL	13.29	14.30	1.01	7.60%	24.44%
3	Hutch	10.68	11.41	0.73	6.84%	19.50%
4	IDEA	6.21	6.47	0.26	4.19%	11.06%
5	BPL	2.87	2.89	0.02	0.70%	4.94%
6	Aircel	2.22	2.28	0.06	2.70%	3.90%
7	Reliance	1.62	1.67	0.05	3.09%	2.85%
8	Spice	1.55	1.63	0.08	5.16%	2.79%
9	MTNL	1.44	1.53	0.09	6.25%	2.61%
	TOTAL	55.31	58.51	3.20	5.79%	100.00%

Table 5.1: Mobile Subscriber Growth in India between Nov'05 and Dec'05)

Table: 5.2 Company Wise, GSM Subscribers for Each Circle, (as on 31st Jan'06)

City/Circle	Operators	No. of Subscribers
Delhi	Bharti Tele-Ventures	1895680
	Hutchison Essar	1742136
	MTNL	742647
	IDEA	832183
Mumbai	BPL Mobile	1334272
	Hutchison Max	1838818
	MTNL	888027
	Bharti Tele-Ventures	1135954
Chennai	Aircel Cellular Ltd	677815
	Bharti Tele-Ventures	610968
	Hutchison Essar	375328
	BSNL	509118
Kolkata	Bharti Tele-Ventures	604661
	Hutchison Telecom	869113
	BSNL	403538
	Reliable Internet	19191
All Metros	Total	14479449
	A' Circle	
Maharashtra	BPL Cellular	683651
	IDEA	1631574
	Bharti Tele-Ventures	1211226
	BSNL	1056053
Gujarat	Fascel	2012797
	IDEA	914163
	Bharti Tele-Ventures	791524
	BSNL	827750
A.P.	IDEA	850858
	Bharti Tele-Ventures	1534879
	Hutchison Essar	756395
	BSNL	1053728
Karnataka	Bharti Tele-Ventures	2001370
	Spice Comm	366263
	Hutchison Essar	964612
	BSNL	1112005
T.N.	BPL Cellular	467216
	Aircel Limited	1602380

	BSNL	1339658
	Bharti Tele-Ventures	698659
A' Circle	Total	21876761
	'B' Circle	
Kerala	Idea Mobile Comm	768101
	BPL Cellular	431102
	Bharti Cellular	529444
	BSNL	1425438
Punjab	Spice Comm.	1351215
	Bharti Tele-Ventures	1542103
	BSNL	383020
	Hutchison Essar	605837
Haryana	Idea Mobile Comm	273456
	Aircel Digilink	344998
	Bharti Cellular	384948
	BSNL	482490
U.P.(W)	Ideal Mobile Comm	813111
	Bharti Tele Ventures	519132
	BSNL	892797
	Hutchison Essar	501369
U.P.(E)	Aircel Digilink	1209445
	BSNL	1581512
	Bharti Tele-Ventures	543207
Rajasthan	Aircel Digilink	527136
	Bharti Hexacom	918233
	BSNL	953830
M.P.	IDEA	649095
	Reliance Telecom	500159
	Bharti Tele-Ventures	403769
	BSNL	387966
W.B. & A&N	Reliance Telecom	227410
	BSNL	583060
	Bharti Tele-Ventures	291642
	Hutchison Telecom	417158
	Dishnet Wireless	7522
B' Circle	Total	20449705
	C Circle	
	Bharti Tele-Ventures	

H.P.		332955
	Reliance Telecom	62030
	BSNL	210166
Bihar	Reliance Telecom	502281
	BSNL	782889
	Bharti Tele-Ventures	665241
Orissa	Reliance Telecom	179906
	BSNL	476399
	Bharti Tele-Ventures	364527
	Dishnet Wireless	19469
Assam	Reliance Telecom	185053
	BSNL	308346
	Bharti Tele-Ventures	129156
	Dishnet Wireless	34992
N.E.	Reliance Telecom	53818
	Bharti Tele-Ventures	22999
	BSNL	176853
	Dishnet Wireless	36427
Jammu & Kashmir	BSNL	426384
	Bharti Tele-Ventures	240893
	Dishnet Wireless	2445
C' Circle	Total	5213229
All India	Total	62019144

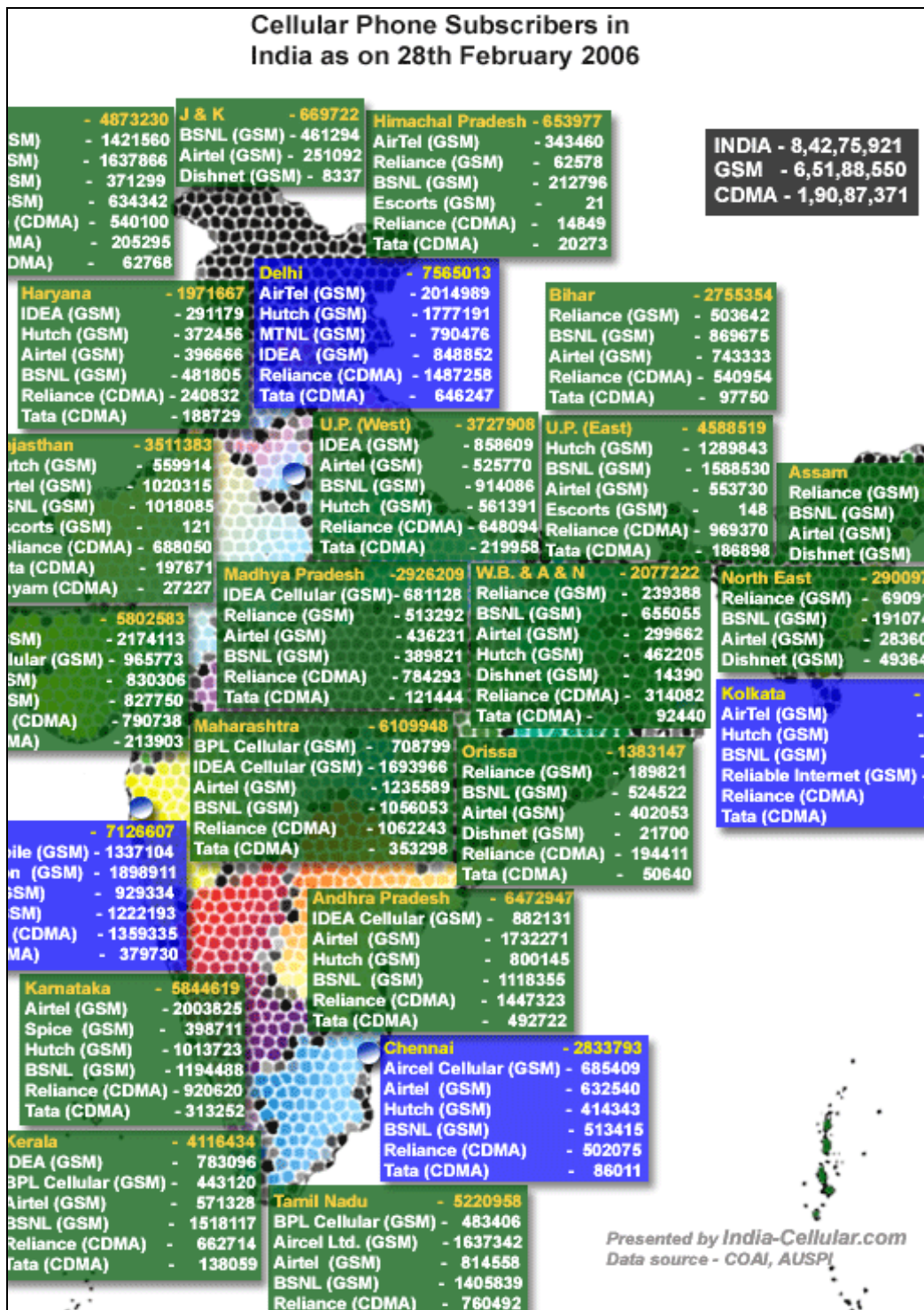
Sl. No.	Category	No of Subscribers (In Mn)		Additions Over Previous Month (in mn)	% Growth over Previous Month
		Nov'05	Dec'05		
1.	Metros	13.47	13.97	0.50	3.71%
2.	Category A	19.34	20.47	1.13	5.80%
3.	Category B	18.13	19.25	1.12	6.18%
4.	Category C	4.37	4.81	0.44	10.07%
	Total	55.31	58.51	3.20	5.79%

Table 5.3: Circle-Wise Performances during Dec'05 and Jan'06

5.7 Circle-Wise Growth of Mobile Telephony

In the year 2005, among all circles, Category C circles continued to witness the highest rate of growth at 8.3%, which is much higher as compared to Metros and A & B circles. Within the Category C circles, the highest growth was recorded by the Assam Circle (14.22%) followed by N.E. (North East) Circle (10.86%). In terms of growth, Category C circles were followed by Category A circles, which recorded a healthy growth of 6.85% over the previous month. Karnataka recorded the highest growth at (11.3%) followed by A.P. at 7.8%.

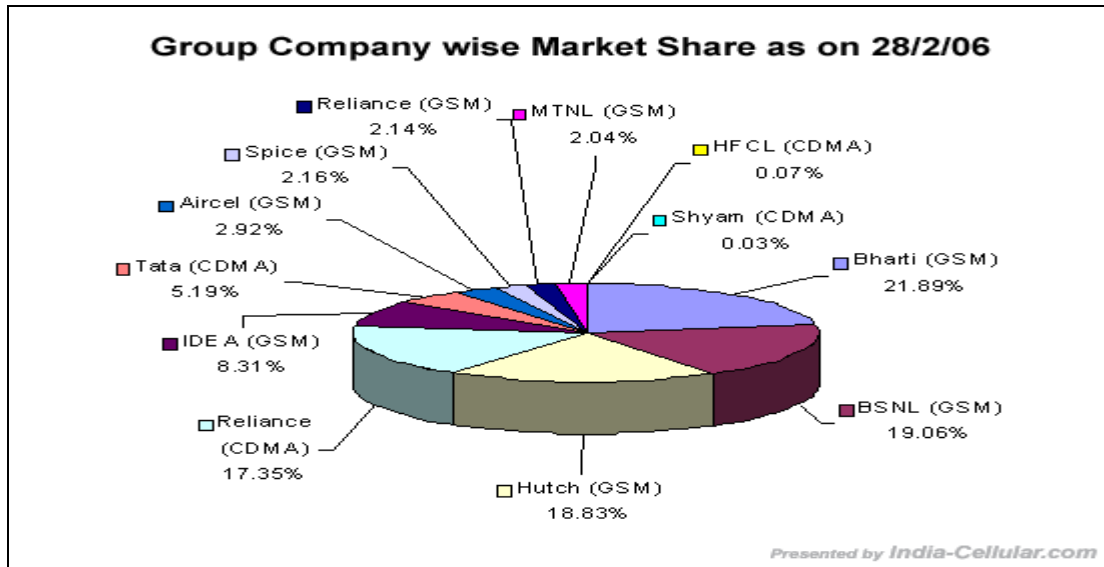
Category B circles witnessed a growth of 6.2%. Amongst the Category B circles, West Bengal & A.N. recorded highest growth at (14%), followed by Kerala at (8.8%). The Metro subscribers grew by 3.70% over the previous month. Kolkatta recorded the highest growth at (5.21%) followed by Chennai (3.86%).



A summary picture of the company wise performance (including CDMA and GSM) as on 28th Feb'06 is given below:

Group Company	Total Subscribers
Bharti (GSM)	18450074
BSNL(GSM)	16060906
Hutch (GSM)	15868133
Reliance (CDMA)	14622980
IDEA (GSM)	7005024
Tata (CDMA)	4374396
Aircel (GSM)	2464209
Spice (GSM)	1820271
Reliance (GSM)	1800123
MTNL (GSM)	1719810
HFCL (CDMA)	62768
Shyam (CDMA)	27227
Total	84275921

**Table: 5.4 Company wise Performance
(Including CDMA and GSM) as on 28th Feb'06**



Source: Indian-Cellular.com, 2006

Fig: 5.2 Group Wise Company market Shares of Mobile Operators (as on 28/2/06)

The subscriber base of major mobile operators at the end of year 2005 in comparison to 2004 as below:

Service Provider	Subscriber Base (in million)	
	December,2004	December,2005
Bharti	9.83	16.30
BSNL	8.88	14.80
Reliance	11.33	14.67
Hutchison	7.18	11.41
Idea	4.70	6.47

Source: TRAI, 2006

***Table 5.5: Subscriber Bases of Major Mobile Operators of India
(As on Dec'04 and Dec'05)***

In the mobile segment 4.46 million subscribers have been added during December 2005 as compared to 3.51 million in November 2005. The mobile additions consist of 3.19 million GSM subscribers and 1.27 million CDMA subscribers as against 2.33 million GSM and 1.18 million CDMA the previous month. During the year 2005 about 27.91 million mobile subscribers were added, making it a total of 75.92 million mobile subscribers by the end of year 2005.

The comparison of month-wise addition in mobile subscriber base for 2003, 2004 & 2005 (in millions) is as follows:

Year	Jan.	Feb.	Mar.	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Total in (Jan-Dec) 12 months
2003	0.64	0.60	0.96	0.64	2.26	1.42	2.31	1.79	1.61	1.67	1.90	1.69	17.49
2004	1.58	1.60	1.93	1.37	1.33	1.43	1.74	1.67	1.84	1.51	1.56	1.95	19.51
2005	1.76	1.67	0.78	1.46	1.72	1.97	2.46	2.74	2.48	2.90	3.51	4.46	27.91

Source: TRAI, 2006

Table 5.6: Month-wise Additions in Mobile Subscriber Base for the years 2003, 2004 & 2005 (in millions)

5.8 Tele-Density of India

The gross subscribers' base consisting of fixed as well as mobile has touched 124.85 million at the end of December, 2005 as compared to subscriber base of 92.88 million at the end of December, 2004, thus registering an overall annual growth of 34.42%. The year 2005 ended up with the tele-density reaching 11.43 as compared to 8.62 at the end of 2004.

5.9 Origin & Growth of Idea Cellular Ltd.

The history of Idea Cellular dates back to year 1995, when the Aditya Birla Group and AT&T (through Birla AT&T- Maharashtra, Gujarat) and the Tata Group (through Tata Cellular in Andhra Pradesh) were among the pioneering operators to set up cellular networks. In the year 2000, the three players increased their range of operations. The historic path breaking merger and the subsequent acquisition of the RPG Cellular - Madhya Pradesh circle led to the formation of Birla Tata AT&T Limited.

The company changed its name from Birla Tata AT&T Limited to IDEA Cellular Limited with effect from May 1, 2002 with a view to introduce a common identity across all its circles of operations and leverage the benefit of a common brand. Simultaneously, the company also introduced a new brand called 'idea' for its entire circle replacing its existing brands. IDEA emerged as the fastest growing cellular company in India. The company surpassed the industry growth of 80 per cent with a growth rate of 135 percent in its subscriber base from 343606 in the year 2000-01 to 808676 in the year 2001-02. The revenues grew by 52 per cent to Rs.6025 million in 2001-02. Since then, Idea Cellular has been an impressive growth. For the financial year 2001-02, Idea Cellular achieved a 135% increase in subscriber numbers, by far the fastest growing of all operators in India. The company also ranked No. 1 in customer satisfaction among all operators (NFO MBL survey), which is a reflection of the quality of the company's services.

In the year 2004, Idea Cellular made its presence felt in the of Indian telecom sector by concluding the largest ever acquisition in Indian wireless industry by acquiring Escotel. With the acquisition of Escotel, Idea's network covers around 60% of India's population and over 65% of the potential telecom-market. Idea Cellular has become a national player by having its presence in 11 circles across the country. Idea Cellular is also the only company with one of its circle having crossed one million subscriber figure excluding the metro markets.

5.10 Brand Vision of Idea Cellular

IDEA's vision is to innovate, stimulate and liberate. The philosophy is reflected in the company's baseline: 'An Idea (!dea) can change your life.' The company claims that 'by continuously innovating to liberate customers from the constraints of time and space, IDEA is determined to emerge as the most customer-focused mobile service brand in India.'

5.11 Brand Identity

Brand consolidation was one of the most important initiatives undertaken by the company during the financial year under review. This was done with the following specific objectives:

- To unify the brand identity.
- To leverage a stronger brand recall across geographies.
- To generate advertising economies of scale.
- To position the company as a proxy for a challenging and dynamic future.

IDEA is a simple name, easy to remember. It is easily recognized across all ages, cultures and languages. It stands for positive change at a time when sweeping cellular revolution is transforming India. More importantly, the various identities were merged under the IDEA identity. The brand !dea and !dea Chitchat replaced the AT&T and AT&T prepaid brands in Maharashtra and Gujarat, the Tata Cellular and Freedom brand in AP and the RPG Cellular and Wings brand in MP.

5.12 Coverage of Idea Cellular

Idea Cellular covers over 3,660 small and major towns & villages along with a total highway connectivity of over 6,000 kilometers. Currently, there are over 380 IDEA n U outlets and *Idea shops* and a network of over 44,000 retailers and dealers across the country. Each circle has its own dedicated call centre with a single call resolution approach towards the customer. This is a unique effort provided by the company. Idea Cellular offers roaming across 200 networks in India and across the world, two- way pre-

paid roaming is also available to customers. While traveling in India, Customers can stay connected internationally by receiving calls, sending and receiving SMS.

Idea Cellular controls a portfolio of India's most attractive and mainly contiguous properties including the seven states of Maharashtra (excluding Mumbai), Goa, Gujarat, Andhra Pradesh, Madhya Pradesh, Chattisgarh, UP (W), Haryana, Kerala and Delhi. Having operations in four of the five largest cellular circles in India, Idea Cellular is the market leader in the Maharashtra & Goa, Kerala, UP (W) and Madhya Pradesh & Chattisgarh circles in terms of number of subscribers. With the acquisition of Escotel Idea's network has spread into Kerala, Haryana, Uttar Pradesh, Rajasthan, Uttaranchal and Himachal Pradesh virtually covering India from North to South, through eleven circles of telecom operations in India. IDEA's Delhi circle is also the fastest growing fourth operator in the country. The following table depicts the subscriber base of Idea Cellular:

Circles	Oct-05	Nov-05	Dec-05
Andhra Pradesh	781,965	798,497	824,008
Delhi & NCR	758,179	788,234	816,811
Gujarat	791,395	824,984	875,551
Haryana	247,673	249,825	260,985
Kerala	711,507	740,180	766,403
Madhya Pradesh	571,547	583,208	611,425
Maharashtra	1,442,442	1,457,193	1,539,449
Uttar Pradesh (W)	758,014	768,051	779,330
Total	6,062,722	6,210,172	6,473,962

Table 5.7: Growth of Idea Cellular Subscriber Base during Oct'05- Dec'05

Idea Cellular achieved the milestone of crossing the seven million strong customer mark in its eight circle operation covering only 45% of the country's cellular base. In less than twelve months the company has added nearly two million subscribers (Feb, 05- Feb, 06), reflecting a stupendous growth of 40 % and maintaining leadership positions in a majority of its operating circles. Idea continues to occupy number one or two positions in five out its eight circles.

Year	No. of Subscribers	Time Period
Dec 2003	3 million	6 months
June 2004	4 million	6 months
Feb 2005	5 million	8 months
Oct 2005	6 million	8 months
Feb 2006	7 million	4 months

Table 5.8: Growth of Idea Cellular from Dec'03-Feb'06

5.13 Overview of Andhra Pradesh Circle

IDEA faces competition from GSM as well CDMA players. While competitors Bharti and Hutch are on GSM technology, competitors BSNL and Tata Teleservices employ CDMA technology. The total subscribers in AP increased by from 114,165 in 2000-01 to 694990 in May'05. In Andhra Pradesh, IDEA's share of subscribers was over 23 per cent. The factors responsible for this growth included increased coverage, highest town coverage, superior service, value-added services, strong highway coverage and a growing demand for cellular service due to affordability.

5.13.1 Coverage

IDEA has a good presence in Andhra Pradesh, covering all the 23 district headquarters and over 152 towns. IDEA is the pioneer of uninterrupted highway connectivity, with five cellular corridors – Costa Corridor, a stretch of 400 Km from Vijayawada to Visakhapatnam, Deccan Corridor, a 330 KMS corridor between Sangareddy and Vijayawada, via Hyderabad, Krishna Corridor, a 384 kms corridor between Vijayawada and Tirupathi, Rayalaseema Corridor, a 460 kms corridor between Hyderabad and Hindupur and Kakatiya Corridor, a 300 kms corridor between Hyderabad and Mancherla, via Warangal.

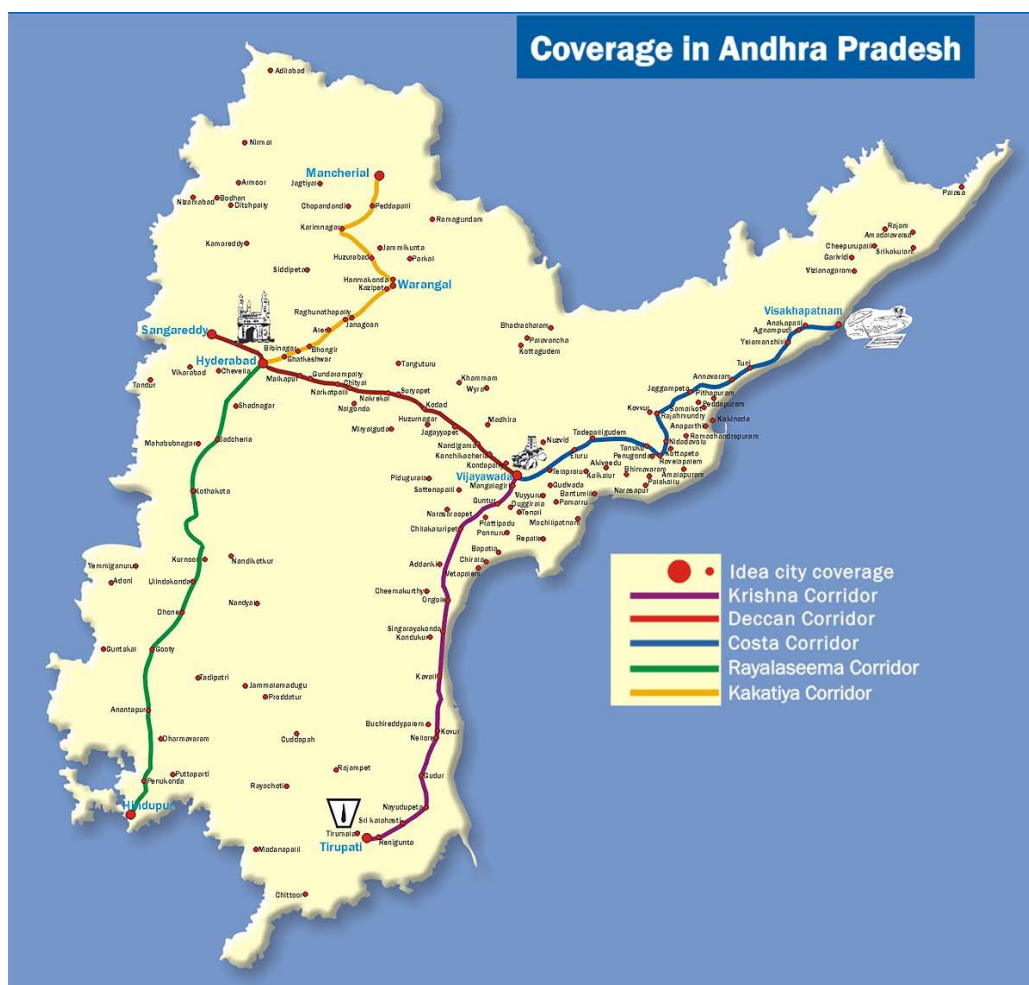


Fig 5.3: Idea's Coverage in Andhra Pradesh

S.No.	Operator	No. of Subscribers
1	IDEA	850858
2	Bharti Tele-Ventures	1534879
3	Hutchison Essar	756395
4	BSNL	1053728

Table 5.9: Subscriber base of Operators in A.P. Circle (as on 31st Jan'06)

5.14 Overview of Gujarat Circle

Gujarat (categorized as a Category A license) is the tenth largest state in India in terms of population. The license for the Gujarat circle was awarded to the erstwhile Birla AT& T Communications Limited on 12.12.1995 and amended post National Telecom Policy

1999. Gujarat had 2.6 million fixed lines as of December 2001 with a fixed line penetration at 5.1 per cent, higher than the national average of 3.4 per cent. Cellular penetration reached 0.9 per cent. Gujarat has an excellent infrastructure and its highways, linking Rajasthan to Maharashtra and other highways connecting the ports are well known. These have been used for providing coverage by IDEA. IDEA enjoys highway coverage of 1550 KMs through its superior backbone network.

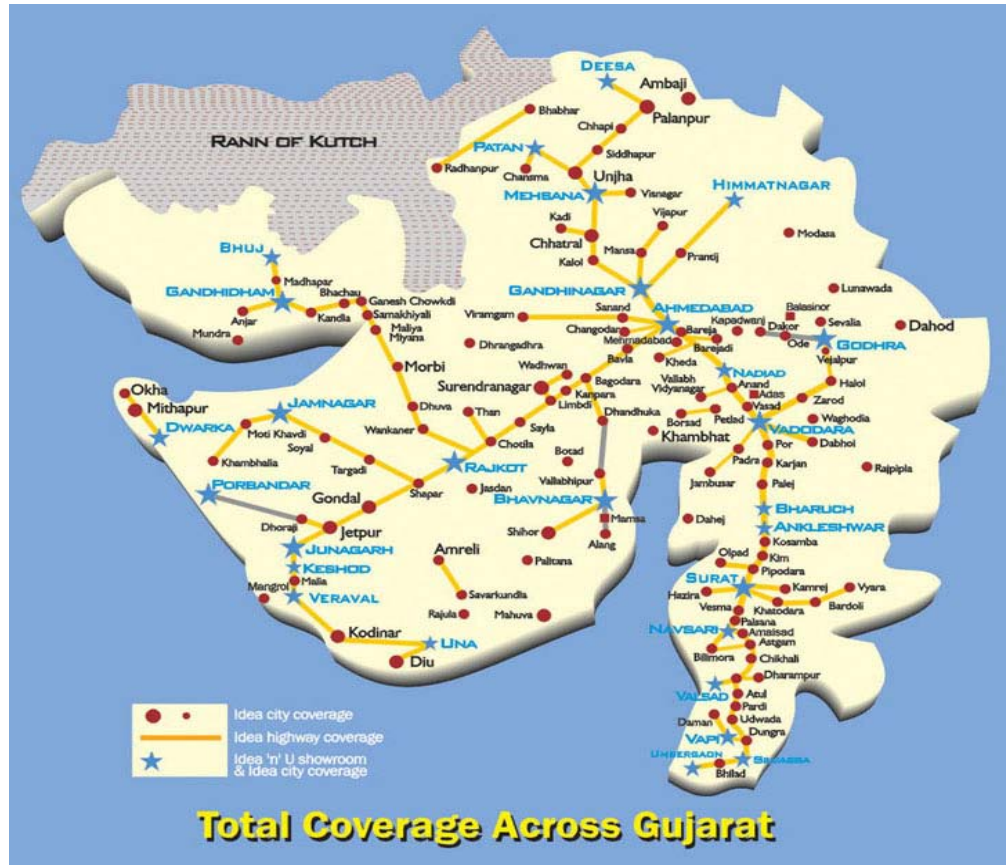


Fig: 5.4 Idea's Coverage in Gujarat

S.No.	Operator	No. of Subscribers
1	Fascel	2012797
2	IDEA	914163
3	BhartiTele-Ventures	791524
4	BSNL	827750

Table 5.10: Subscriber base of Operators in Gujarat Circle (as on 31st Jan'06)

5.15 M.P. Circle Overview

The Madhya Pradesh Circle (M.P.) which includes Chattisgarh (categorized as a Category B license) is the largest state in India in terms of area. The license for the Madhya Pradesh Circle was awarded to the erstwhile RPG Cellcom Limited (subsequently renamed to BTA Cellcom Limited) on 12.12.1995 and amended after the announcement of National Telecom Policy 1999. Madhya Pradesh had 1.3 million fixed lines as of December 2001 with a fixed line penetration of 1.6 per cent. Cellular penetration was 0.3 per cent

IDEA's immediate competitor in the Madhya Pradesh Circle was Reliance Telecom, owned by the Reliance Group. BSNL was third operator, while the fourth operator's license was awarded to Bharti Telecom. Even though BTA Cellcom Limited was ahead of competition in rolling out its services, the delayed implementation of its network expansion plans allowed the Reliance Group to take a 3:1 lead in the Madhya Pradesh market by February 2001. However following the acquisition of BTA Cellcom by IDEA Cellular Limited, a number of initiatives were taken: enhancement of switch capacities, improved distribution network, a town-level focus and the introduction of innovative value-added services. All these measures resulted in a larger share of the market by 13 per cent from 24 per cent in 2000-01 to 37 per cent in 2001-02. During this period, IDEA achieved a growth rate of 276 per cent with subscriber base rising from 21,006 in 2000-01 to 79,053 in 2001-02.

5.15.1 Idea's Coverage in MP Circle

Following the acquisition of BTA Cellcom by IDEA Cellular Limited, IDEA made aggressive investments in the Madhya Pradesh Circle and extended its coverage to 40 new towns from 13 towns in 2000-01 to 53 towns in 2001-02. IDEA also added 53 new cell sites in 2001-02, increasing the total cell sites from 54 in 2000-01 to 107 in 2001-02. IDEA Cellular, market leader in M.P. & Chattisgarh is on an expansion drive and plans to invest Rs. 150 crore in the MP & Chattisgarh Circle in the year 2006.

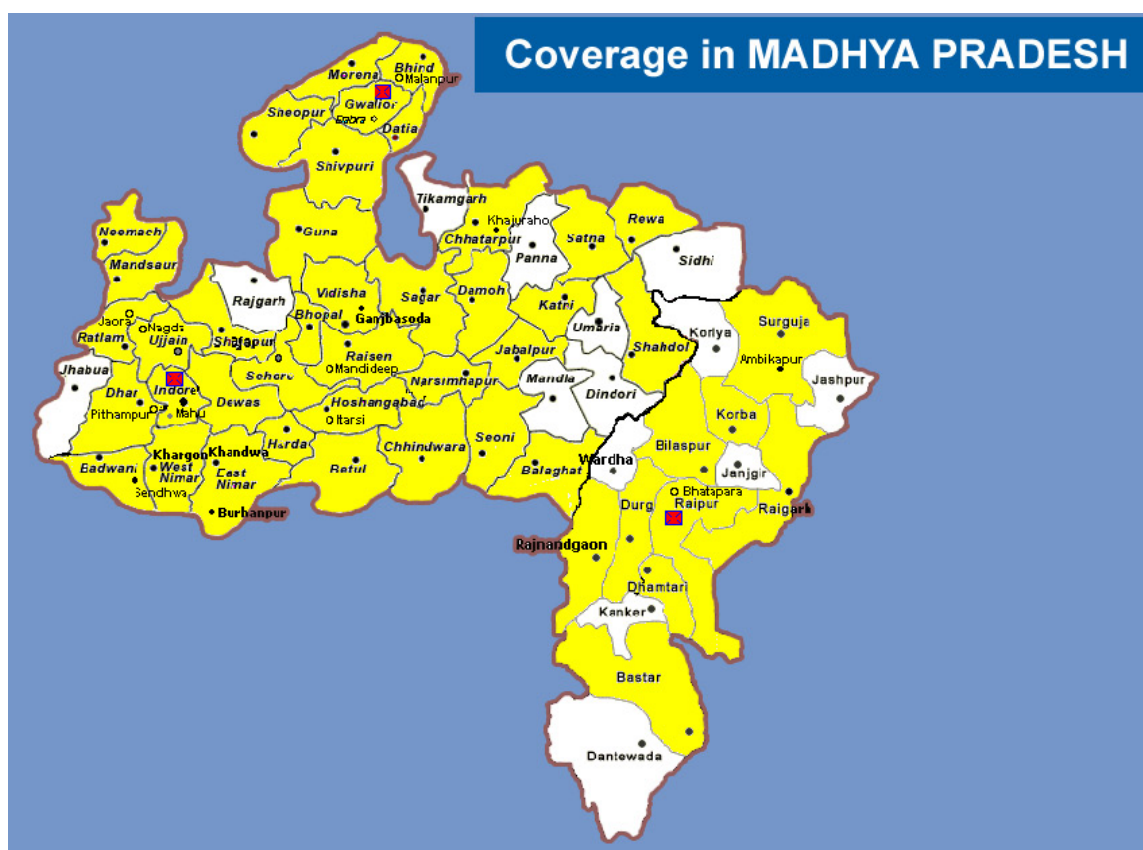


Fig 5.5: Idea's Coverage in Madhya Pradesh

Idea cellular, in the Chattisgarh Circle, has launched, “Service Guarantee” on bills for all postpaid customers in the circle. Service Guarantee on billing is a unique guarantee given by Idea for Error Free Billing with respect to Plan / Services / Features / Call Rating. This is a world-class innovation in regards to customer service. IDEA is the first and only cellular operator in the Circle to launch Service Guarantee on bills for its postpaid customers. This is an additional service offering to the post-paid customers. This guarantee is applicable for all bills raised on or after June 1, 2005. If any customer identifies a valid error or combination of the below mentioned errors, he would be eligible for a credit of Rs 100/- per bill, as an appreciation from Idea for letting them know their mistake. Such a guarantee is possible only with a highly efficient technology environment and strong processes, which IDEA has put in place to provide the best value to its customers.

The bill guarantee is applicable for the following:

- Charges for a plan different from the plan opted for.
- Charges for a feature different from the feature opted for.
- Charges due to non-updating of activation fee.
- Charges due to error in call rating.
- Charges due to failure in updating of credits arising out of the above complaints.

S.No.	Operator	No. of Subscribers
1	IDEA	649095
2	Reliance Telecom	500159
3	Bharti Tele-Ventures	403769
4	BSNL	387966

Table 5.11: Subscriber base of Operators in M.P. Circle (as on 31st Jan'06)

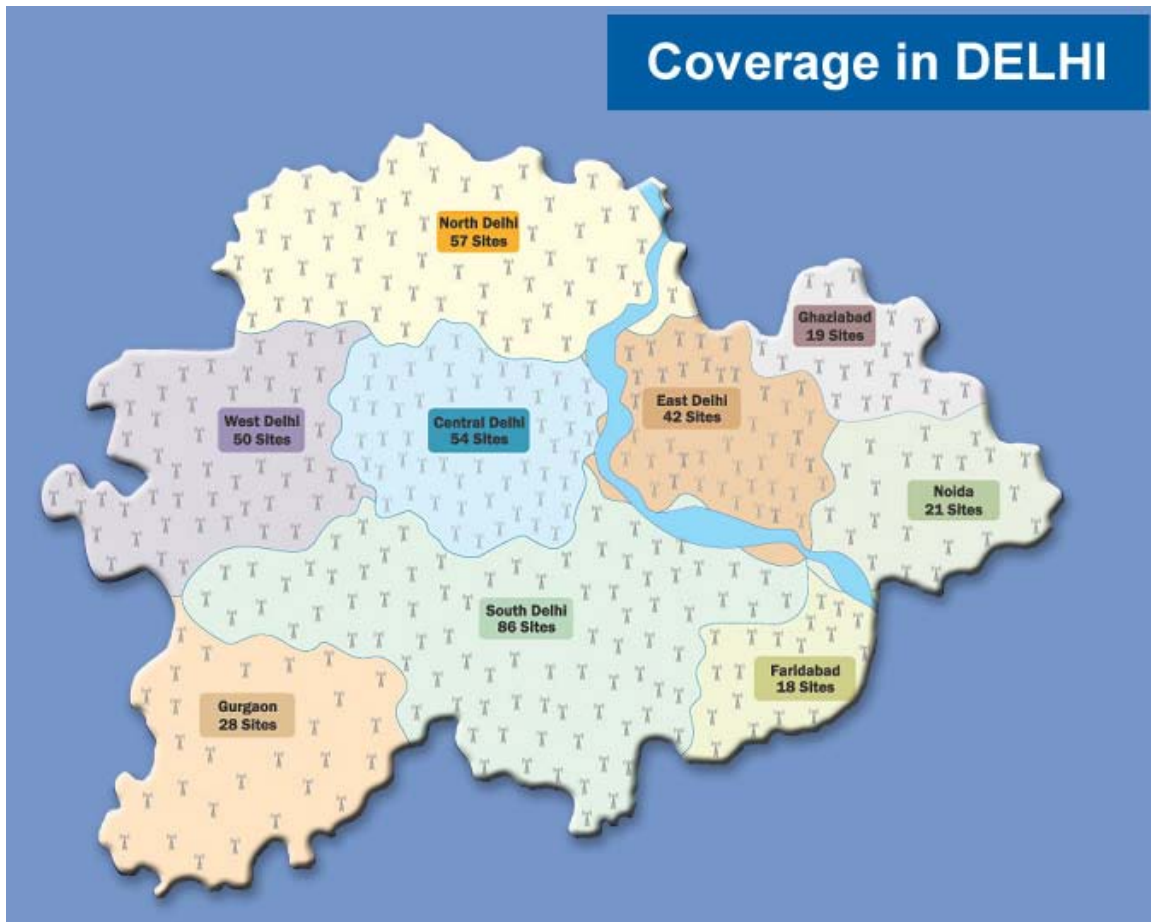


Fig 5.6: Idea's Coverage in Delhi

5.16 Overview of Delhi Circle

In the Delhi circle, IDEA signed the licensee agreement as a fourth operator in October 2001 and set up about 300 base stations while preparing to offer services as a fourth operator in Delhi. By the end of May'05 Idea has a subscriber base of 617874 of a total of 4250111 subscribers in Delhi circle, thus accounting for 14.5 percent of market share. To support a rapidly growing customer base and to provide a congestion free high quality coverage, in the Delhi Circle, Idea plans to add an additional 400 cell sites and take the total to over 1000 in the first half of 2006, in newly identified population clusters within the Delhi and National Capital Region (NCR region). With the subscriber base at 7.88 lakhs currently, Idea has plans to cross the one Million mark in the same period. A total investment of Rs. 150 crore has been ear marked for this expansion. With the best tariffs to offer in the Mobility space, Idea Cellular in New Delhi had posted a 39% growth in

subscriber base and a 35% growth in Revenue in the last twelve months. The Year 2005 has been an immensely successful year for the Circle with the launch of products and promotions such as STD at the rate of 99 paise. Idea Cellular, in Delhi continues to register the lowest network faults per 100 subscribers and lowest Call Drops among all GSM operators in Delhi. . The newly launched error free Bill Guarantee for post-paid subscribers is also another move to ensure maximum customer satisfaction.

S.No.	Operators	No. of Subscribers
1	Bharti Tele-Ventures	1895680
2	Hutchison Essar	1742136
3	MTNL	742647
4	IDEA	832183

Table 5.12: Subscriber Base of Operators in Delhi Circle (as on 31st Jan'06)

5.17 Coverage in Haryana

IDEA has a vast and a very strong distribution network of over 4000 plus dealers and retailers spanning through A, B & C class cities across Haryana. IDEA Cellular also provides one-on-one service to customers through over its IDEA 'n' U outlets & recently introduced IDEA Shops spread across the circle and all major highways. The Call Center capacity is also being doubled to cater to sharp rise in subscribers. With a utilization of less than 75% of the installed capacity IDEA has been providing the best seamless connectivity in Haryana. After the upgradation of the network, a total of 185 towns will be connected within Haryana. With this, there will be an increased capacity for call handling, it will reduce network congestion further, enable better call completion and increase network efficiency. With this upgradation, customers in new towns will be offered cell broadcast and high-speed data services like GPRS and EDGE. The company attributes its growth to the following factors:

- **Coverage:** Superior indoor and outdoor coverage on 900 Mhz to its customers across 185 towns and local calling facility in all these towns.

- **Sales & Service Network:** Its vast sales & service network of over 4,000 plus retail outlets & IDEA n U & IDEA Shops showrooms spread across Haryana.
- **Customer Centric Tariff Plans:** Simple, affordable, customer friendly and innovative tariff plans like Mobile-to-Mobile @ Re. 1, Idea Superpower, 2yrs & 3yrs validity vouchers among others. IDEA has, in the past, launched special promotional offers exclusively for Haryana subscribers such as Champion 249 Plan and 1000 SMS packs etc.
- **Value Added Services:** Value Added Services like 'IDEA', which allows a user to Speak into their mobile phones to avail the services, E-Mail on Mobile, Pay Easy, Mobile Top Up, Music Messaging, Group SMS and Global SMS - SMS to 160 countries 564 networks across CDMA, GSM etc.

5.18 Coverage in Maharashtra

Idea cellular competes with BPL, Bharathi, BPCL and BSNL in the Maharashtra circle. It has a subscriber base of 1631574 subscribers of the total 4582504 subscribers, accounting for 35.6 percent of the market.

S.No.	Operator	No. of Subscribers
1	BPL Cellular	683651
2	IDEA	1631574
3	Bharti Tele-Ventures	1211226
4	BSNL	1056053

Table 5.13: Subscriber base of Operators in Maharashtra Circle (as on 31st Jan'06)



Fig: 5.7 Idea's Coverage in Maharashtra Circle

5.19 CRM Initiatives at Idea Cellular Ltd.

In the course of understanding CRM process in the organization, an attempt is made to understand the structure of the customer care department in the company. Studying the functioning of the department would follow this step. The customer service/ customer care department in Idea Cellular Ltd. is known as ‘Team Response’.

5.19.1 Objectives of CRM Initiatives at Idea Cellular Ltd.

A careful study and analysis of information pertaining to the CRM initiatives launched by the company would reveal the following objectives. They are as follows:

- To provide the necessary information to the customers as and when they require it
- To resolve the complaints launched by the customers in minimum time and ensure that the problems do not recur.
- To deliver the services requested by the customers in the most efficient manner.
- To retain the existing customers by providing superior service.
- To reward the customer who have exhibited loyalty towards the company services.

5.20 Structure of ‘Team Response’

Team Response operates through call centers, channel partners, face-to-face locations (also known as show rooms), priority cells and support cells. Depending on the mode of communication channel a customer prefers to use, he/she can use any of the above-mentioned locations, to communicate with the ‘Team Response’. The structure is depicted in figure 5.8.

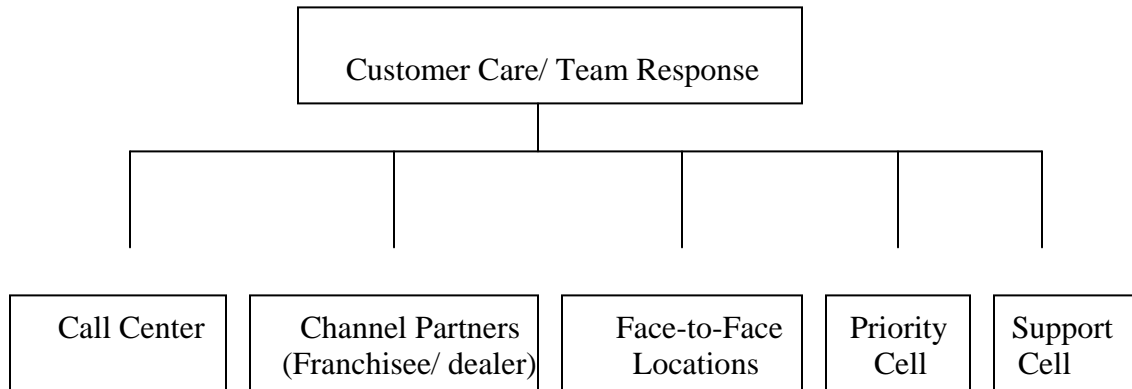


Fig: 5.8 Five Divisions of ‘Team Response’

A customer, depending on his preference can use any of the above facilities, except the priority cell. A priority cell is exclusively meant for the high-end users/premium segments of the customers. Any request for any kind of service/ information will land up at any of the above locations. A detailed description of each of these facilities is given as follows:

5.20.1 Call Center

A Call Center handles customer enquiries, service requests etc, which are made through phone calls. Any customer of the company can dial the number 121(for post paid customers) or 2222 (for pre paid customers). A person who is not a customer can call the number 9848012345 to get the information he/ she requires. Any call made to the above numbers would be first received by an Interactive Voice Response (IVR) system. This system is capable of giving generic information to the caller. The generic information consists of the details like the bill details (billed amount, unbilled amount, and the last date for payment of bills), information on the various packages offered by the company, connection expiry date, various value-added services etc. The call center operates 24 hours a day, seven days a week (24*7 mode).

If the caller has a request for specific information, which otherwise cannot be handled by the IVR system, then the IVR system guides the caller to dial certain digits on his/ her phone, so that the call is forwarded to a Team Response member, known as an officer.

This officer in turn interacts with the caller, to know the specific requirements and guides the caller by giving appropriate information, or in case of a complaint, he initiates the necessary actions to be taken and informs the same to the caller.

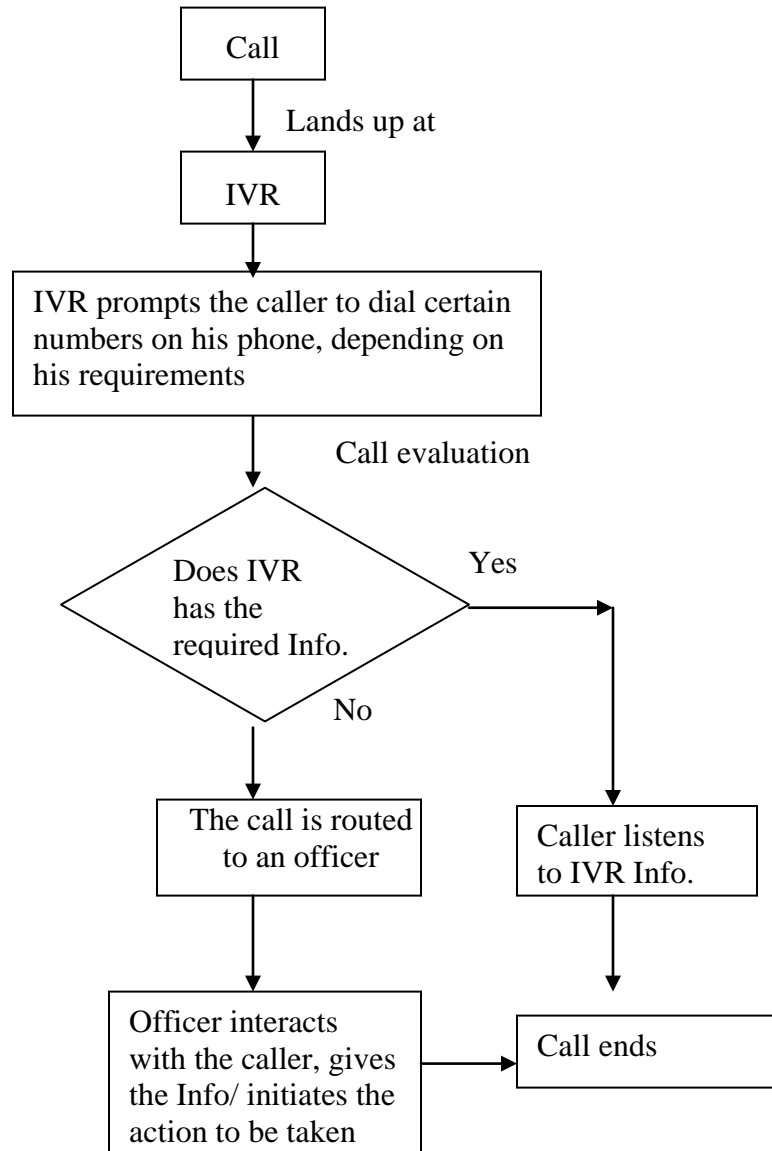


Fig 5.9: Flow Chart Depicting Call handling by the Call Center

5.20.1.1 Classification of Calls:

The calls received by the call center are generally classified (depending on the nature of the call) as follows:

a) Calls made for general information and inquiries

Example: Calls asking billing details, due dates for payments, new packages etc.

b) Calls made, requesting for specific services-Service Requests

Example: Calls asking for enabling roaming facility, STD etc. Even calls made asking for cancellation of facilities like detailed billing, Caller Line Identification etc.

c) Calls that are made to lodge complaints

Example: Calls made to register complaints related to billing discrepancies, non-availability/ non-functioning of services like SMS etc.

In the case of complaints falling under the category ‘a’, no action is required to be taken by the Team Response, other than providing the required information.

In the case of complaints falling under categories ‘b’ and ‘c’ the Team Response, to sort out the issues, should initiate certain actions.

The next facility through which customers can interact with the Team Response is through the show rooms manned by the channel partners.

5.20.2 Channel Partners

As it is impossible for the company to have presence in all geographic locations, various dealers/ franchisees are appointed at different places to market the offerings and extend service to the customers. A customer can approach the dealer / franchisee to get the general information, to make a service request or to lodge a complaint. If it is required, the dealer in turn forwards the requests to the company, to initiate the necessary actions.

Face-to- face locations (FTF) are the other units through which customers can interact with the Team Response.

5.20.3 Face-to-Face (FTF) locations

Face-to-face locations are the show rooms managed by the company. In order to serve the needs of the existing customers, the company's personnel manage these locations. The timings of these locations are from 9:15AM till 8:30 PM. A customer can walk into the FTF location and can directly interact with the officers present there. Service requests, complaints, general inquiries are handled by the company's personnel. Apart from processing of the requests of the customers, and giving them information, the customer service officers also perform the following activities:

5.20.3.1 Collection of Feedback

Feedback is collected from customers, using a pre designed feedback form, where the parameters of evaluation are uniform for all the respondents. The following parameters are evaluated:

- a) Waiting time- to interact with the officer at the counter
- b) Staff's courteousness and willingness to help
- c) Ability of the staff to provide accurate information
- d) Speed and quality of the resolution provided
- e) Overall ambience of the customer interaction center
- f) Ease of accessing IVR
- g) Clarity and quality of information on IVR
- h) Availability of information on IVR
- i) Ease of accessing an agent in case of personalized assistance

All the above parameters are evaluated on a four point rating scale with the points indicating excellent position, good, average and below average positions. The purpose is to identify low rating areas, ascertaining the reasons for poor ratings and rectifying them. Feedback is also collected, when the customers give it voluntarily. In this case the feelings, attitudes and experiences of customers are collected.

Suggestions for the improvement of services are also collected at the FTF locations. In addition to this, ‘post contact’ interviews are also conducted with the customers. These interviews aim at determining the satisfaction levels of the customers and their feedback on the services offered.

5.20.4 Priority Cell

A priority cell is the facility created by the company to take care of the high end users. These include segments like corporate clients, who offer high value to the company. The response time is quick and the extension of services is done on a priority basis to these customer segments.

5.20.5 Support Cell

A support cell takes care of all customer queries, complaints and requests, which cannot land up in any of the earlier discussed locations of Team Response. Written letters, sent by courier/ mail, letters sent through fax, letters sent by e-mail are the most common forms in which the support cell receives communication. This cell in turn takes care of the customer requirements, either by providing information or by initiating the necessary action.

After a careful analysis of the above information, the various touch points of customers, considering the various forms of contact, the customers can choose, is depicted in the following table.

S. No.	Customer Contact Modes (Customers’ preference of contacting)	Touch Points
1.	Walk-ins	Face-To-Face Locations (of Company and dealers’)
2.	Phone Calls	Call Centers, Priority Cells
3.	Letters (mailed/ couriered/ faxed)	Support cell
4.	E-mail	Support Cell

Table 5.14: Various Touch Points of Customer Interactions

5.21 Systems (Technology-based) Supporting the Team Response

The following technology based systems are used at Idea Cellular Ltd. in order to deliver superior customer care.

1. Idea Subscriber Management System & Service on Line (ISMS & SOL)
2. Call Management System (CMS)
3. Customer Complaint Management System (CCMS)

5.21.1 Idea Subscriber Management System & Service on Line (ISMS & SOL)

These two systems are meant for supporting the team response members, especially operating at franchisees and dealer outlets (Idea n U outlets). The team response units at the dealers offer similar services, as those offered by the parent organization. But as these units are not directly managed by the parent organization (Idea Cellular Ltd.), they do not have the departments like billing and activation, to process the service requests or that could directly address the grievances. The complaints/ service requests received by the dealers are in turn forwarded to the parent company. ISMS is a system that is meant for storing the complaints/ requests received by the dealers.

These are later forwarded to the parent organization, which in turn would route the complaints/ service requests to different departments, depending on the nature of the grievance/ service request. Service on Line (SOL) system is an improvement over ISMS in the sense that it drastically cuts down the response time. This is possible by having web based connectivity. The complaints/ service requests lodged at the dealers' premises are directly forwarded to the concerned departments in the parent organization, through SOL. This helps in reducing the time gap between lodging the service request/ complaint and initiation of action to resolve it.

5.21.2 Call Management System (CMS)

Call Management System (CMS) is meant for supporting the team response members operating in the call center. This system distributes calls to different members on the basis of load taken by them, with an objective of balancing the load among different team members. It would also keep track of number of calls made during a period of time,

number of calls answered, number of calls put on hold, number of calls handled by an individual etc. At the peak hours of traffic, i.e., when the number of calls is very high, all the call center personnel would be busy answering the queries of the callers. At such times a new caller has to wait a lot of time to talk to the call center personnel. In such circumstances, the voice logger facility is used. A 'Voice Logger' mechanism in CMS stores (records) the voice messages of callers/customers. As soon as the call center personnel complete their current transactions, they would attend to the calls stored in the voice logger.

5.21.3 Customer Complaint Management System (CCMS)

Customer Complaint Management System (CCMS) plays an important role in enabling the team response members to solve the complaints lodged by the customers. Once a complaint is lodged with any of the Team Response Units, it is recorded in CCMS, and then depending on the nature of the complaint it is forwarded to the concerned departments for initiating the necessary action. Once after receiving the service request, the concerned department acts on it as per the Service Level Agreement (SLA).

'SLA' is the Service Level Agreement; which the Team Response arrives at with different departments, to sort out the out standing issues that customers complain to the team response units. Individual Service Level Agreements (SLAs) are worked out with different departments, depending on the nature of actions to be initiated. An SLA states the kind of action to be taken by the concerned department and the time frame in which the action has to be completed.

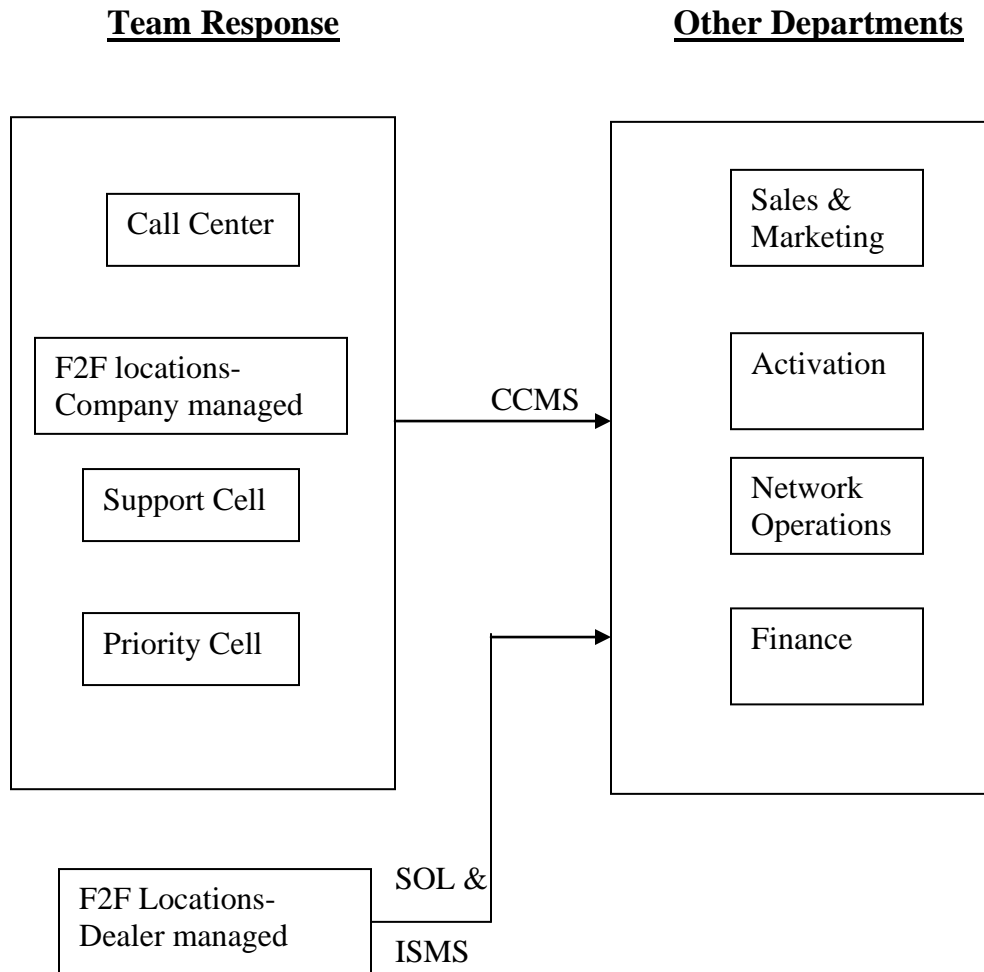


Fig 5.10: Flow of Information from Customer Care Dept. to Other Departments

5.22 Maintenance of Customer Profile

In order to have a complete understanding of the customer, the profile of customers is maintained in the billing system on the following parameters:

1. Ledger: A/C statements and details of bills raised, deposit amounts
2. Usage: Air time, STD, ISD, Roaming etc
3. Personal details: Address, Occupation
4. Product details: Product/ package being used, Value added services like Caller Line Identification, Call forwarding, STD, ISD, Roaming etc
5. Dealer through whom connection has been obtained

Rating of the customer is done on the basis of parameters like payment records, usage and occupation of the customer etc. These details are accessed by the team response personnel, while interacting with the customers.

5.23 Proactive Customer Care

The earlier mentioned methods of customer care basically are of 'reactive' nature i.e. the action is initiated by the team response, only after receiving a service request/ complaint from the customers. In addition to these measures, certain pro-active initiatives are also undertaken by the Team Response Units. These initiatives include:

5.23.1 Proactive Customer Care for Post- Paid Customers

- a) **Welcome Call-** It is made one day after the initial activation. During this call the team response member gives the details of the package plan the customer has opted for, coverage areas, details of customer service, payment options etc.
- b) **Tele Calling-** This is meant for contacting customers located in small towns, to know the quality of service given by the dealers, their satisfaction levels etc.
- c) **First Bill Call-**Just before the dispatch of the first bill to the customer, a call is made to the customer (as he/ she is receiving the bill for the first time) explaining him/ her various components of the bill, how to understand the billing format, how and when and by what date, the payment has to be made etc.
- d) **Bill Dispatch Message-**As soon as the bill is dispatched, an SMS (Short Message Service) is given to the customer intimating the dispatch. In case the customer does not receive the bill, even two or three days after receiving this message, this facility enables the customer to intimate the team response unit about the problem. The matter would be taken up by the team response personnel and it enables them to give another copy of the bill, so that the customer will not default on the payment front.

- e) Face to Face Meetings- All the walk-ins are encouraged to give oral non structured feed back, during the meetings at the show rooms.
- f) User Tracking- For a period six months from activating a new connection, a close monitoring is done to identify the prospective subscribers who might be planning to discontinue the usage of the services of the company. The usage patterns are monitored, as a consistent decrease in usage would indicate a possible defection. The customer is contacted and reasons are found for the decreasing usage. In case of problems from the company's side, the company would try to provide a solution, if it is within its capability.

5.23.2 Proactive Customer Care for Corporate Customers

- a) A separate help line for online support, which can be easily accessed.
- b) Relationship Building- A group of team response members are entrusted with the task of establishing contact, conducting regular meetings and collecting feed back, ensuring timely collections etc.

5.23.3 Proactive Customer Care for Pre-Paid Customers

- a) Welcome Call- One day after the initial activation. During this call the team response member gives the details of the services offered, coverage areas, details of customer service, recharge methods, terms and conditions of usage etc.
- b) New Service Alerts- Every time new services are launched; customers are intimated through message alerts, explaining the features and details of the services.
- c) Expiry Date Alert- One week before the expiry of the current subscription, message alerts are given intimating the expiry date of the subscription.

- d) Low Balance Alerts- Message alerts are given to the customers as soon as their balance falls below a certain minimum alert

5.24 Loyalty Reward Programs

Customer defection (also known as customer churn) is one of the main problems encountered by the cellular service providers. According to one company source it is estimated that every fifth subscriber added to the company's base is a resultant of churn from other operators. It has become quite essential for companies to reduce the churn and improve customer retention. Idea Cellular Ltd. had taken certain initiatives to improve customer loyalty. The loyalty rewards are passed in terms of fee waivers, tariff reductions and provision of value-added services. Some of the loyalty reward programs offered by Idea Cellular are as follows:

5.24.1 One Year Rs.1000 Back

If a post-paid customer continues to be a subscriber even after one year from his subscription, he/ she is given a Rs.1000/- waiver on the 13th month bill. This was promoted as a loyalty bonus scheme, whereby a customer is given back his initial deposit amount of Rs.1000/- which was paid during the enrollment. Here the intention is to see that the customer is with the company at least for a year.

5.24.2 Free SMS Scheme

On a new pre-paid connection, at the cost of Rs.29/-, free SMS facility is made available for three months. Here also, the intention of the company is clear- to retain a pre paid customer for at least three months. As this is a pre paid segment the danger of churn is more compared to the post paid segment.

5.24.3 "Buzz 2 Year Advance Rental Plan"

This plan would enable the postpaid customers to go mobile with absolutely zero rental for a period of 24 months after a one time payment of Rs. 1550 (including Rs. 900/- rental for 6 months, Activation cost of Rs. 550/- and SIM Card charges of Rs. 100/- only). The features of this plan are mentioned as follows:

- All Local Calls at the rate of Rs. 1.75/- per minute.
- All STD calls to any number at the rate of Rs. 2.65/- per minute
- SMS Pack free for first six months (50 local SMS free and Re 0.60 per SMS thereafter)
- Caller Line Identification (CLI) – Rs.50 per month

5.25 Training of Human Resources for Effective Implementation of CRM

Idea's capability to service seven million customers across different states comes from a prudent mix of people initiatives and pioneering services. It starts with the recruitment process. Idea cellular, recruits individuals through a demanding process that tests their responsiveness and quick-mindedness to diverse customer situations. These situations require Idea's customer service assistants (CSA) to be patient, courteous and be able to converse in English, the local and national language.

Once the individual passes this demanding filter and is recruited, he/she undergoes an intensive training that acquaints him/her with the company's history, values, products and services. Thereafter, the training moves to a more practical environment that is directed towards enriching the employees with the experience required to take calls competently and independently: a process whereby they listen to how the more experienced executives manage customer calls, then initiated into attending to those calls under supervision and finally with independent confidence.

Idea Cellular recognized the fact that to be able to provide the right information, the Customer Service Assistants (CSAs) must be competently trained in the art of patient listening. Once the customer's requirement has been fully understood, the CSA is adequately empowered to respond immediately and appropriately to the fullest satisfaction of the customer. This ability to respond with speed is reinforced by the CSA's connection to the Intranet, which hosts all relevant information to address varied questions that completely satisfy the customer's needs during the first call.

The standards are measured and maintained through a comprehensive performance-based appraisal system. This system analyses individual performances every quarter in the categories of best performer, best call-taker, most helpful person and employee with the track of least absenteeism, on the basis of which members are recognized and rewarded.

5.26 Measures Taken for Effective Implementation of CRM Initiatives

Idea Cellular is the first company in the Indian mobile telephony industry to undertake certain measures, which in turn have helped in pioneering delivery of products and services:

- Installation a Plasma TV to monitor incoming calls and ensure a high priority to waiting calls and utilize resources effectively.

The plasma television, which is displayed centrally, in the office features call management statistics online. These statistics include the number of calls being made, calls being addressed, calls being put on hold and calls being attended. The call queue is a critical customer service parameter which is displayed in the form of a circle, which increases in size as the queue, enlarges, inspiring an immediate response in queue management. Thanks to this initiative, CSA response time declined from an average 35 seconds to only 25 seconds liberating 66 hours of calling time in the process. Currently, the response time is six to eight seconds. Besides, the abandon ratio and the percentage of customers put on hold, who terminated their call before the call could be put through declined from 12 per cent to seven per cent. Currently, the abandoned call percentage is around four to five percent.

- Conceptualization of a call evaluator to listen to calls taken by CSAs and provide online training.
- Installation of a voice logger to analyze the calls. This system records and stores for three days all calls made to Idea's customer service team. As a result, the measure inspires CSAs to raise the standard of their performance, provides a reference of the last conversation for better customer servicing, and provides a repository for better learning for the entire team and room for specific counseling.

- Offering online faxes of customers' queries on billing and payment centers through an Interactive Voice Response (IVR) system.

According to Idea Cellular, more than 40,000 customers call IDEA call centers for assistance every day. To service the queries of these callers in the shortest turnaround time, Idea's customer-focused front-end is supported by a robust back-end. This facilitates a seamless transfer of information from the company to the customer.

The back-end has been configured to serve the customer the way the he/ she wants it. Since customers need standardized information in a lot of instances, the company has created an interactive voice-based response system in English, Hindi, Gujarati, Telugu and Marathi. This module enables the caller to follow user-friendly voice-based guidelines to access relevant information on the phone or fax, customized to their specific geography. And for customers, who feel more comfortable in speaking to a voice, the company has a friendly customer service assistant to answer queries at the other end.

5.27 Functioning of Call Centre

IDEA services more than 40,000 calls a day, from its existing customer base on queries related to billing, schemes and general information through five call centers in Pune, Ahmedabad, Indore, Hyderabad and Delhi. As a first step towards facilitating customer convenience, each of these 24 x 7 call centers were assigned with an easy-to-recall 12345 number. As soon as the caller gets connected, he/she is given the facility of interacting with a customized IVR, structured around usual pre-paid and post-paid customer queries.

IDEA Cellular, has facilitated the delivery of a superior customer service through a functional managerial grid. At the apex, a senior manager is responsible for the efficiency of each IDEA call centre. He is supported by a manager, responsible for the day-to-day functioning of the call centre of her Circle. In turn, he/she is supported by a shift in-charge who shouldered the supervisory responsibility of the customer service agents and was available for online guidance round-the clock. Idea Cellular's customer-interfacing managerial grid became unique in India with the position of an Evaluator. The Evaluator

acted as a filter and online trainer. He/she listens to about 10 calls per CSA across 15 CSAs every day, acting as an effective filter for the quality of the opening verbiage, information dissemination and closing verbiage. The Evaluator not only acts as a referee: he/she identifies superior performance and replicates them across the team, enabling deviations from an established quality norm to be corrected immediately. As a result, the Evaluator catalyzed a continuous up gradation in the quality of Idea's service.

This managerial structure is considered not just a service facilitator; it also provides a means for the career growth of the call-centre professionals in terms of responsibility, authority and attractive remuneration.

5.28 Response Management

Idea Cellular Ltd. has always encouraged customers to interact with the organization in any way which they found convenient. To respond with speed and effectiveness to more than 7000 faxes, 5000 emails and 3000 letters that came in each month, IDEA has created a Response Management team. Each incoming communication was addressed within 48 hours, responding in detail to the query, satisfying the customer and helping to retain her as a valued customer. A team leader is ever present to monitor and motivate the CSA and provide back-end support in the areas of refunds, billing query and adjustments.

5.29 Retention and Churn Management Team

To gain and insight into the reasons as to why the customers felt dissatisfied, Idea Cellular created a Retention and Churn Management Team. This team makes a reactive attempt to call customers and analyze the reasons for their wishing to discontinue their relationship. In the event that these reasons are internal to the organization, the company works on correcting the problem faced by the customer and convinces the customer of non-occurrence of the problem once again. This customer feedback and learning are shared with the entire customer service team as an insurance against their recurrence. As a result of this initiative, Idea Cellular enjoys a retention rate in excess of 30 per cent, higher than the industry average of 25 per cent.

5.30 Regulatory Compliance

IDEA Cellular has a Regulatory Compliance team that works closely with the law-enforcing agencies of the country to prevent the misuse of cell phone connections, leading to a safe community for all. Customer service is not just supported with infrastructure but also organizationally facilitated in a manner that makes it possible for customers to be serviced in the shortest time and in the most effective manner. To do this on a continuous basis, the structure has been tailor made to the requirement of the customer and the business, classified into a call centre, response management, retention and churn management, as well as regulatory compliance divisions.

5.31 Billing

When IDEA was born out of the merger of Tata Cellular and Birla AT&T, the immediate priority was to integrate the diverse billing systems under a common technology umbrella. IDEA responded with speed and accuracy: it evolved the Kenan Arbor system in AP, SEMA CABS in Gujarat, LHS version 4.0 in MP and SEMA CABS in Maharashtra to the LHS version 6.0 in all circles. The standardized IT billing system presently under usage is 2.5G-enabled and supports GPRS provisioning and charging. The billing software is equipped to maintain customer accounts and provide back-end services. IDEA's billing software was made versatile: it can now be scaled up to handle larger volumes and respond to wider business complexities like system support for the call centre and other customer care functions.

5.32 Mediation between Networks

Ideal Cellular Ltd. has a system from Comptel that would permit mediation between various network nodes such as the MSC, HLR, SMSC etc., and network elements such as the billing system, fraud management system and data-mining. This installation will minimize the need to maintain individual links between various network nodes and network elements. This will ensure greater data integrity and control loss with respect to usage and provisioning. The mediation function is centralized and standardized across all of IDEA's circles.

5.33 Fraud Management System

The threats of bad debts and defaults have increased the ongoing need for fraud detection and prevention. Idea cellular has worked with Subex Software to develop a Fraud Management System.

5.34 Accounts Management

Since IDEA's various circles - Gujarat, Maharashtra, Delhi and the corporate office in Pune - used Oracle 11, while MP used Tally and AP used SAP R3 4.0, it was considered imperative to implement a standardized accounting application. As a result, the company's accounting function is being upgraded to Oracle 11 (upgrade version), which will facilitate the consolidation and reconciliation of accounts from all circles.

5.35 Value-Added Services

Superior customer service is the critical differentiator among various players in the cellular industry. To strengthen this delivery, the IT team of Idea has developed a host of value-added services: subscriber-self care, self provisioning bills and bills on the Internet, bulk message transmission, content-based applications and differentiated billing.

In a number of ways, a cellular company like IDEA works like a bank. Each time the company adds a post-paid subscriber, she has to be appraised for her capacity and willingness to pay her bill on time. The greater the number of connections that are rolled out, the greater is the need for the company to monitor the quality of its credit outstanding in the marketplace. This is a complex exercise for a number of reasons: it must be conducted across more than a million subscribers; it must be conducted across various income and society profiles. In view of the need to expand the customer base and manage the quality of credit, the company instituted two departments - Credit and Risk Management and Collection Risk Management.

5.36 Credit and Risk Management

At IDEA, the Credit and Risk Management team developed a unique dashboard system to effectively manage the quality of creditors' risk:

This function includes the following activities:

- a) Activation check Contact point verification
- b) Date of birth (DOB)/Telephone number verification
- c) Exposure control

5.36.1 Activation check

An activation check, which ascertained the proof of residence, is conducted at Idea Cellular offices and franchisee shops before a connection is activated.

5.36.2 Contact point verification

Once the connection was activated, contact point verification was conducted. As a part of the protocol, a face-to-face interaction is conducted with every individual customer to verify the address and date of birth. This exercise is conducted by an external independent agency, generating additional customer information and once the credit risk associated with a subscriber is met, the STD/ISD facility is extended.

5.36.3 DOB/Telephone Number verification

This verification was incorporated to minimize the instances of fraudulent subscribers seeking multi address connections. To mitigate such use, IDEA instituted a date-of-birth check across the connections with different addresses. This check emerged as an industry benchmark and information arising out of fraudulent use and is shared within the industry.

5.36.4 Exposure control

Idea Cellular manages its aggregate credit exposure through an ongoing check and control of the size of credit of its individual subscribers. Each subscriber is accorded a credit limit that is based on the usage and track record of remitting the payment to the company. In the event of an increase in consumption entailing a higher credit and a breach in the allotted quantum of credit, Idea Cellular enters into a dialogue with the subscriber to comprehend the reasons behind the increase and requests for an interim

payment. As a result of this ongoing exposure control, bad debts are contained at around two per cent only, considerably lower than the national industry average.

5.37 Collection Risk Management

For the post paid customers, bills are dispatched immediately following the end of the subscribers' billing cycle. This action is reinforced with an SMS that indicates to the customer the dispatch date of the bill, the amount and the due date. Three reminder SMS are sent to initiate prompt customer action. The company has also made it convenient for subscribers to settle their bills. IDEA subscribers have the facility of paying through cash, cheque or credit card. The company opened collection centers across the cities and towns of its presence. The company, has found that early detection was the most effective fraud management. In view of this, IDEA delegated its risk management to an automated Fraud Management System, which analyses information across seventy variables like the number of minutes consumed, the calling destination, and the time of calls etc to be able to comprehend the usage pattern of the subscriber and report an unwarranted variation as soon as it transpires.

As a risk management initiative in the event that the bill is not paid, outward calls are barred between the 23rd and 25th day from the due date. After the elapse of a month from the due date, the bill is handed to professional agencies for recovery. The company's last recourse is a legal notice under section 138 for dishonored cheques.

5.38 Investment in Technology

Idea Cellular provided its users with a superior service through the use of the digital GSM technology. This technology, used by IDEA, provided a number of functional advantages for consumers: an improved voice quality, stronger security, wide-roaming capabilities and a broad range of services (voice-mail with intelligent message notification, SMS, enhanced fax service, enhanced data transmission and caller identification, among others). Interestingly, the digital technology also enabled a more efficient use of batteries over the competing analogue system, thereby permitting users to avail of smaller, lighter and trendier handsets.

The digital GSM technology possessed a greater capacity than the competing analogue version. Besides, it gradually replaced the analogue format the world over. IDEA leveraged the full value of the digital technology through the GSM 900 and GSM 1800 frequencies. The company leveraged the strengths arising from these frequencies to reduce costs without compromising value. For instance, the signals on the GSM 900 traveled a further distance before they were absorbed or reflected, So a 900MHz BTS covers a bigger geographic area than an 800MHz cell station, as a result of which IDEA was able to spread across large distance circles effectively with a GSM-900 network (as opposed to a GSM-1800 network), resulting in the use of fewer cell stations. IDEA enhanced value for itself through the customized application of these frequencies. For instance, Delhi, where the company rolled out its services in November 2002, is a compact 1483 square Kilometers in size. In such a market, IDEA leveraged the value of the GSM 1800. At IDEA, the intelligent use of frequencies also served as a competitive edge. IDEA's competitors who used the 1800 GSM in a geographically dispersed State like Maharashtra will need to invest more to create a presence, extending their payback period and threatening their viability in the process. On the other hand, IDEA's use of the GSM 1800 in Delhi prevented competitors with GSM 900 from seizing the advantage as the distance between two sites was not more than two KMs for IDEA as well as competitor.

In a technology-intensive business, it is the prudent selection of the right and the intelligent use of technology that influences service, costs, competitive strength and viability. IDEA, has selected to work with a technology that is not only relevant for the GSM technology's needs but was also compatible with the Universal Mobile Telecommunications System, often referred to as the 3G. This compatibility worked for consumer and corporate benefit. The consumer was able to scale up seamlessly when the company decided to upgrade the service. As a result, Idea saw the selection of the GSM technology as a prudent de-risking of the company's existing investments from long-term losses arising from obsolescence. IDEA's 2.5 G compatibility was in line with its conviction that it must be in a position to deliver cutting-edge service faster than its

competitors. As a result, the company was in a position to offer the quality of service that European users enjoy as soon as the regulatory environment enables it to do so. The 3G technology, when introduced, is expected to revolutionize the concept of mobile telephony. It is expected to support a transmission capacity of up to 2 MB (as opposed to 9.6 KB through the GSM route).

5.39 Widespread Network Coverage

IDEA, believes that when a subscriber makes a call, he or she should be able to get through on the first attempt. Network management represented the core of all the activity at IDEA. The company has an in-house network optimization team which uses an Advanced Radio Frequency analytical tool to maintain the network at all times. IDEA established model tuning for the ten leading towns per circle which translated into a superior coverage and quality. The company's use of micro-sites resulted in an enhanced street coverage. IDEA also successfully indigenized no critical maintenance.

The various maintenance initiatives undertaken by the company included the following:

- In-house network planning.
- In-house project implementation.
- In-house operations and maintenance (O&M) except software handling.
- Infrastructure sharing.
- The replacement of on-site 20 KVA DG sets with 15 KVA alternatives.
- The servicing, repair and maintenance of DG sets.

The last initiative reduced the company's dependence on external vendors and shrunk the turnaround time in correcting technical issues.

5.40 Network Performance Management

The performance of the network is assessed on the following parameters:

- a) Call drop
- b) Hand Over Failure
- c) System Availability

5.40.1 Call Drop

Customers often face the problem of being in the middle of an important call on the cell phone and discovering that the person at the other end is unable to hear. IDEA Cellular has invested adequately in the network to ensure that this phenomenon does not happen. As a result, even though a call drop of three per cent is permitted as per international standards; the corresponding figure is as low as 1.1 per cent in, cities like Nagpur.

5.40.2 Handover Failure

When customers call from their cell phone to someone on another network often they experience the phenomenon of listening to a prerecorded voice announcing that the called person is not available and requesting them to call again. IDEA, has invested prudently in technologies to minimize such occurrences. Even though the international failure level for handovers is set at five per cent, the corresponding number at IDEA is around only 0.5 percent in a location like Nagpur.

5.40.3 System Availability

On a number of occasions it is impossible to make call across simply because the system that supports the network develops a technical error. At IDEA, the robust natures of the system as well as an ongoing maintenance initiative ensure that the system is available almost anytime any subscriber makes a call. This international average for system availability is placed at 99.8 per cent. IDEA's corresponding figure for a location like Panjim was 100 per cent 99.9 per cent at Hyderabad and 99.87 at Gwalior.

5.41 Survey of Idea Cellular Customers

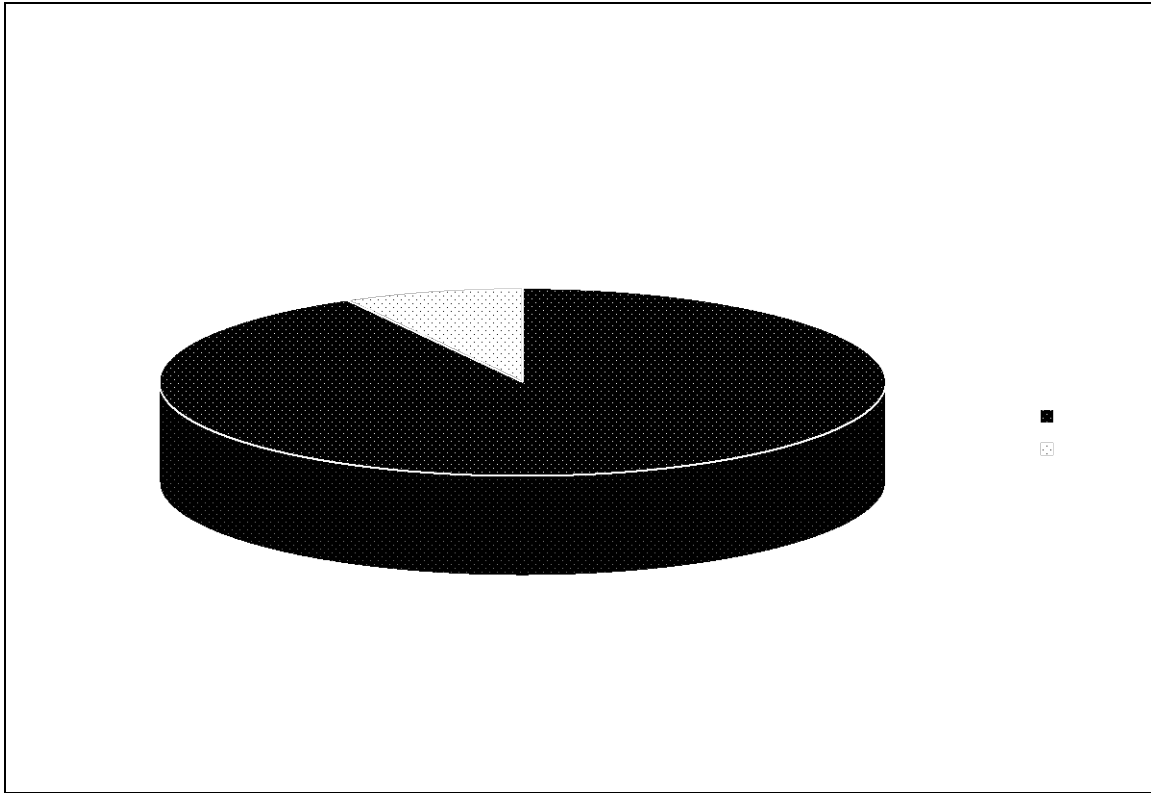
As per the research design, discussed in the second chapter, a survey was carried out in the twin cities of Hyderabad and Secunderabad, among the customers of Idea cellular. The sample consisted of both prepaid and post paid customers of Idea Cellular. A structured questionnaire was used to carry out the survey. The survey was carried out at the company operated Customer Care Office and select dealer outlets of Idea Cellular (Idea n U outlets) located in Hyderabad and Secunderabad. A total number of sixty 'Post paid' customers and seventy four 'Pre paid' customers were interviewed in the process. The questionnaire used for the survey is presented in the appendix.

Both open ended and close ended questions were used in the survey. For the close ended questions, in order to analyze the results, the responses were grouped into different categories as per the choices selected by the respondents. For the open ended questions, depending on the responses given by the respondents, different categories were created and the responses were grouped under these categories.

5.41.1 Analysis

In order to have a better understanding of the survey, various bar charts and pie diagrams were constructed, as per the data obtained. In the analysis part, each question is presented separately, along with the frequency tables, in each category of response (number of responses under each of the categories for a particular question), and the corresponding bar chart/ pie diagram is also presented, followed by the observations made. Details of non-parametric tests which were conducted to test the statistical significance of the results obtained are presented in the appendix.

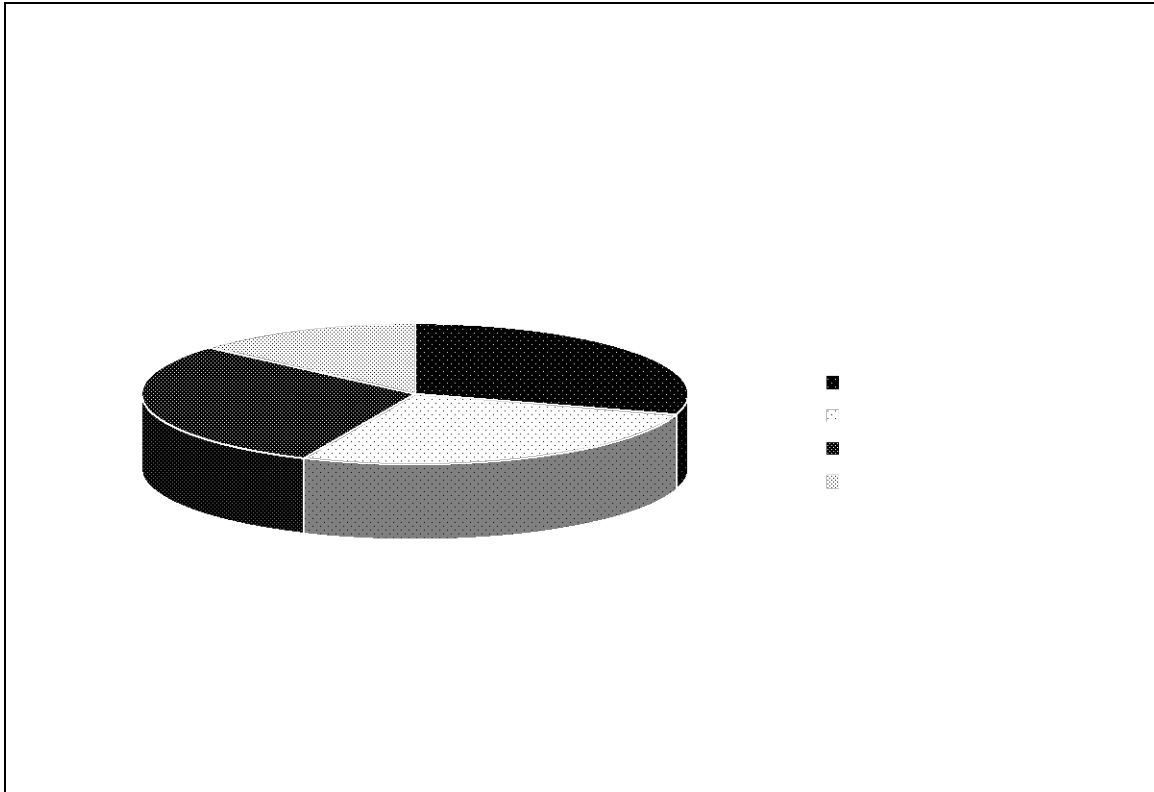
Analysis of Data Related to Idea Cellular's Prepaid Customer Survey



Gender	No. of Responses	Percentage (%)
Male	68	92
Female	6	8
Total Responses	74	100

Observation

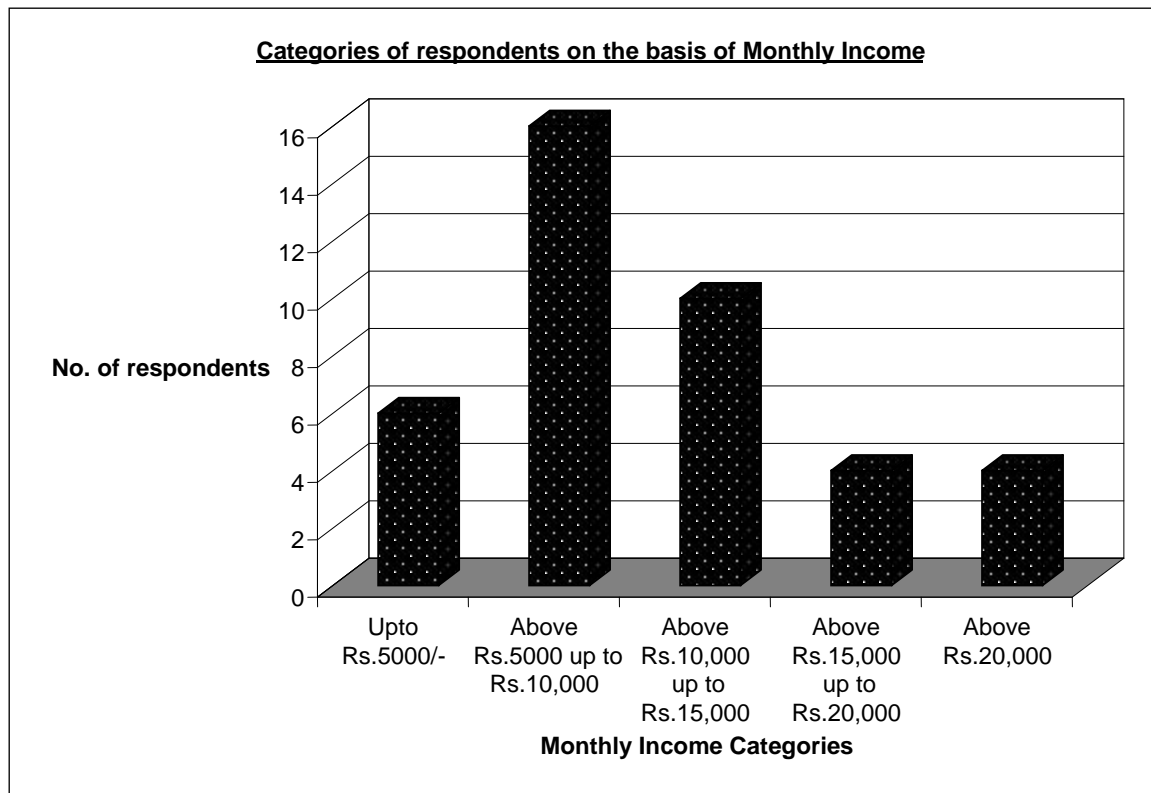
More than ninety percent of the respondents are men. This phenomenon could be due to the reason that the interviews were conducted at the customer touch points, and most of the customers who approached the touch points were men.



Age Group	No. of Responses	Percentage (%)
Above18 and up to 25 years	22	29
Above 25 up to 30 years	20	27
Above 30 up to 40 years	22	30
Above 40 years	10	14
Total Responses	74	100

Observation

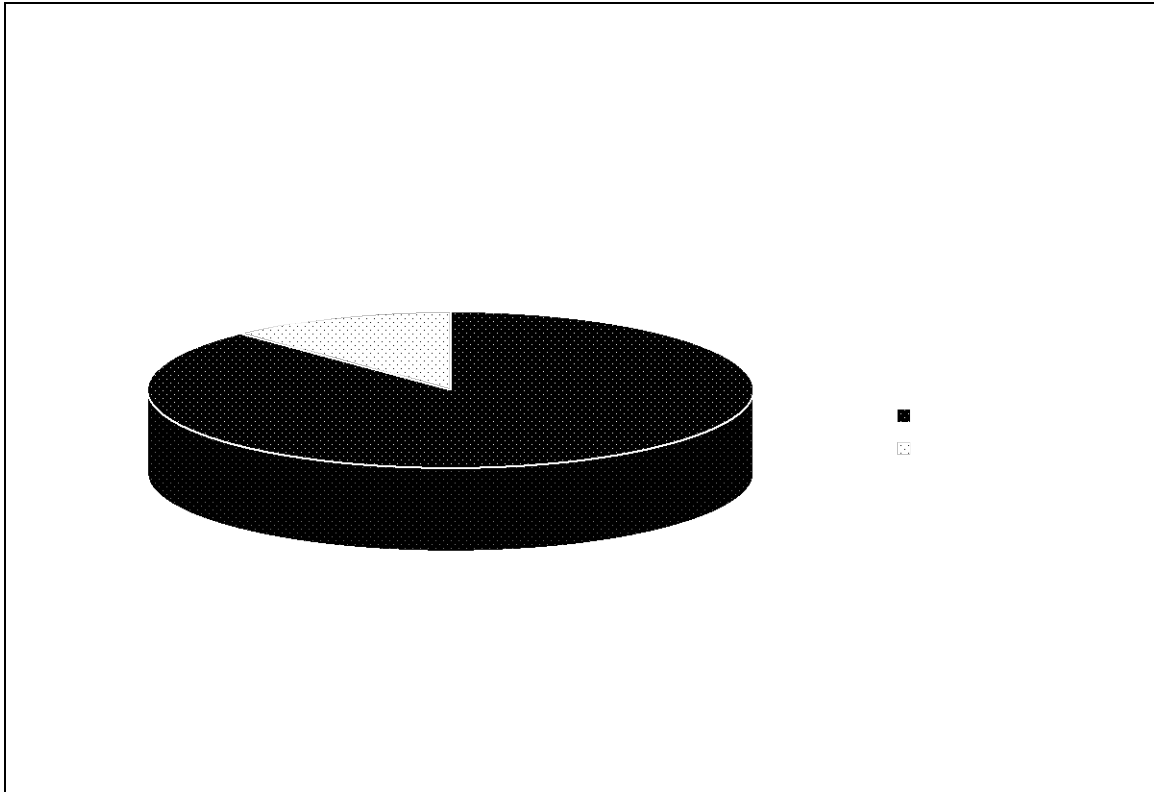
Most of the respondents belonged to the age groups between 30 to 40 years and between eighteen to twenty five years (approximately 30% each group). These age groups are immediately followed by the respondents of age group between twenty five to thirty years. Respondents above the age group of forty years constituted fourteen percent of the sample.



Monthly Income Category	No. of Responses	Percentage (%)
Up to Rs.5000/-	6	15
Above Rs.5000 up to Rs.10,000	16	40
Above Rs.10,000 up to Rs.15,000	10	25
Above Rs.15,000 up to Rs.20,000	4	10
Above Rs.20,000	4	10
Total Responses	40	100

Observation

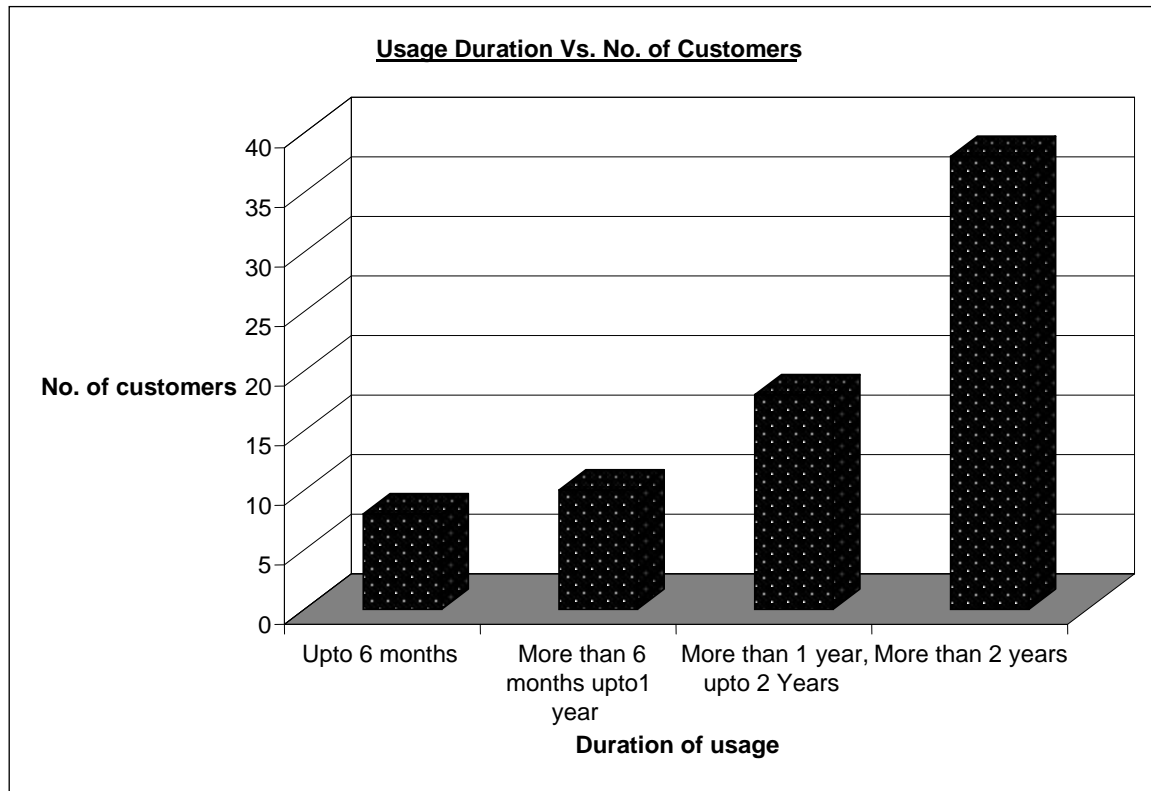
Most of the respondents (40%) belong to the income category between Rs.5000/- to Rs.10, 000/- per month. Twenty five percent of the respondents have a monthly income in the range above Rs.10, 000/- and below Rs.15, 000/- per month. Fifteen percent of the respondents have monthly income up to Rs.5000/-. Ten percent of the respondents have monthly income between Rs.15, 000/- and Rs.20, 000/-. Another ten percent of the respondents reported monthly income above Rs.20, 000/-. As discussed in the earlier units, mobile telecom service charges have drastically reduced during the past four years. This would explain the fact that even people with lower incomes started using mobile telephone services.



Nature of Cell Connection	No. of Responses	Percentage (%)
Own	65	88
Company Sponsored	9	12
Total Responses	74	100

Observation

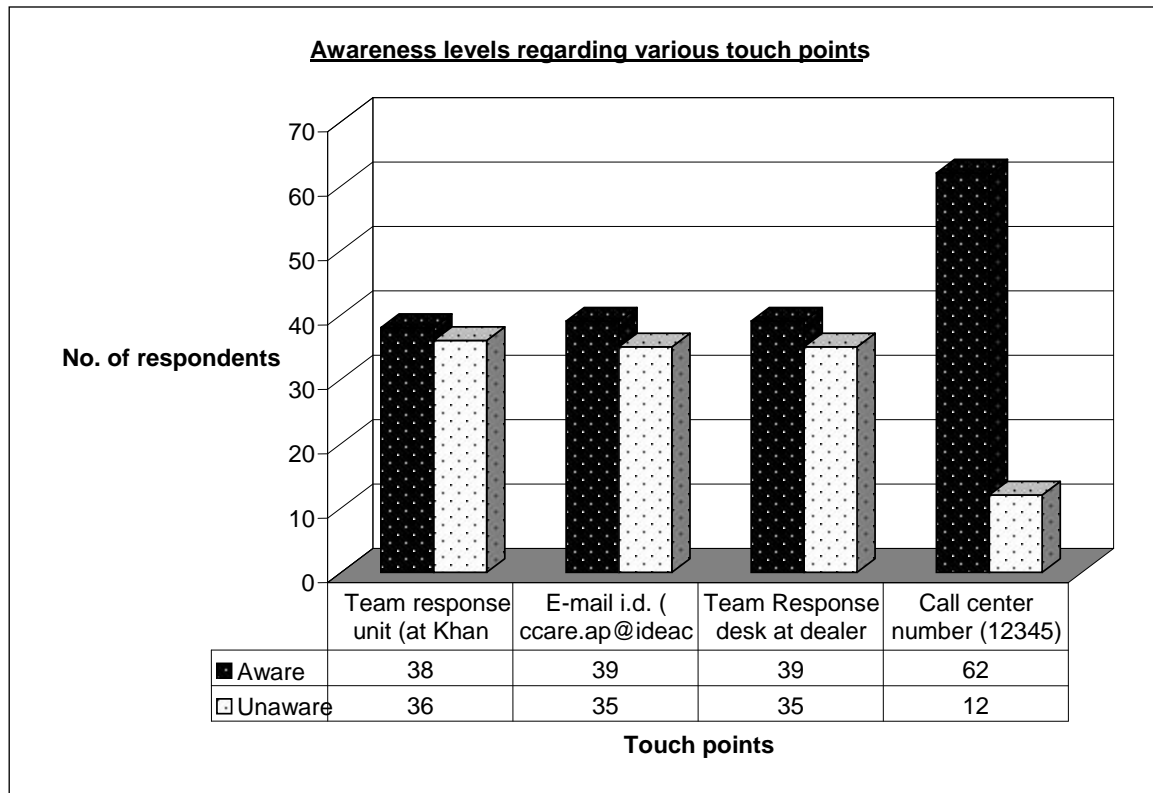
Of the seventy four respondents, sixty five respondents have their own cell phone connections. Only nine respondents have their cell phone connections, being sponsored by the companies in which they are working.



2. How long have you been using Idea Cellular Connection?		
Response Category	No. of Responses	Percentage (%)
Up to 6 months	8	11
More than 6 months upto 1 year	10	14
More than 1 year, up to 2 Years	18	24
More than 2 years	38	51
Total Responses	74	100

Observation

More than fifty percent of the respondents have been using Idea Cellular connection for more than two years. Another twenty four percent of the customers have been using Idea's connection for more than a year, but for less than two years. Eleven percent of the customers are relatively new to Idea Cellular connection, i.e. they have been using Idea's connection for less than six months.

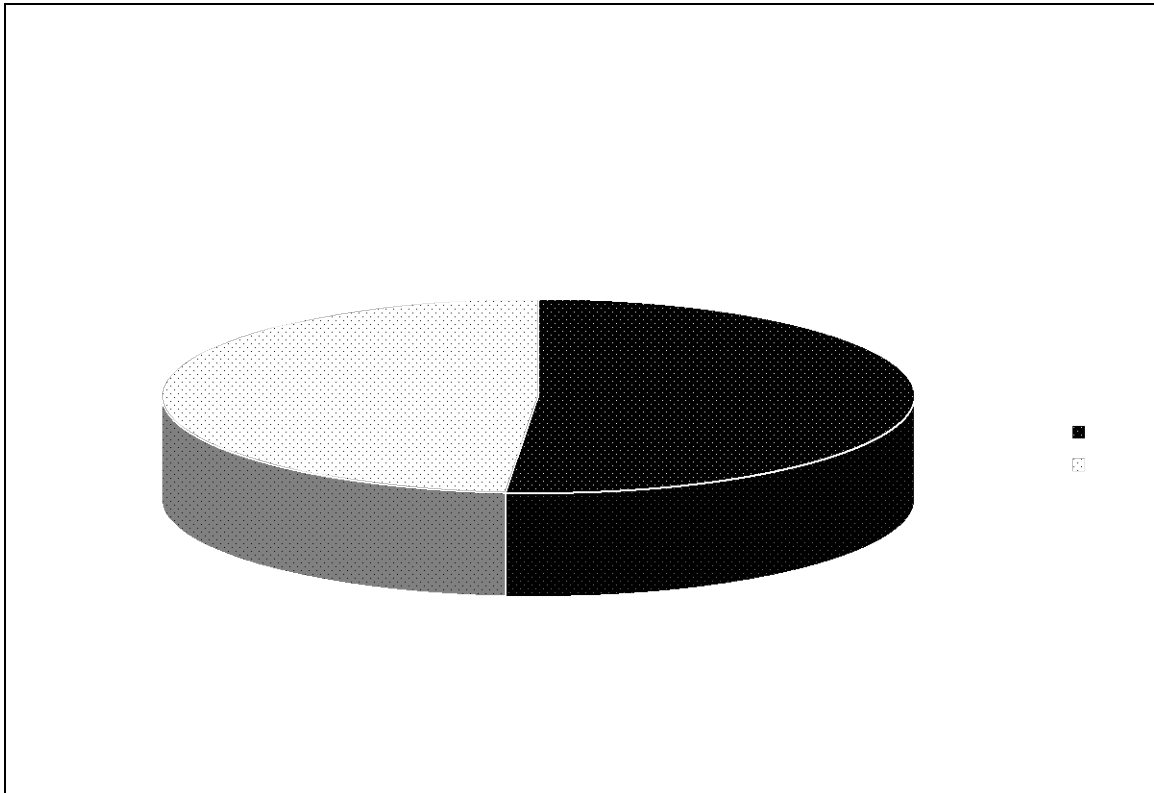


3. Are you aware of the following?

	Aware	Unaware	%Aware	%Unaware
Team response unit (at the corporate office of Idea Cellular Ltd.)	38	36	51	49
E-mail i.d. (ccare.ap@ideacellular.com)	39	35	53	47
Team Response desk at dealer outlets	39	35	53	47
Call center number (12345)	62	12	84	16

Observation

It is observed very clearly that of all the touch points managed by the company, the call center has the maximum awareness level (84% of the respondents are aware of it). Around fifty percent of the respondents are aware of other touch points like the Team response Unit managed by the company, Team Response Desk at the dealer outlets, and e-mail address provided by the company. Factors like the service provider itself being a telecom company, and toll free facility could be the reasons behind the popularity of the Call Center.

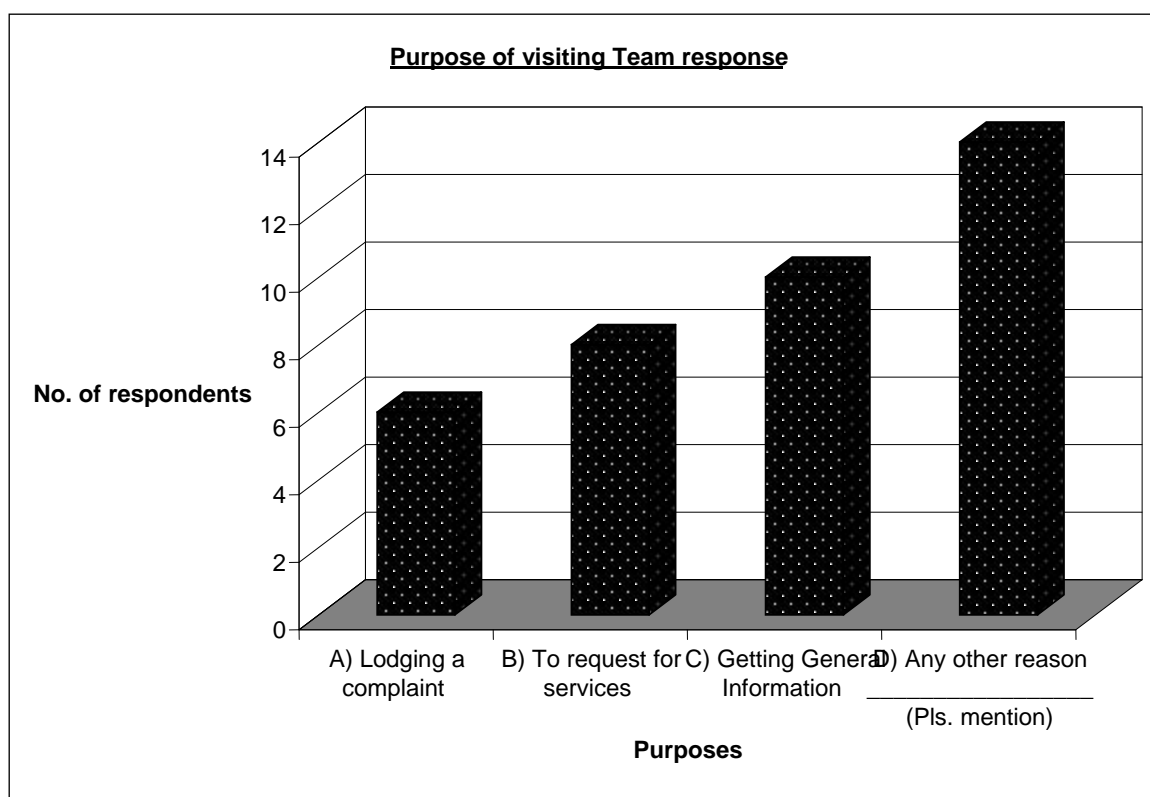


4. Have you ever visited Team Response at Idea Cellular Office (managed by the Company)

Response Category	No. of Responses	Percentage (%)
YES	38	51
NO	36	49
Total Responses	74	100

Observation

Fifty one percent of the respondents who answered the question replied that they have visited the ‘Team Response Unit’, managed by the company. The reasons for their visit and their experiences at the ‘Team Response Unit’ are analyzed in the next questions. As mentioned earlier, the Call center being very popular among the customers could have been the choice of the contact point for most of the customers, and they would visit the “Team Response Unit”, unless they have a need that could not be solved through the call center.

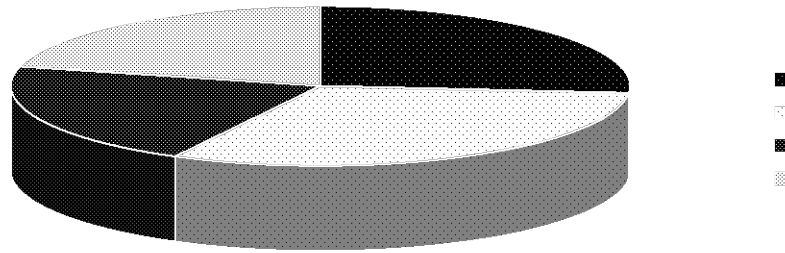


4 a) Purpose of visiting ‘Team Response Unit’

Response Category	No. of Responses	Percentage (%)
A) Lodging a complaint	6	16
B) To request for services	8	21
C) Getting General Information	10	26
D) Any other reason	14	37
Total Responses	38	100

Observation

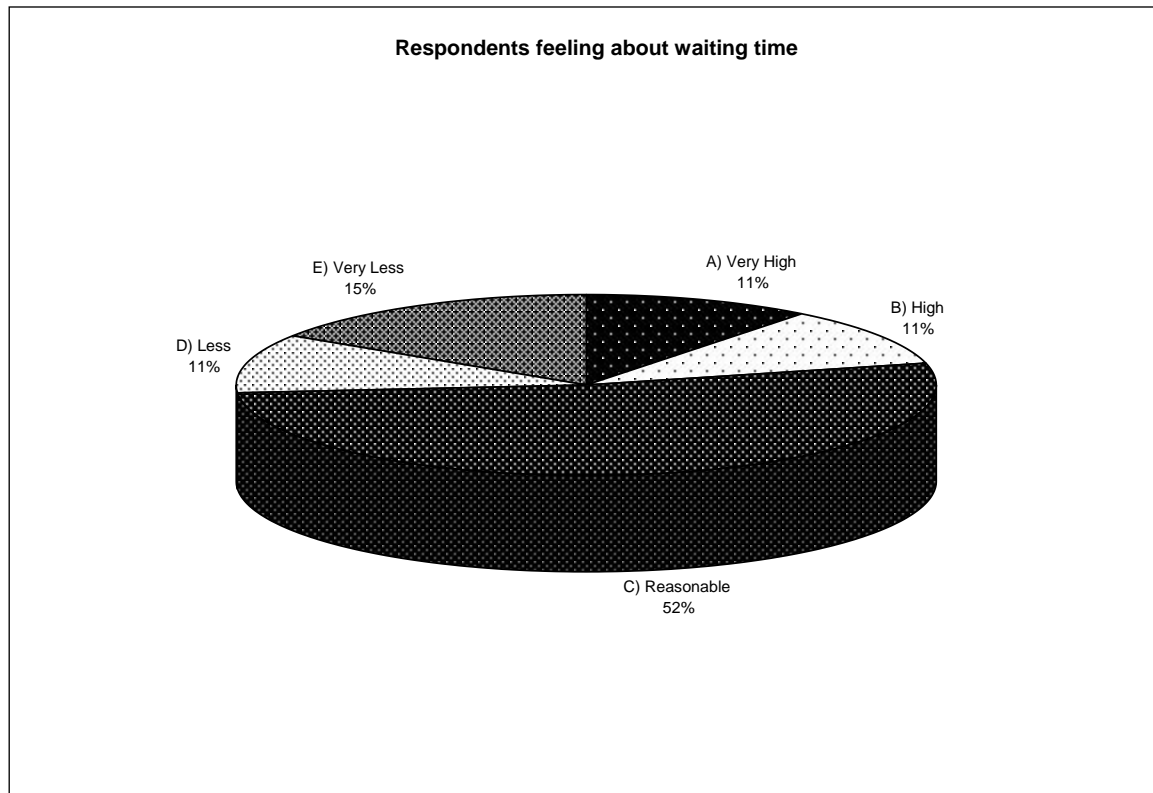
Majority of the respondents (37%), who made a visit to the ‘Team Response Unit’, have chosen the category ‘D’ i.e. reasons mentioned other than in categories, A, B, C. Other reasons mainly included change of the SIM card, as the old card was damaged, bill settlements, obtaining new connections etc. Twenty six percent of the respondents mentioned that they visited the ‘Team response Unit’ to get general information on the services offered by the company. Twenty six percent of the respondents visited “Team Response Unit’ to make requests for the activation of certain services. Another sixteen percent of the respondents visited “Team Response Unit’ to lodge complaints.



4 b) The waiting time at the 'Team Response' was:		
Response Category	No. of Responses	Percentage (%)
A) ≤ 5 min.	10	26
B) $> 5 \text{ min} \leq 10 \text{ min.}$	12	32
C) $> 10 \text{ min} \leq 15 \text{ min.}$	8	21
D) $> 15 \text{ min.}$	8	21
Total Responses	38	100

Observation

Thirty two percent of the respondents mentioned that the waiting time at the “Team Response Unit” was between five to ten minutes. Twenty six percent of the respondents mentioned that the waiting time was less than five minutes. Twenty one percent of the respondents mentioned that waiting time was between ten to fifteen minutes. Another twenty one percent felt that the waiting time was more than fifteen minutes.



4 c) What did you feel about the waiting time?		
Response Category	No. of Responses	Percentage (%)
A) Very High	4	11
B) High	4	11
C) Reasonable	20	53
D) Less	4	11
E) Very Less	6	16
Total Responses	38	100

Observation

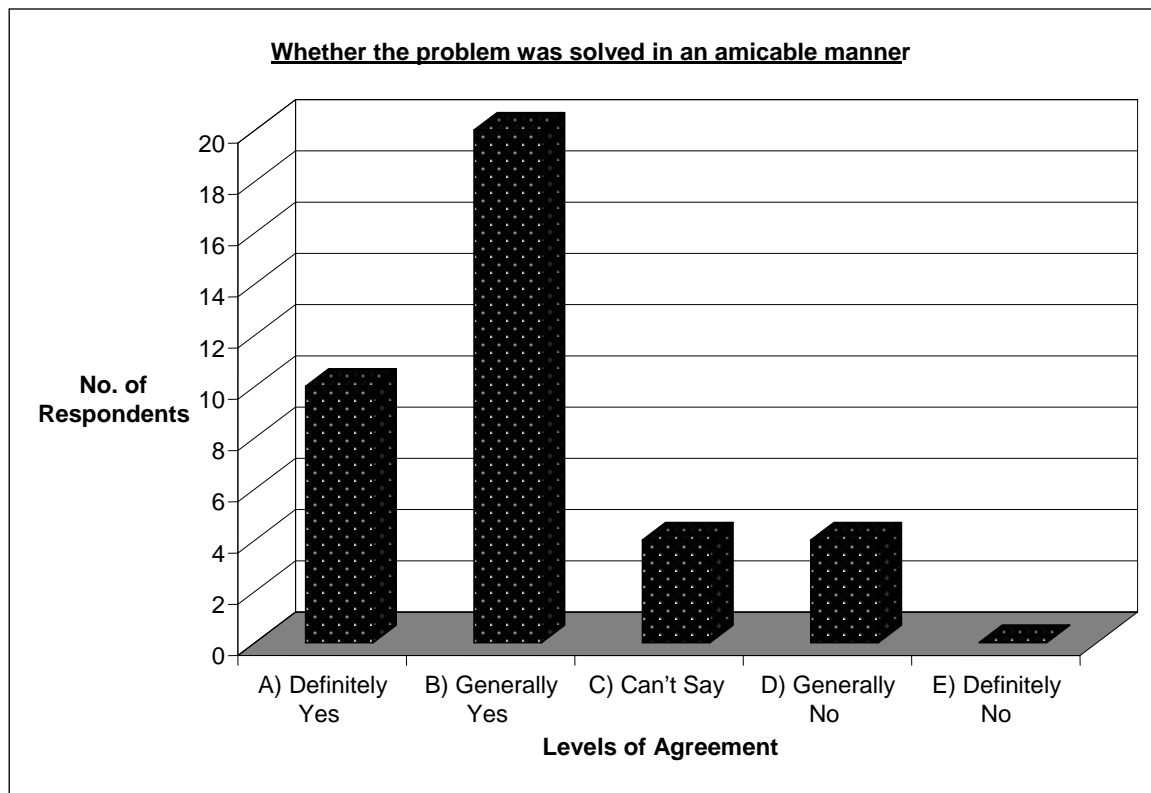
Majority of the respondents, i.e. 53% of them felt that the waiting time was reasonable. Eleven percent (each) of the respondents felt that the waiting time was very high, high and less respectively. Sixteen percent of the respondents felt that the waiting time was very less. As already observed in the earlier question, 26% of the respondents had a waiting time of less than five minutes and 32% of the respondents had a waiting time between five to ten minutes.



4 d) Are the staff members friendly and helpful?		
Response Category	No. of Responses	Percentage (%)
A) Definitely Yes	20	53
B) Generally Yes	14	37
C) Can't Say	4	11
D) Generally No	0	0
E) Definitely No	0	0
Total Responses	38	100

Observation

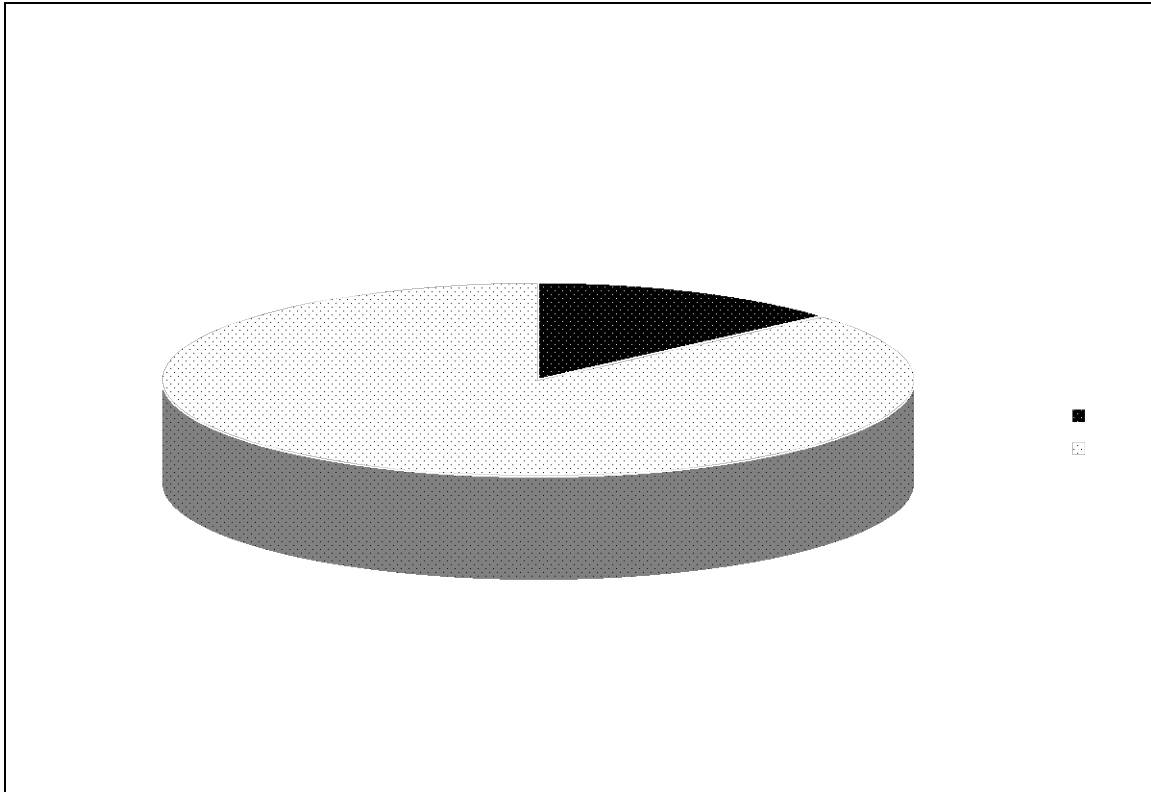
Fifty three percent of the respondents observed that the staff members at the 'Team Response Unit' are definitely friendly and helpful, while thirty seven percent of the respondents generally agreed that the staff members are friendly and helpful. Eleven percent of the respondents could not decide about the helpfulness and friendly nature of 'Team Response' staff.



4e) Was your problem solved in an amicable manner?		
Response Category	No. of Responses	Percentage (%)
A) Definitely Yes	10	26
B) Generally Yes	20	53
C) Can't Say	4	11
D) Generally No	4	11
E) Definitely No	0	0
Total Responses	38	100

Observation

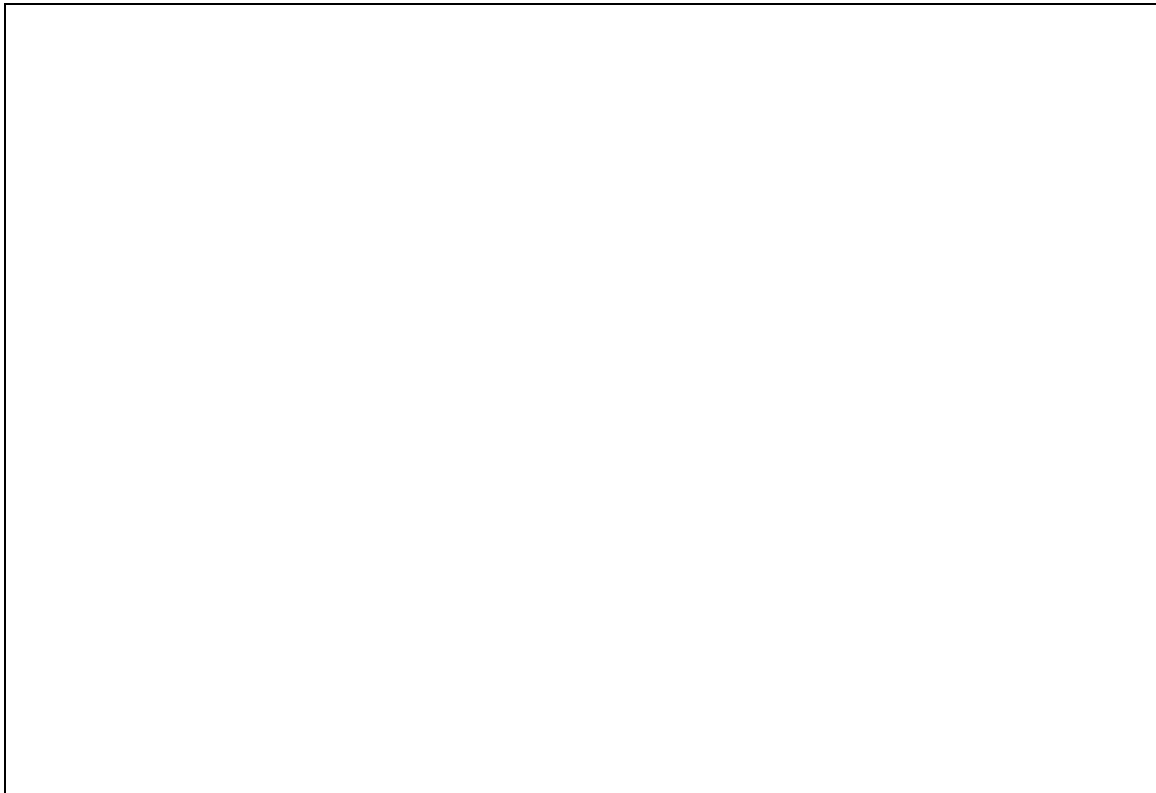
Majority of the respondents (53%) generally agreed that their problem was solved in an amicable manner at the “Team Response Unit”. Twenty six percent of the respondents definitely agreed that their problem was amicably solved. Eleven percent of the respondents could not decide on this matter. Another eleven percent of the respondents gave their reply as “Generally No” to the query.



5) Have you ever visited an Idea Dealer Outlet		
Response Category	No. of Responses	Percentage (%)
YES	10	14
NO	64	86
Total Responses	74	100

Observation

Only ten respondents i.e. fourteen percent of the respondents stated that they have visited Idea Cellular dealer outlets. The remaining eighty six percent did not visit the dealer outlets. As has been observed earlier, the toll free call center number is the most popular touch point across cell phone users.

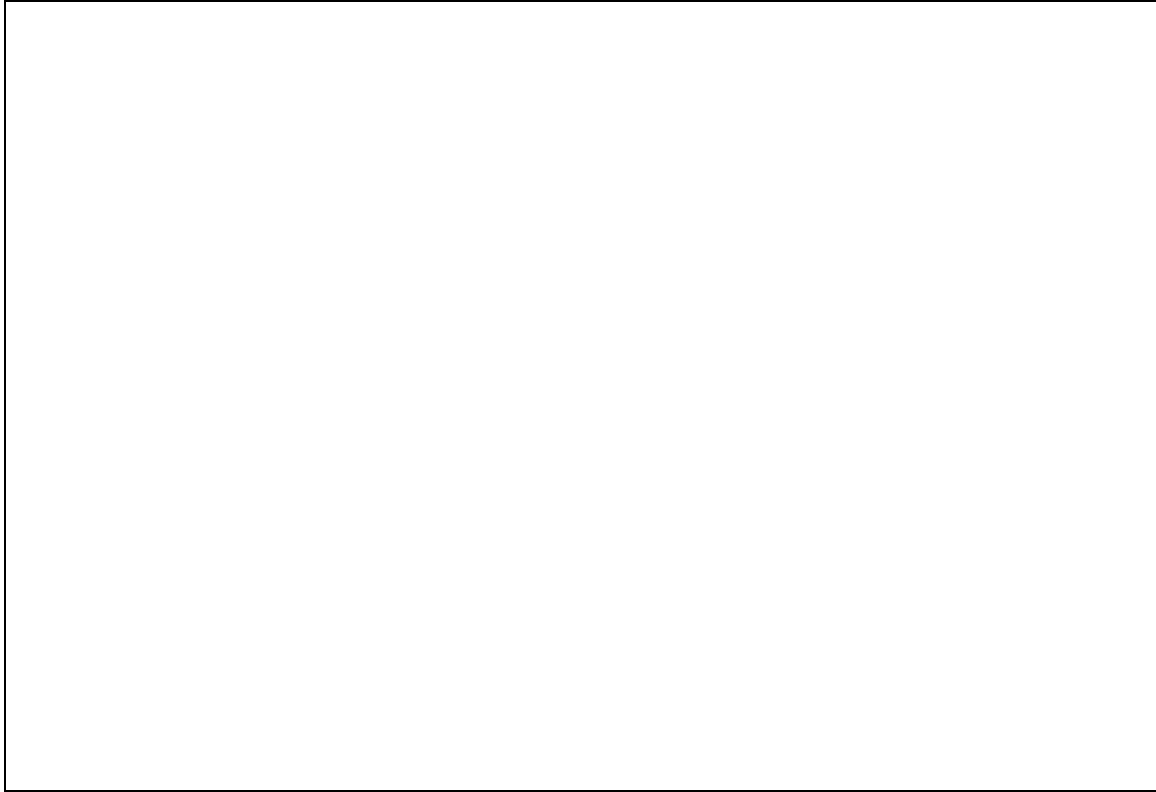


5 a) Purpose of visiting ‘Team Response Unit’

Response Category	Frequency	Percentage (%)
A) Lodging a complaint	6	60
B) To request for services	0	0
C) Getting General Information	4	40
D) Any other reason	0	0
Total Responses	10	100

Observation

Sixty percent of the respondents made a visit to the dealer outlets to lodge a complaint, while forty percent of the respondents visited the dealer outlets to get general information regarding the services offered by Idea Cellular.



5 b) The waiting time at the ‘Team Response’ was:

Response Category	No. of Responses	Percentage (%)
A) ≤ 5 min.	2	20
B) > 5 min ≤ 10 min	6	60
C) >10 min ≤ 15 min	2	20
D) > 15 min	0	0
Total Responses	10	100

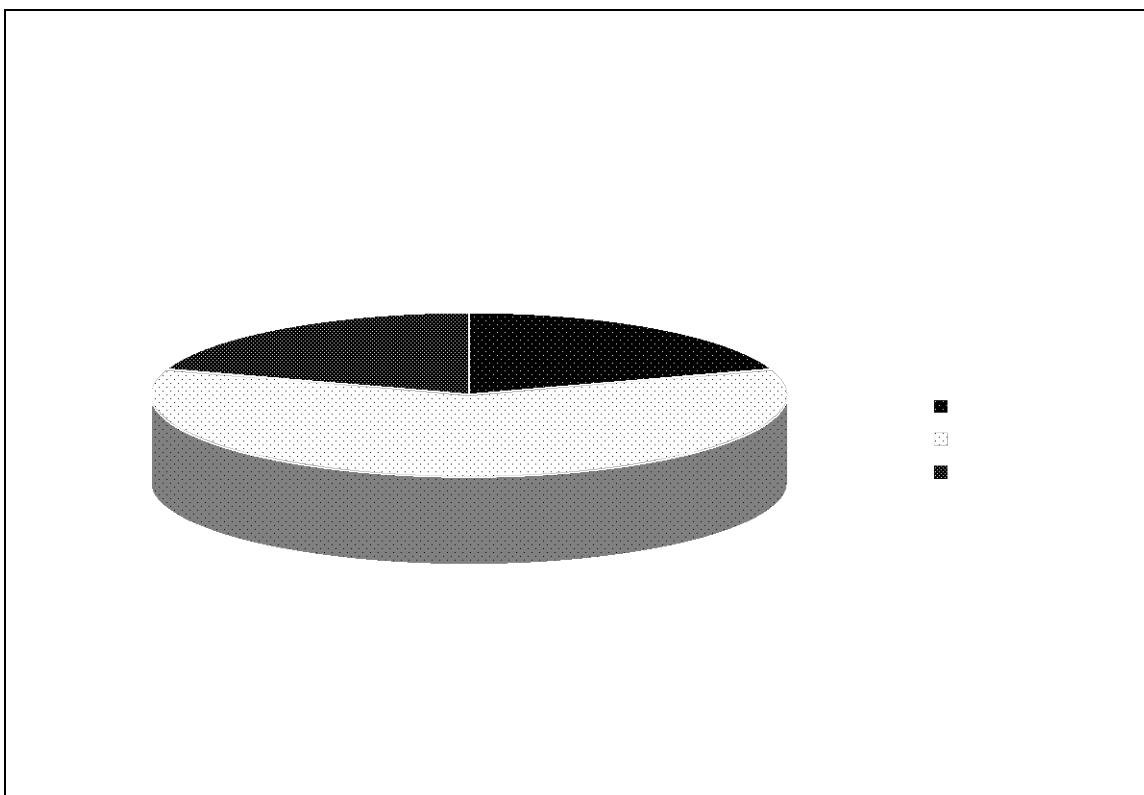
Observation

Sixty percent of the respondents i.e. six out of the ten respondents had experienced a waiting time between five to ten minutes at the dealer outlets. Twenty percent of the respondents had a waiting time of less than five minutes and the remaining twenty percent of the respondents had a waiting time between ten to fifteen minutes.

5c) What did you feel about the waiting time?		
Response Category	No. of Responses	Percentage (%)
A) Very High	2	20
B) High	2	20
C) Reasonable	6	60
D) Less	0	0
E) Very Less	0	0
Total Responses	10	100

Observation

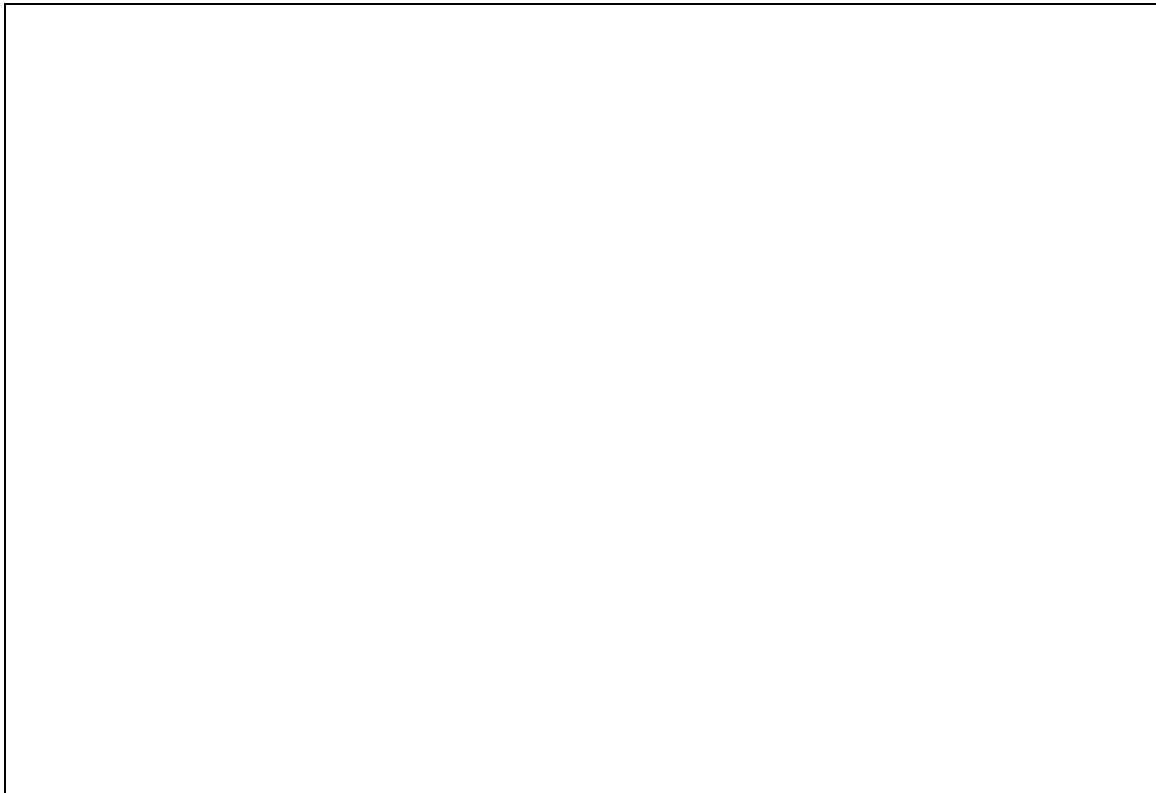
Sixty percent of the respondents felt that the waiting time was reasonable. This was followed by the perception that the waiting time was very high (20%) and another twenty percent of the respondents felt that the waiting time was high.



5 d) Are the staff members at dealer outlet friendly and helpful?		
Response Category	No. of Responses	Percentage (%)
A) Definitely Yes	2	20
B) Generally Yes	6	60
C) Can't Say	2	20
D) Generally No	0	0
E) Definitely No	0	0
Total Responses	10	100

Observation

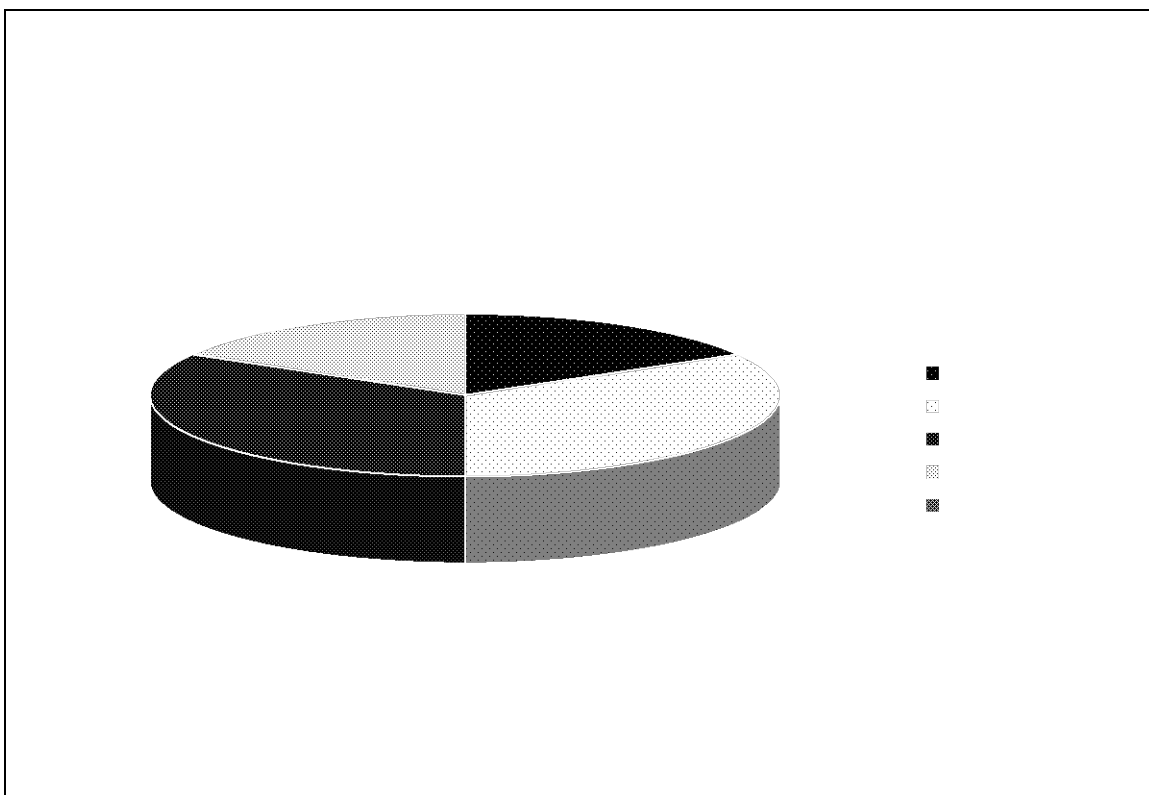
Out of the ten respondents who answered the question, six respondents generally agreed that the staff members at the dealer outlets are friendly and helpful. Two respondents felt that they were definitely helpful and friendly, while the remaining two respondents could not decide.



5e) Was your problem solved in an amicable manner?		
Response Category	No. of Responses	Percentage (%)
A) Definitely Yes	2	20
B) Generally Yes	4	40
C) Can't Say	0	0
D) Generally No	4	40
E) Definitely No	0	0
Total Responses	10	100

Observation

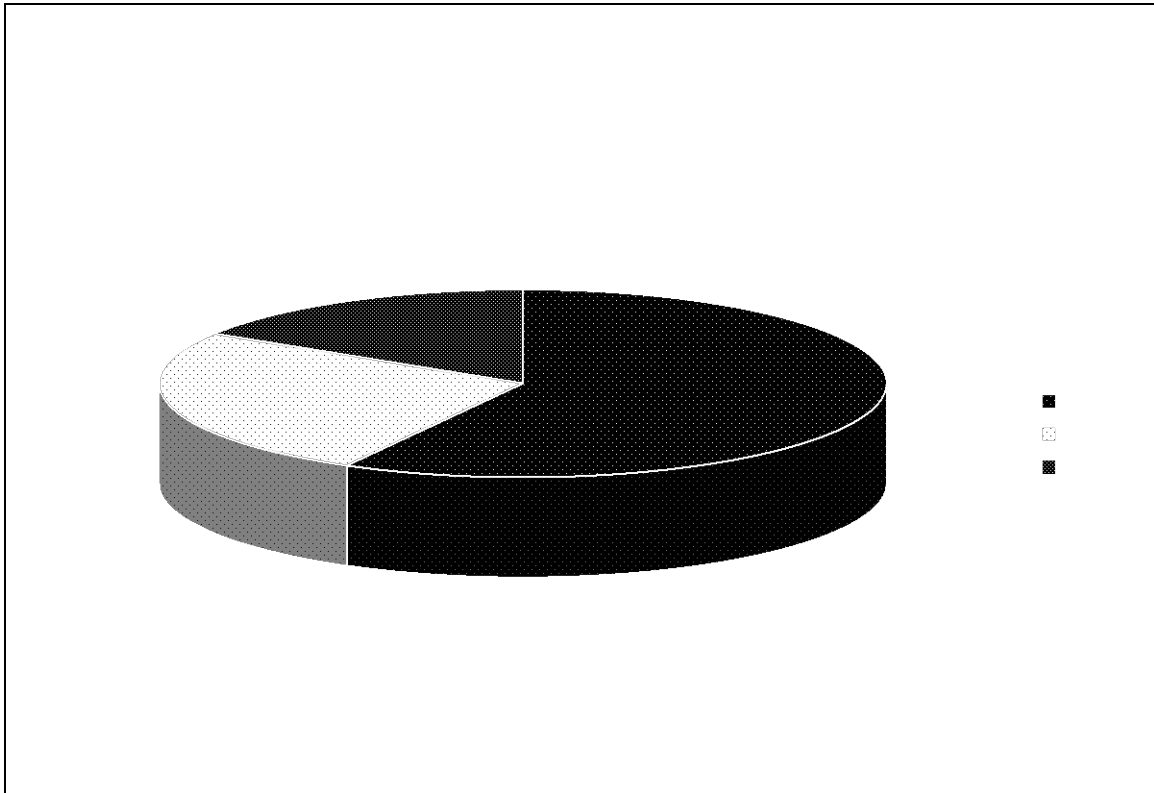
While forty percent of the respondents generally agreed that their problem was solved amicably, at the dealer outlet, another forty percent of the respondents generally disagreed that their problem was solved in an amicable manner. The remaining twenty percent of the respondents definitely agreed that their problem was solved in an amicable manner.



6. Are you satisfied with the time taken to provide a solution to your problem?		
Response Category	No. of Responses	Percentage (%)
Highly Satisfied	4	17
Satisfied	8	33
Can't Say	8	33
Dissatisfied	4	17
Highly Dissatisfied	0	0
Total Responses	24	100

Observation

While thirty three percent of the respondents are satisfied with the time taken to solve their problem, another thirty three percent could not decide on their satisfaction/dissatisfaction. Seventeen percent of the respondents felt dissatisfied with the time taken to solve their problems, while another seventeen percent respondents felt highly satisfied with the time taken to solve their problem.



7a) Your language preference (while using IVR)		
Response Category	No. of Responses	Percentage (%)
English	36	58
Telugu	16	26
Hindi	10	16
Total Responses	62	100

Observation

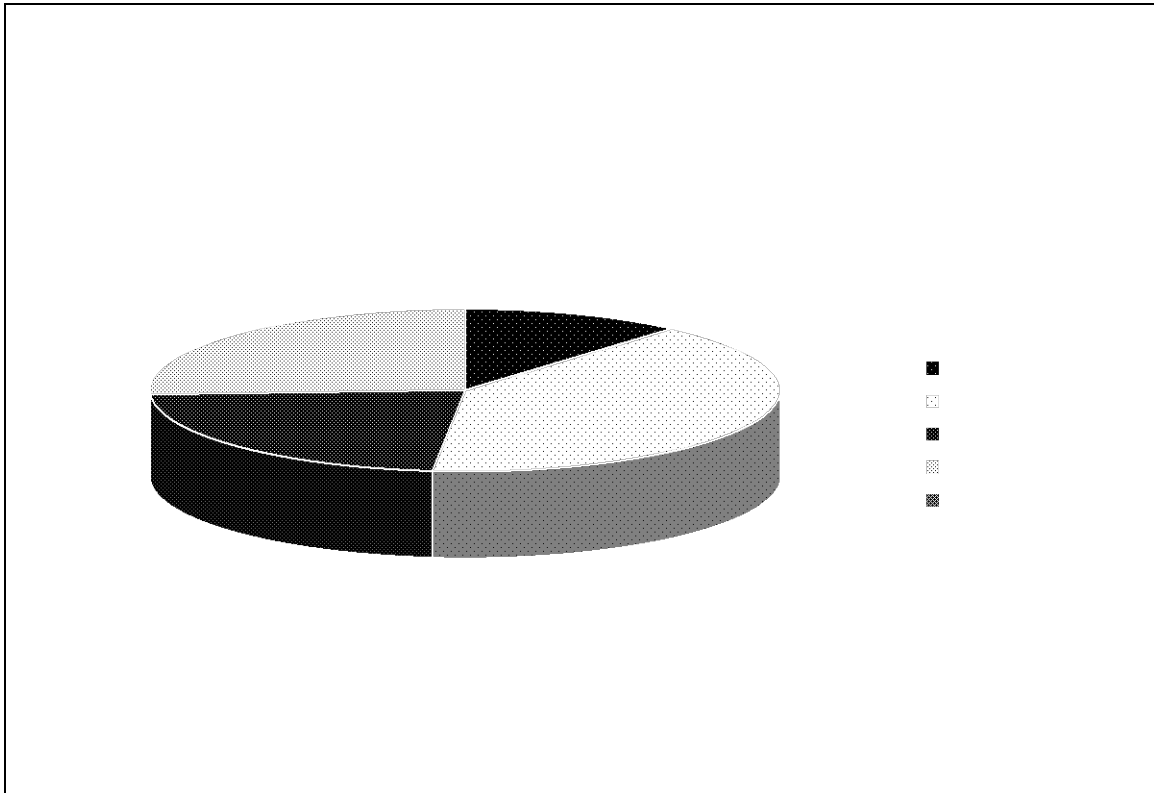
Fifty eight percent of the respondents gave their language preference as English, while using IVR service Twenty six percent of the respondents mentioned Telugu as their preferred language while using IVR. The remaining sixteen percent respondents mentioned Hindi as their choice of language while using IVR service.



7b) Are you satisfied with the information given by IVR?		
Response Category	No. of Responses	Percentage (%)
Highly Satisfied	6	10
Satisfied	34	55
Can't Say	12	19
Dissatisfied	10	16
Highly Dissatisfied	0	0
Total Responses	62	100

Observation

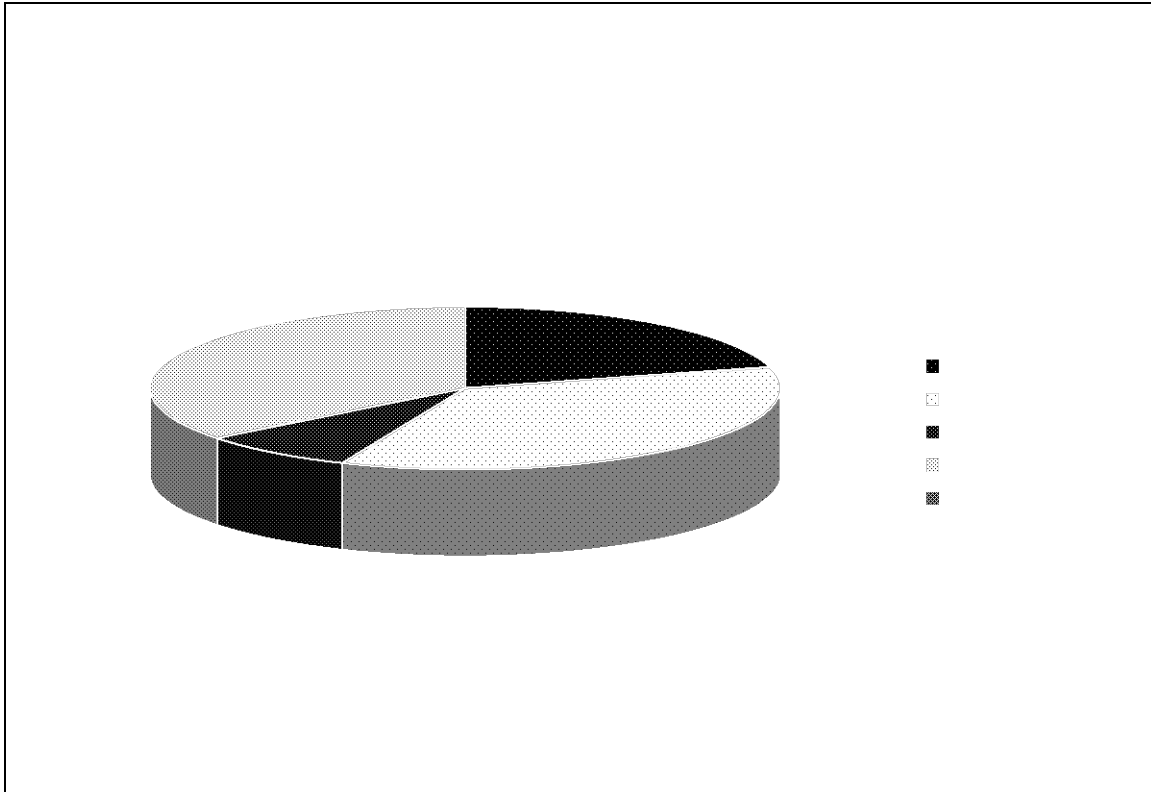
Fifty five percent of the respondents mentioned that they are highly satisfied with the information given by IVR. Nineteen percent of the respondents could not decide on their satisfaction levels. Sixteen percent of the respondents observed that they are highly dissatisfied with the information given by IVR. The remaining ten percent respondents mentioned that they are highly satisfied with the information given by IVR service.



7c) Are you satisfied with the time taken to talk to an operator, at the call center?		
Response Category	No. of Responses	Percentage (%)
Highly Satisfied	7	11
Satisfied	25	40
Can't Say	14	23
Dissatisfied	16	26
Highly Dissatisfied	0	0
Total Responses	62	100

Observation

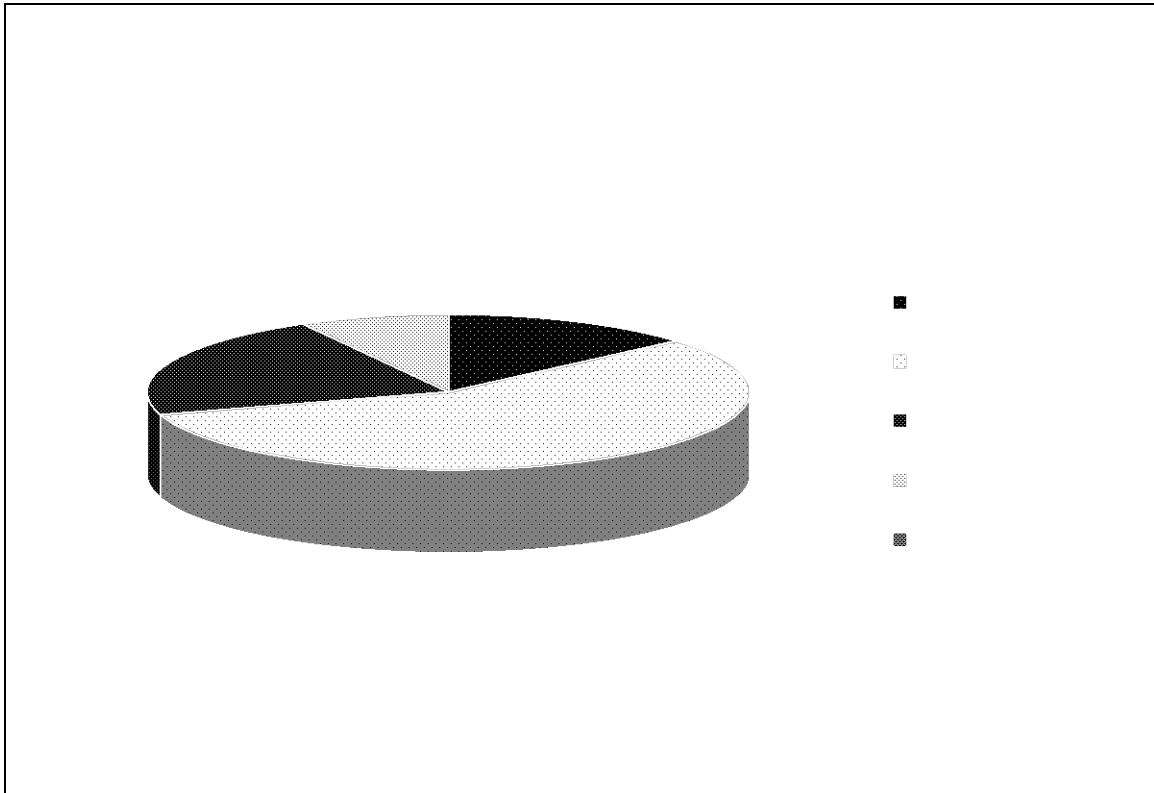
Forty percent of the respondents mentioned that they are satisfied with the time taken to talk to an operator at the call center. Twenty six percent of the respondents replied that they are dissatisfied with the time taken to talk to an operator. The remaining eleven percent respondents mentioned that they are satisfied with the time taken to talk to an operator at the call center.



7d) Are you satisfied with the assistance offered by the operator in solving your problem?		
Response Category	No. of Responses	Percentage (%)
Highly Satisfied	13	21
Satisfied	22	35
Can't Say	5	8
Dissatisfied	22	35
Highly Dissatisfied	0	0
Total Responses	62	100

Observation

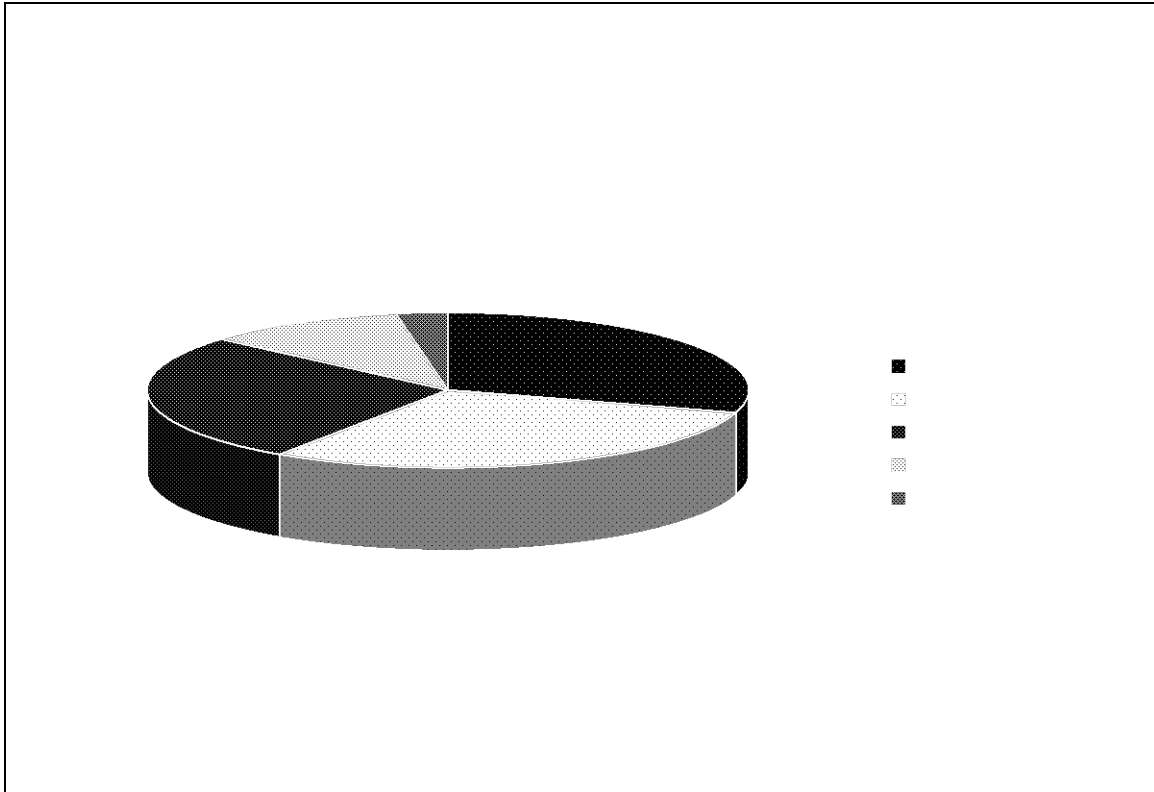
Thirty five percent of the respondents mentioned that they are dissatisfied with the assistance offered by the operator in solving their problem, while another thirty five percent of the respondents stated that they are satisfied with the assistance offered by the operator. Twenty one percent of the respondents mentioned that they are highly satisfied with the assistance offered by the operator in solving their problems.



Q8 How do you rate the overall service given by Idea Cellular?		
Response Category	No. of Responses	Percentage (%)
Highly Satisfying	10	14
Satisfying	42	57
Neither Satisfying nor Dissatisfying	16	22
Dissatisfying	6	8
Highly Dissatisfying	0	0
Total Responses	74	100

Observation

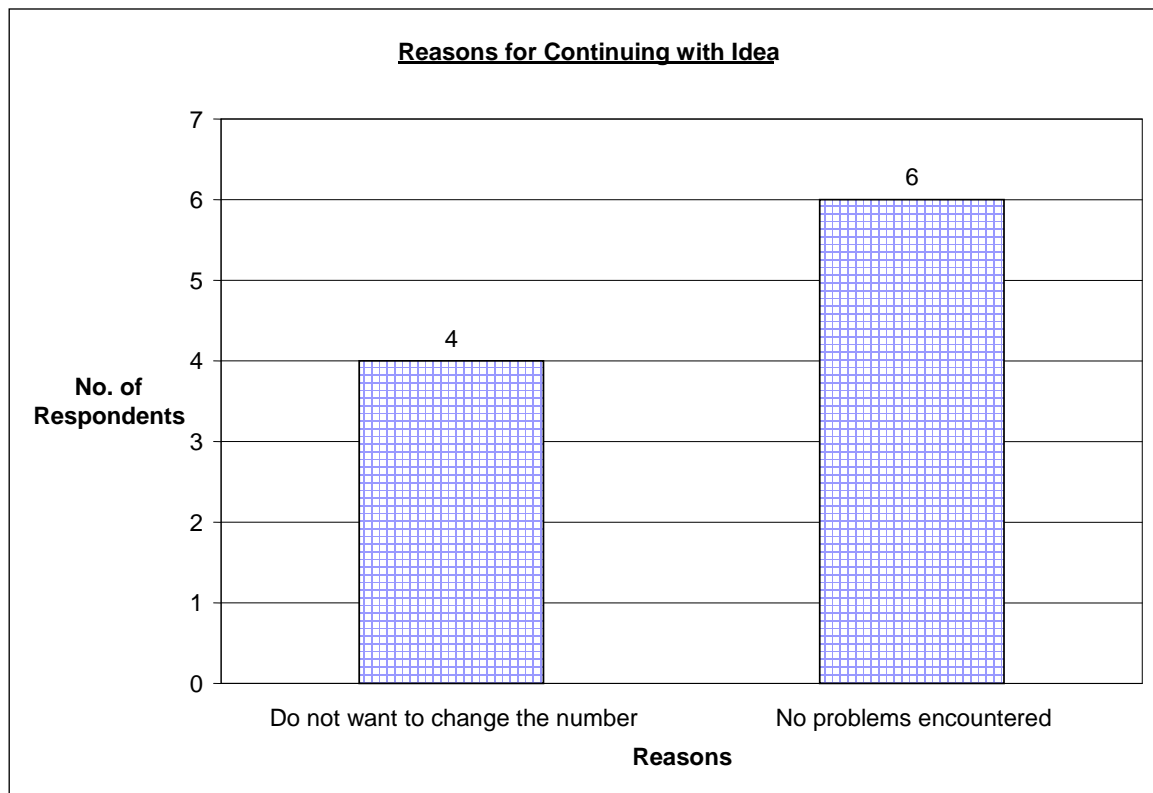
Fifty seven percent of the respondents rated the overall service given by Idea Cellular as 'Satisfying'. Twenty two percent of the respondents mentioned that the overall service is neither satisfying nor dissatisfying. Fourteen percent of the respondents rated the overall service delivered by Idea Cellular as 'Highly Satisfying'. The remaining eight percent of the respondents rated the overall service as dissatisfying.



Q9 Would like to continue with Idea Cellular connection for another year?		
Response Category	No. of Responses	Percentage (%)
Definitely Continue	22	30
May continue	22	30
Can't Say	20	27
May Discontinue	8	11
Definitely Discontinue	2	3
Total Responses	74	100

Observation

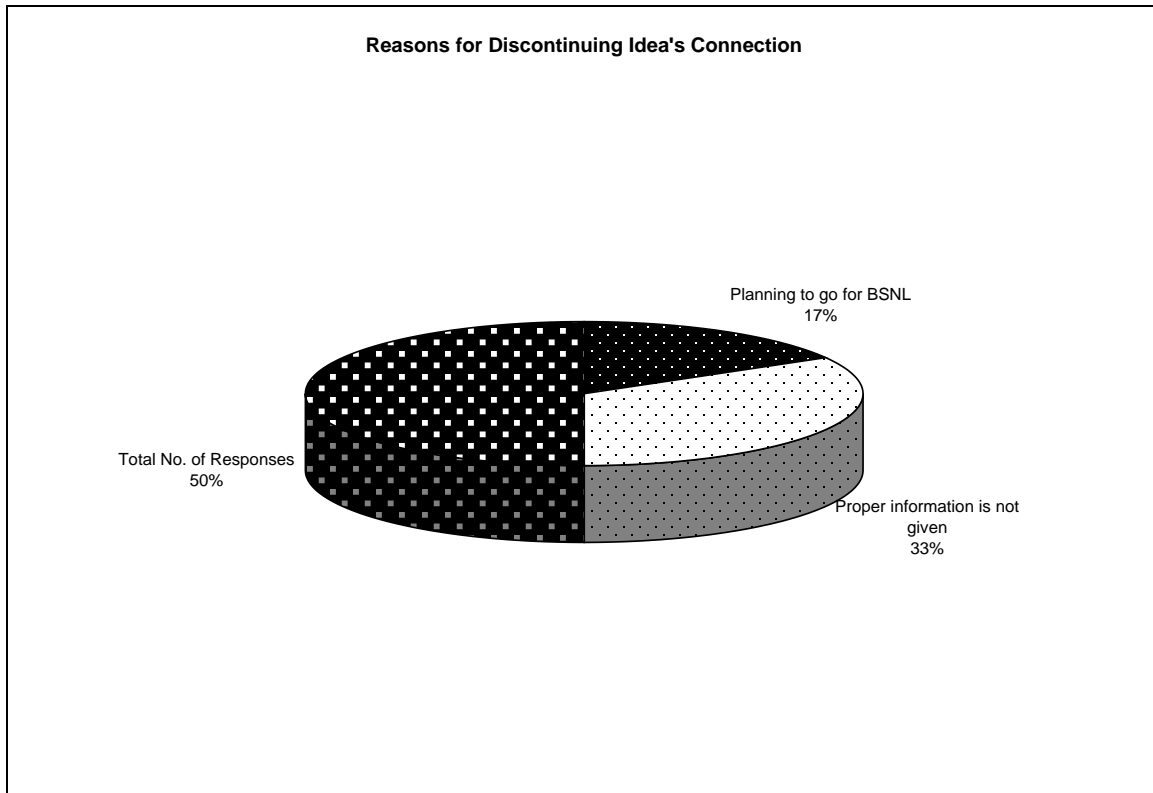
Thirty percent of the respondents stated that they would definitely continue with Idea Cellular for another one year, while another thirty percent of the respondents stated that they may continue with Idea Cellular for another one year. Twenty seven percent of the respondents could not decide, while eleven percent of the respondents stated that they may discontinue with Idea Cellular connection. The remaining three percent of the respondents stated that they would discontinue with Idea Cellular connection in the coming one year. The reasons for these decisions are analyzed in the next questions.



9 a) Reasons for Continuing with Idea Cellular		
Response Category	No. of Responses	Percentage (%)
Do not want to change the number	4	40
No problems encountered	6	60
Total Responses	10	100

Observation

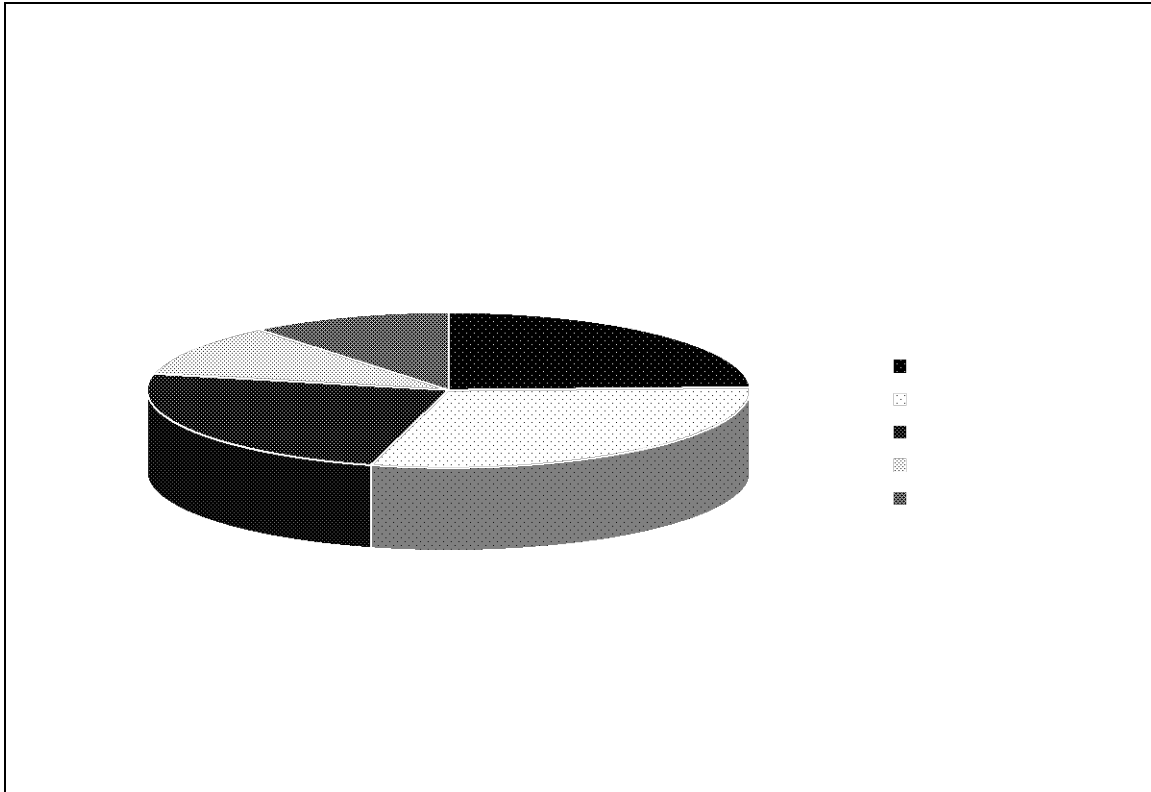
Out of the ten respondents who answered the question, six respondents stated that they would like to continue with Idea Cellular, as they did not experience any problems. It is quite interesting to note that the remaining four respondents stated that they would like to continue with Idea Cellular, as they did not want to change their number.



9b) Reasons for discontinuing Idea		
Reasons	Number	Percentage
Planning to go for BSNL	2	33
Proper information is not given	4	67
Total No. of Responses	6	100

Observation

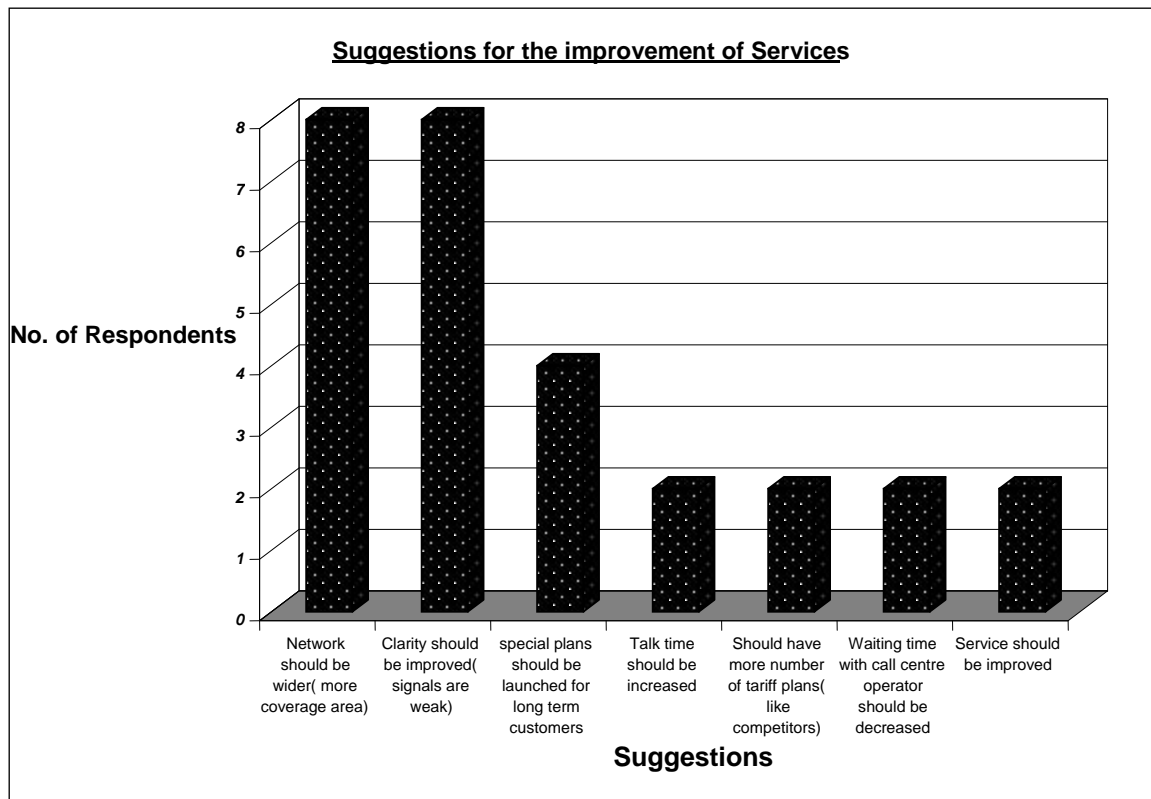
Out of the six respondents who answered the question, four respondents stated that they would like to discontinue with Idea Cellular, as they felt that proper information was not provided by the company, when they needed it. It is quite interesting to note that the remaining two respondents stated that they would like to shift to BSNL, a public sector competitor of Idea.



Q10. Would you suggest usage of Idea Cellular to your friends/ relatives?		
Response Category	No. of Responses	Percentage (%)
Definitely Suggest	18	24
May Suggest	22	30
Can't Say	18	24
May Not Suggest	8	11
Definitely not suggest	8	11
Total Responses	74	100

Observation

Thirty percent of the respondents mentioned that they may suggest the usage of Idea Cellular to their friends/ relatives. Twenty four percent of the respondents stated that they would definitely suggest Idea Cellular to their friends/ relatives. Another twenty four percent of the respondents could not decide. Eleven percent of the respondents stated that they may not suggest the usage of Idea Cellular to their friends/ relatives, while the remaining eleven percent respondents stated that they definitely would not suggest the usage of Idea Cellular to their friends/ relatives.

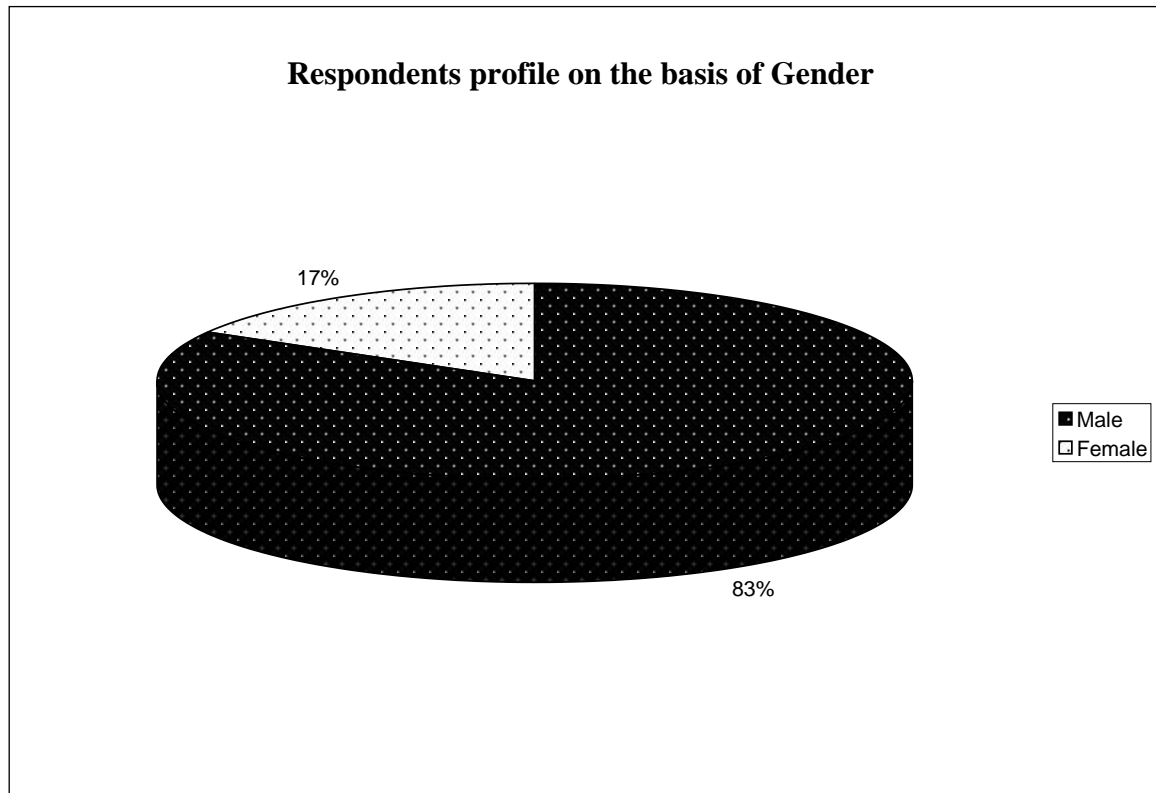


11. What are your suggestions for improvement of services offered by Idea?		
Response Category	No. of Responses	Percentage (%)
Network should be wider(more coverage area)	8	29
Clarity should be improved(signals are weak)	8	29
special plans should be launched for long term customers	4	14
Talk time should be increased	2	7
Should have more number of tariff plans(like competitors)	2	7
Waiting time with call centre operator should be decreased	2	7
Service should be improved	2	7
Total Responses	28	100

Observation

Twenty nine percent of the respondents suggested that Idea's network coverage should be wider, while another twenty nine percent of the respondents stated that the strength of the signals should be improved, so that better clarity of voice is achieved. Other suggestions include the launch of special plans for long term customers, increase of the amount of talk time, reduction in time taken to talk with call center operator etc.

Analysis of Data Related to Idea Cellular's 'Postpaid' Customer Survey

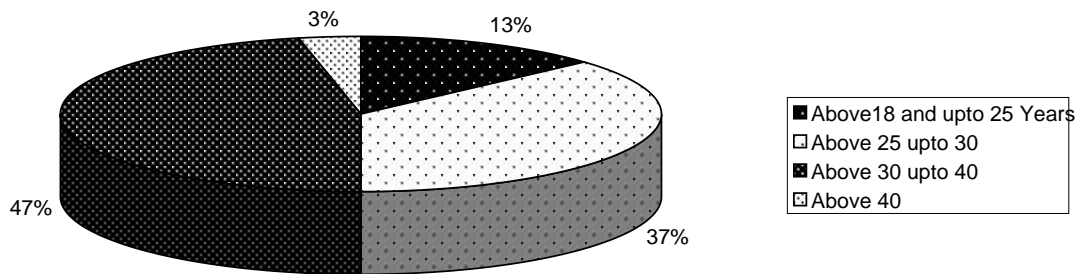


Gender	No. of Responses	Percentage (%)
Male	50	83
Female	10	17
Number of Respondents	60	100

Observation

Eighty three percent of the respondents are men while seventeen percent of the respondents are women. This phenomenon could be due to the reason that the interviews were conducted at the customer touch points, and most of the customers who approached the touch points were men.

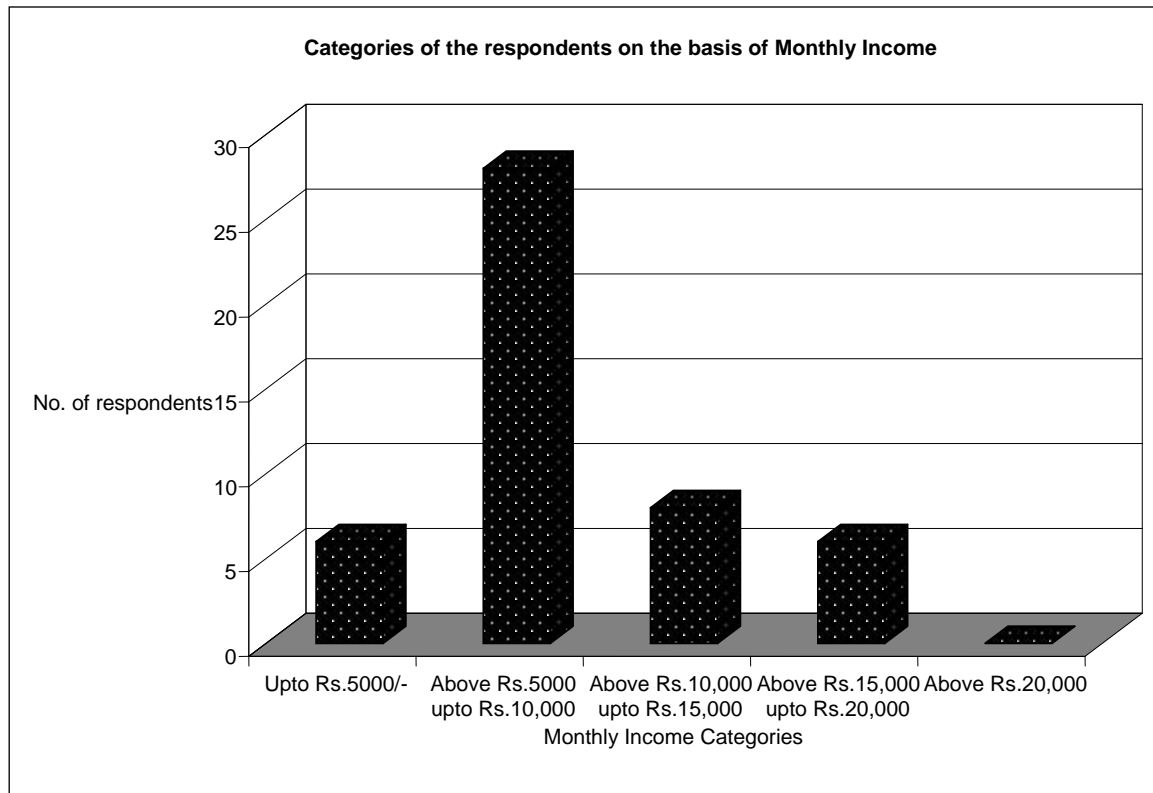
Age profile of Post Paid Respondents



Age Group	No. of Responses	Percentage (%)
Above 18 and up to 25 Years	8	13
Above 25 up to 30	22	37
Above 30 up to 40	28	47
Above 40	2	3
Total Responses	60	100

Observation

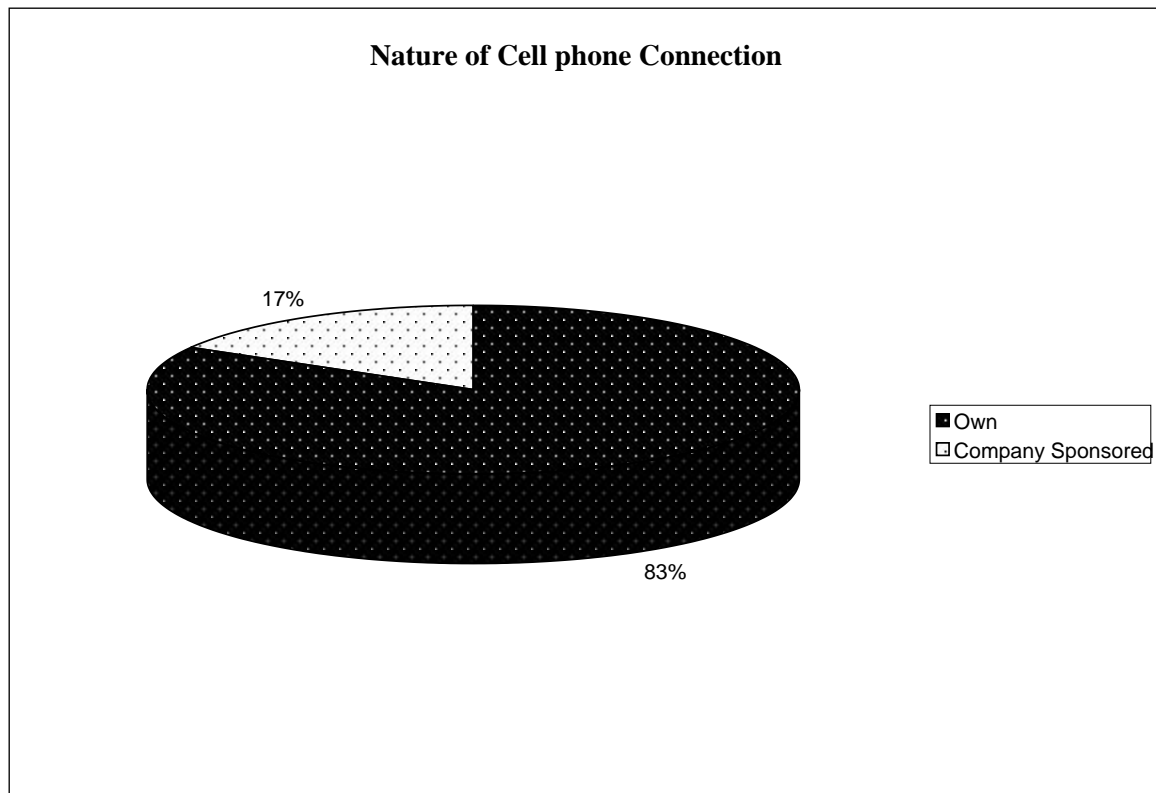
Most of the respondents (47%) belong to the age groups between 30 to 40 years and thirty seven percent of the respondents belong to the age group between twenty five years and thirty years. These age groups are immediately followed by the respondents of age group between eighteen to twenty five years (13%). Respondents above the age group of forty years constituted three percent of the sample.



Monthly Income Category	No. of Responses	Percentage (%)
Up to Rs.5000/-	6	13
Above Rs.5000 up to Rs.10,000	28	58
Above Rs.10,000 up to Rs.15,000	8	17
Above Rs.15,000 up to Rs.20,000	6	13
Above Rs.20,000	0	0
Total Responses	48	100

Observation

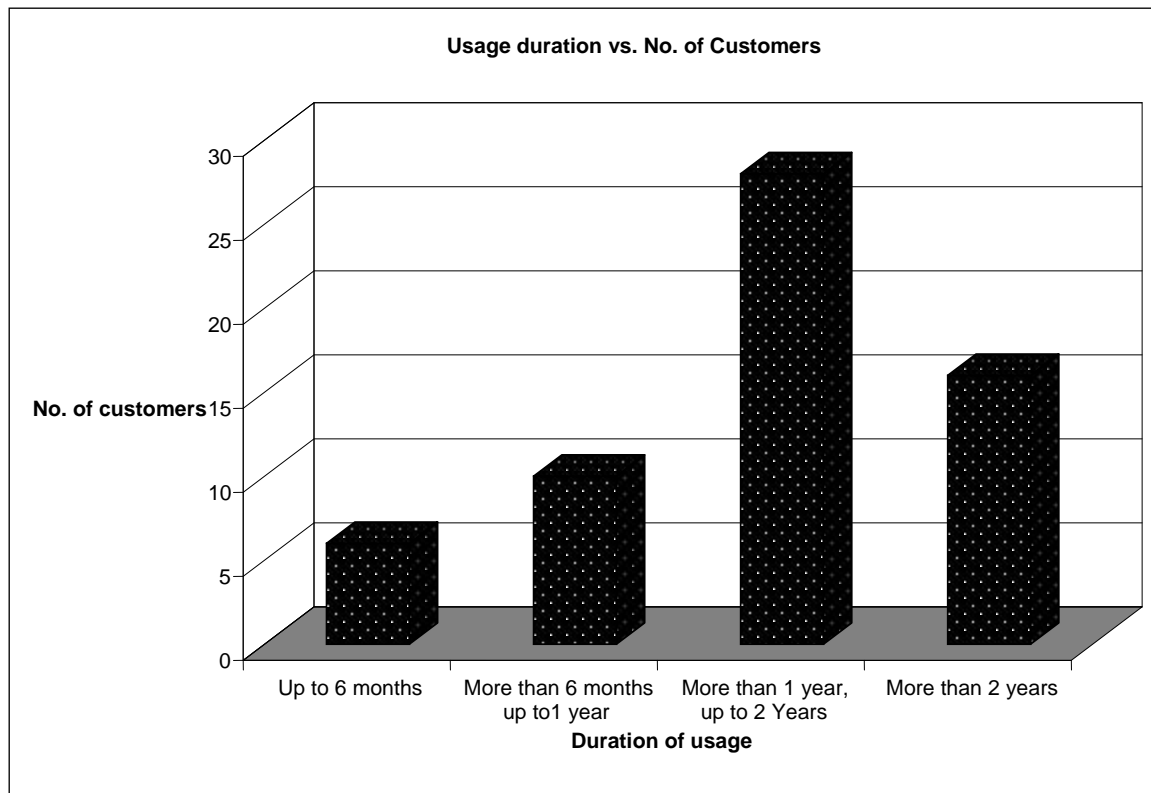
Most of the respondents (58%) belong to the income category between Rs.5000/- to Rs.10, 000/- per month. Seventeen percent of the respondents have a monthly income in the range above Rs.10, 000/- and below Rs.15, 000/- per month. Thirteen percent of the respondents have monthly income up to Rs.5000/-. Another thirteen percent of the respondents have monthly income between Rs.15, 000/- and Rs.20, 000/-. As discussed in the earlier units, mobile telecom service charges have drastically reduced during the past four years. This would explain the fact that even people with lower incomes started using mobile telephone services



Type of connection	No. of Responses	Percentage (%)
Own	50	83
Company Sponsored	10	17
Total Responses	60	100

Observation

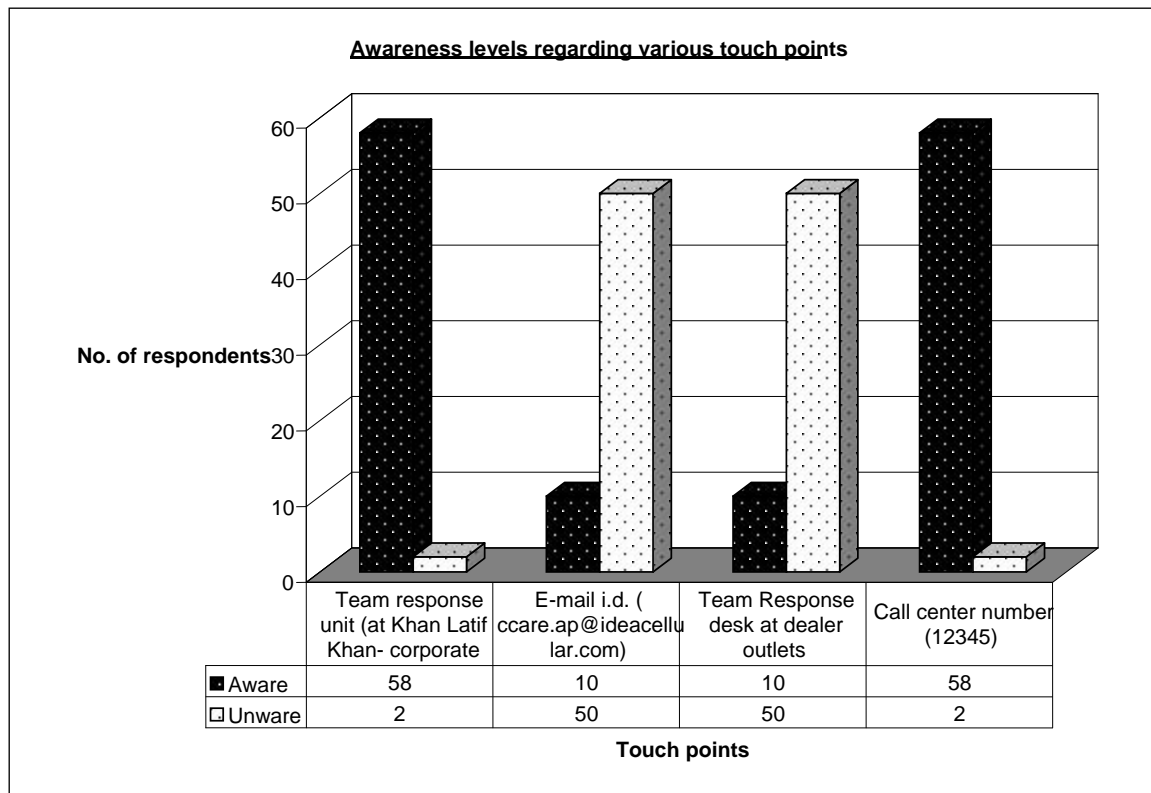
Of the sixty respondents, fifty respondents have their own cell phone connections. Only ten respondents have their cell phone connections, being sponsored by the companies in which they are working.



2. How long have you been using Idea Cellular?		
Response Category	No. of Responses	Percentage (%)
Up to 6 months	6	10
More than 6 months upto1 year	10	17
More than 1 year, up to 2 Years	28	47
More than 2 years	16	27
Total Responses	60	100

Observation

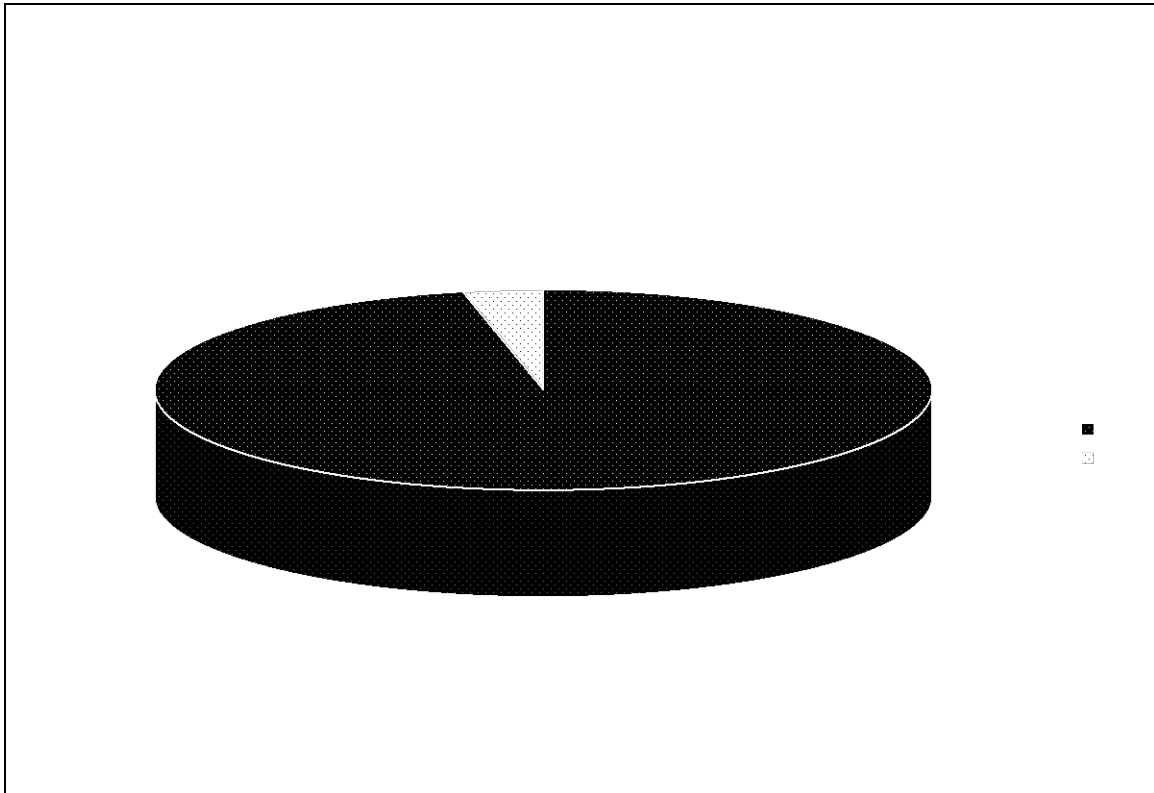
Forty seven percent of the customers have been using Idea's connection for more than a year, but for less than two years. Twenty seven percent of the respondents have been using Idea Cellular connection for more than two years. Seventeen percent of the respondents have been using Idea Cellular for more than six months, but less than one year. Ten percent of the customers are relatively new to Idea Cellular connection, i.e. they have been using Idea's connection for less than six months.



3. Are you aware of the following:				
Touch Points	Aware	Unaware	%Aware	%Unaware
Team response unit (at corporate office of Idea Cellular Ltd.)	58	2	97	3
E-mail i.d. (ccare.ap@ideacellular.com)	10	50	17	83
Team Response desk at dealer outlets	10	50	17	83
Call center number (12345)	58	2	97	3

Observation

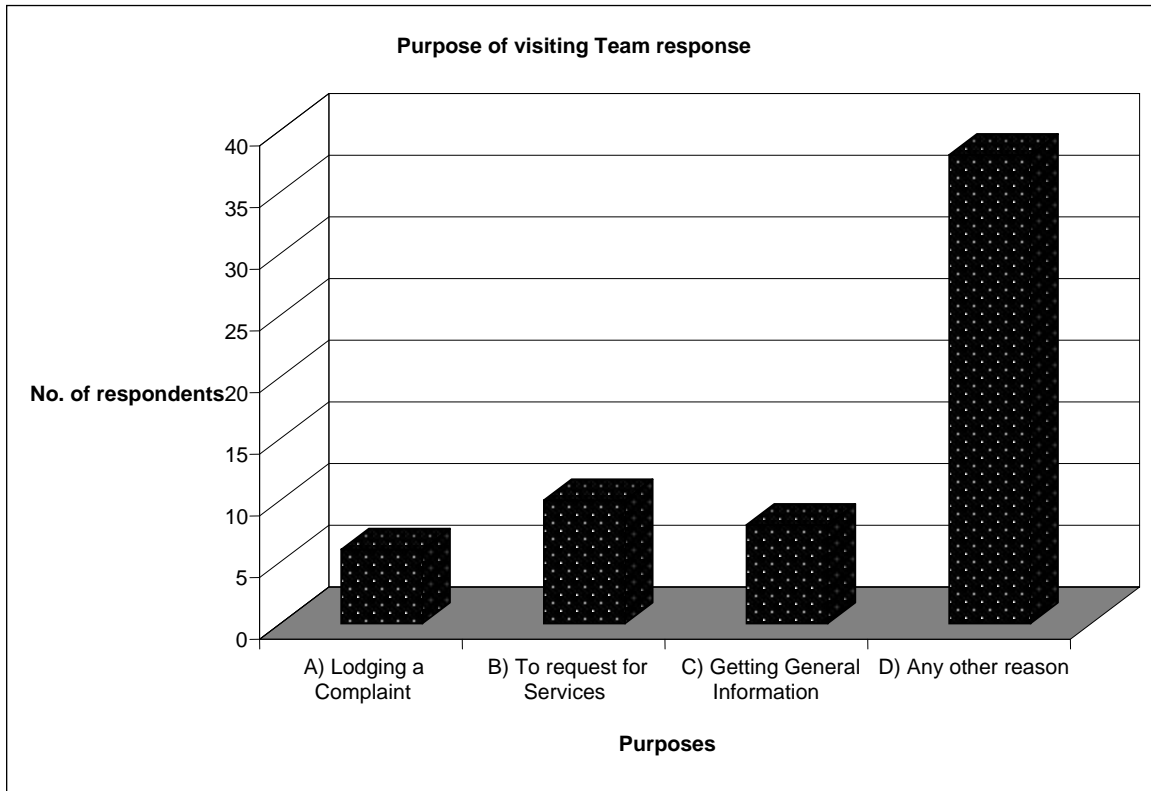
It is observed very clearly that of all the touch points managed by the company, the call center and 'Team Response Unit' have the maximum awareness levels (97% of the respondents are aware of them). Around seventeen percent of the respondents are aware of touch points like Team Response Desk at the dealer outlets, and e-mail address provided by the company. Factors like the service provider itself being a telecom company, and toll free facility could be the reasons behind the popularity of the Call Center. The awareness about 'Team Response Unit' is higher among these respondents, as all of them are post paid customers, and have more chances of interacting with team members.



4. Have you ever visited Team Response at Idea Cellular Office (KLK)		
Response Category	No. of Responses	Percentage (%)
YES	58	97
NO	2	3
Total Responses	60	100

Observation

Ninety seven percent of the respondents who answered the question replied that they have visited the ‘Team Response Unit’, managed by the company. The reasons for their visit and their experiences at the ‘Team Response Unit’ are analyzed in the next questions.

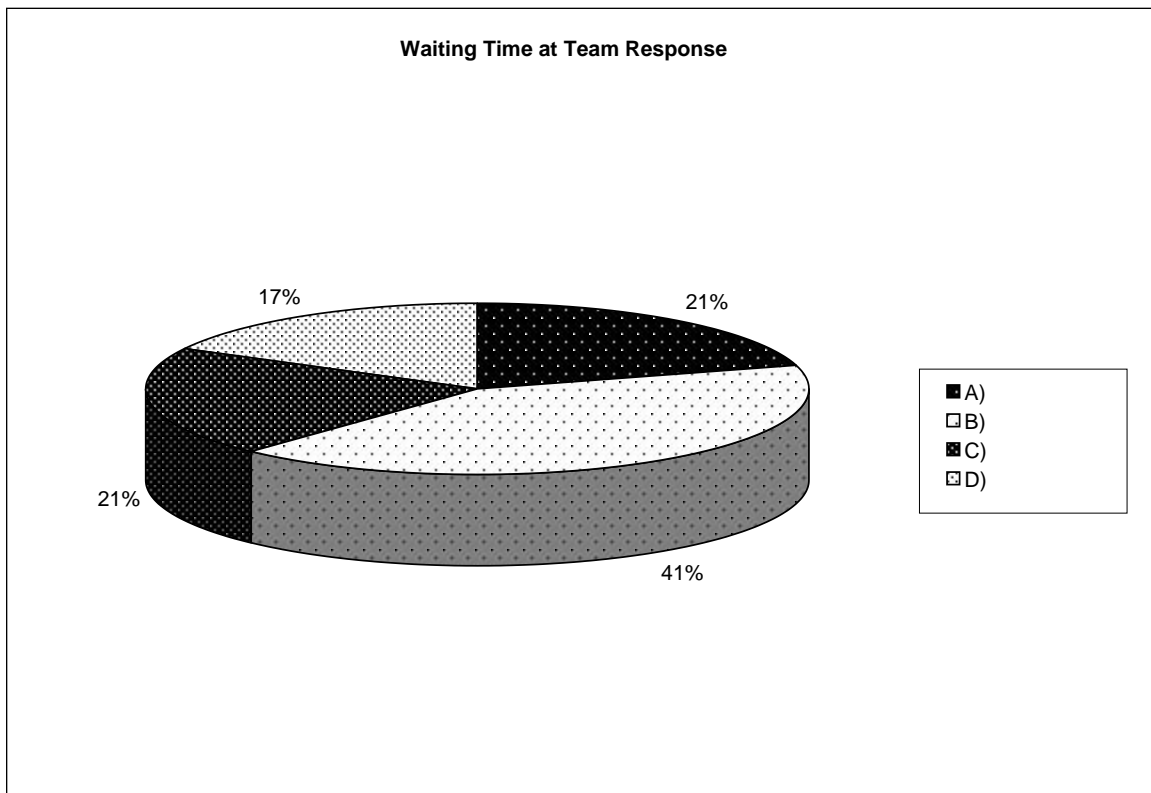


4 a) Purpose of visiting ‘Team Response Unit’

Response Category	No. of Responses	Percentage (%)
A) Lodging a complaint	6	10
B) To request for services	10	16
C) Getting General Information	8	13
D) Any other reason	38	61
Total Responses	62	100

Observation

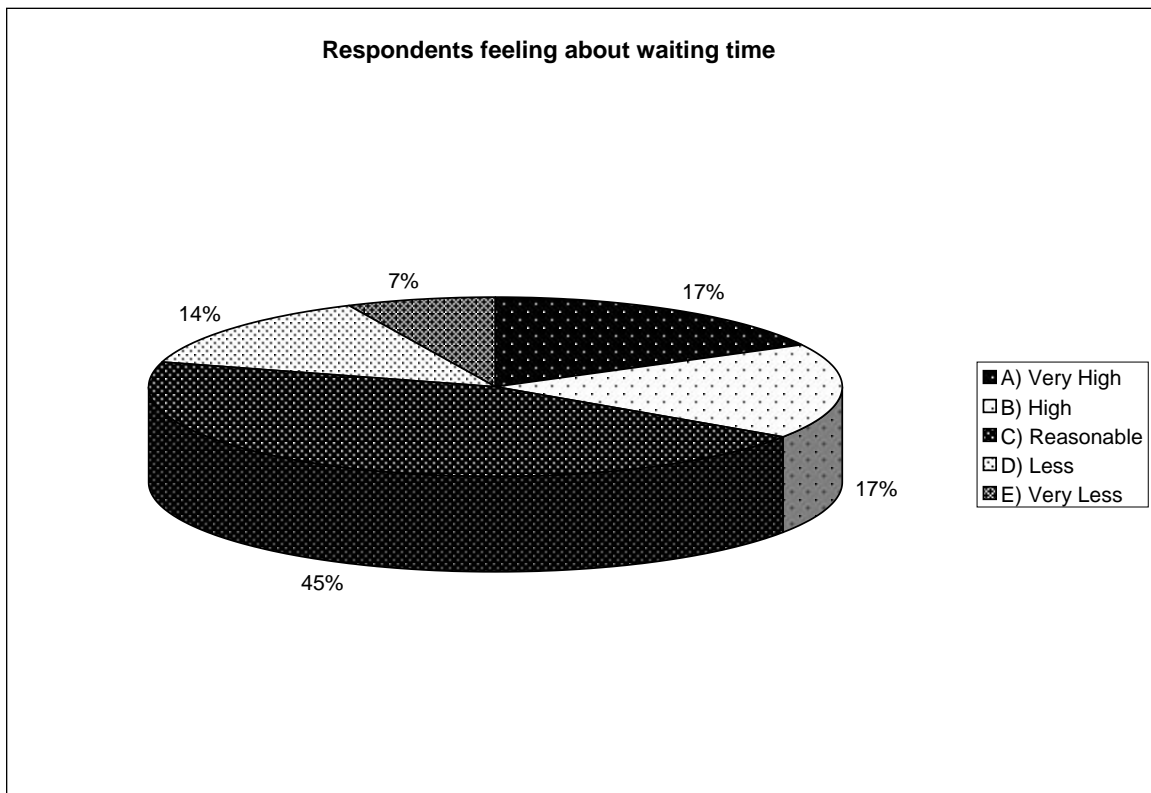
Majority of the respondents (61%), who made a visit to the ‘Team Response Unit’, have chosen the category ‘D’ i.e. reasons mentioned other than in categories, A, B, C. Other reasons mainly included change of the SIM card, as the old card was damaged, bill settlements, obtaining new connections etc. Thirteen percent of the respondents mentioned that they visited the ‘Team response Unit’ to get general information on the services offered by the company. Sixteen percent of the respondents visited “team response Unit’ to make requests for the activation of certain services. Another ten percent of the respondents visited “Team Response Unit’ to lodge complaints.



4b) The waiting time was:		
Response Category	No. of Responses	Percentage (%)
A) ≤ 5 min.	12	21
B) $> 5 \text{ min} \leq 10 \text{ min}$	24	41
C) $> 10 \text{ min} \leq 15 \text{ min}$	12	21
D) $> 15 \text{ min}$	10	17
Total Responses	58	100

Observation

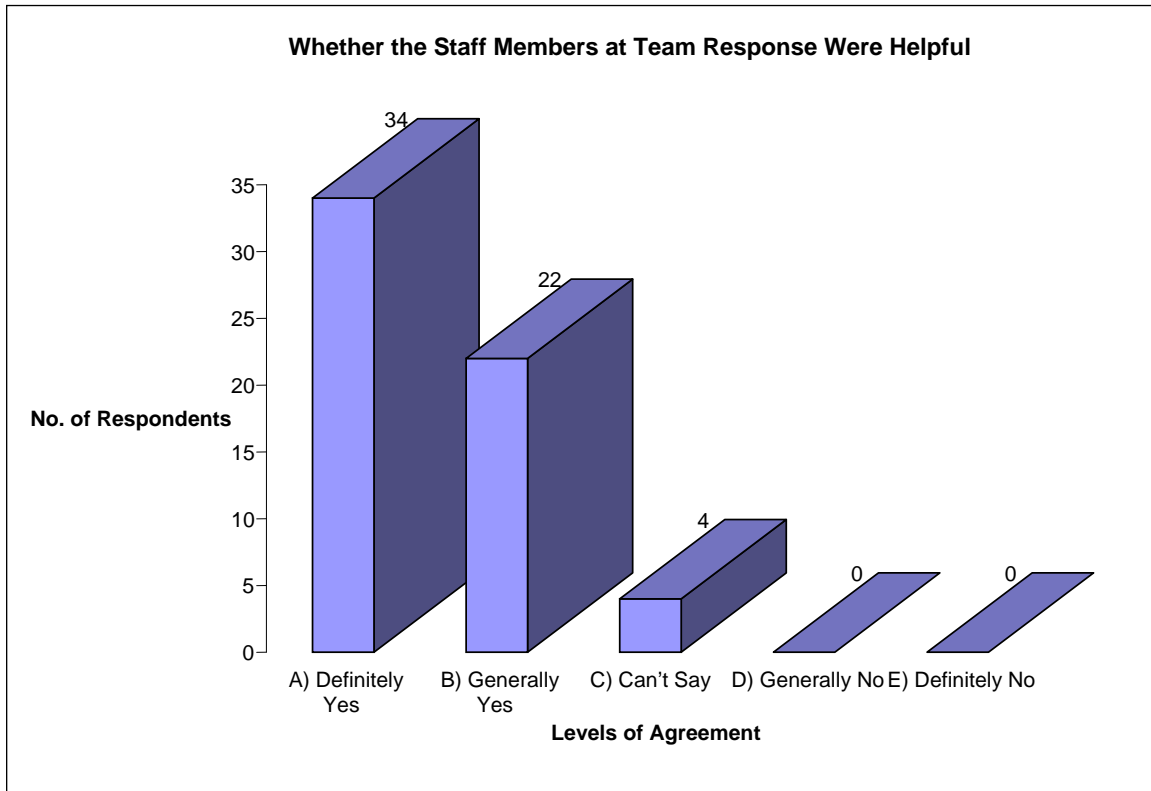
Forty one percent of the respondents mentioned that the waiting time at the “Team Response Unit” was between five to ten minutes. Twenty one percent of the respondents mentioned that the waiting time was less than five minutes. Another twenty one percent of the respondents mentioned that waiting time was between ten to fifteen minutes. Seventeen percent of the respondents mentioned that the waiting time was more than fifteen minutes.



4c) What did you feel about the waiting time?		
Response Category	No. of Responses	Percentage (%)
A) Very High	10	17
B) High	10	17
C) Reasonable	26	45
D) Less	8	14
E) Very Less	4	7
Total Responses	58	100

Observation

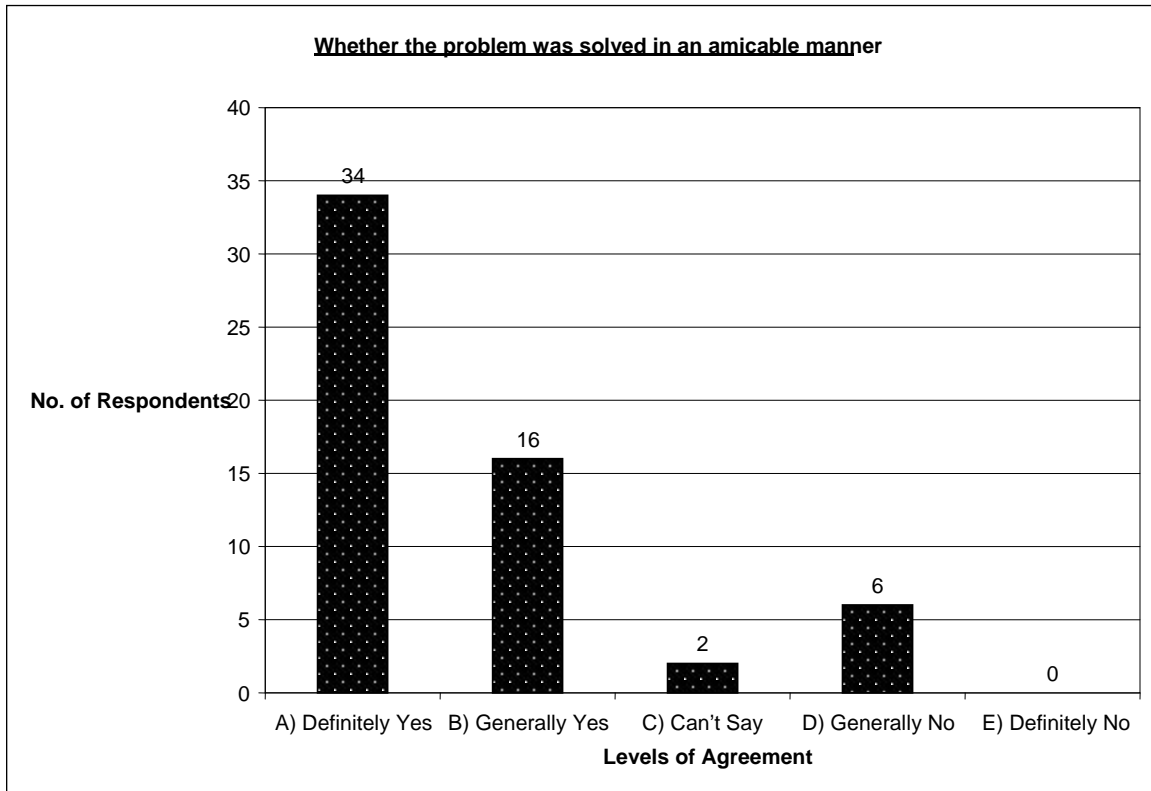
Most of the respondents, i.e. forty five percent of them felt that the waiting time was reasonable. Seventeen percent (each) of the respondents felt that the waiting time was very high and high respectively. Fourteen percent of the respondents felt that the waiting time was less. Seven percent of the respondents felt that the waiting time was very less.



4d) Are the staff members friendly and helpful?		
Response Category	No. of Responses	Percentage (%)
A) Definitely Yes	34	57
B) Generally Yes	22	37
C) Can't Say	4	7
D) Generally No	0	0
E) Definitely No	0	0
Total Responses	60	100

Observation

Fifty seven percent of the respondents observed that the staff members at the 'Team Response Unit' are definitely friendly and helpful, while thirty seven percent of the respondents generally agreed that the staff members are friendly and helpful. Seven percent of the respondents could not decide about the helpfulness and friendly nature of 'Team Response' staff.

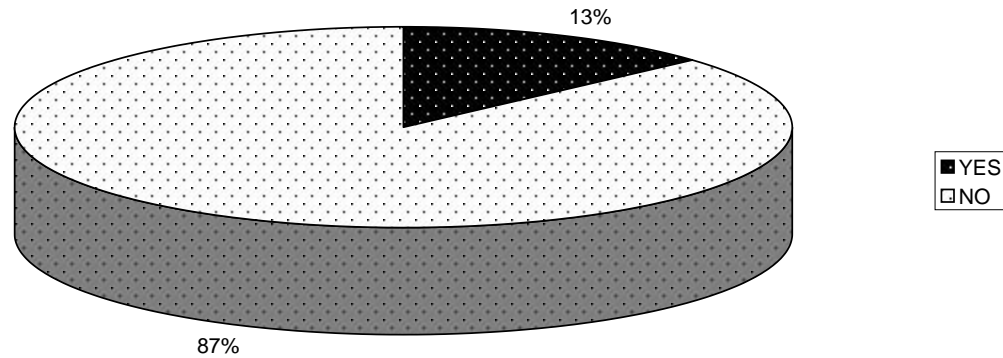


4e) Was your problem solved in an amicable manner?		
Response Category	No. of Responses	Percentage (%)
A) Definitely Yes	34	59
B) Generally Yes	16	28
C) Can't Say	2	3
D) Generally No	6	10
E) Definitely No	0	0
Total Responses	58	100

Observation

Majority of the respondents (59%) definitely agreed that their problem was solved in an amicable manner at the “Team Response Unit”. Twenty eight percent of the respondents generally agreed that their problem was amicably solved. Another ten percent of the respondents gave their reply as “Generally No” to the query. Three percent of the respondents could not decide on this matter.

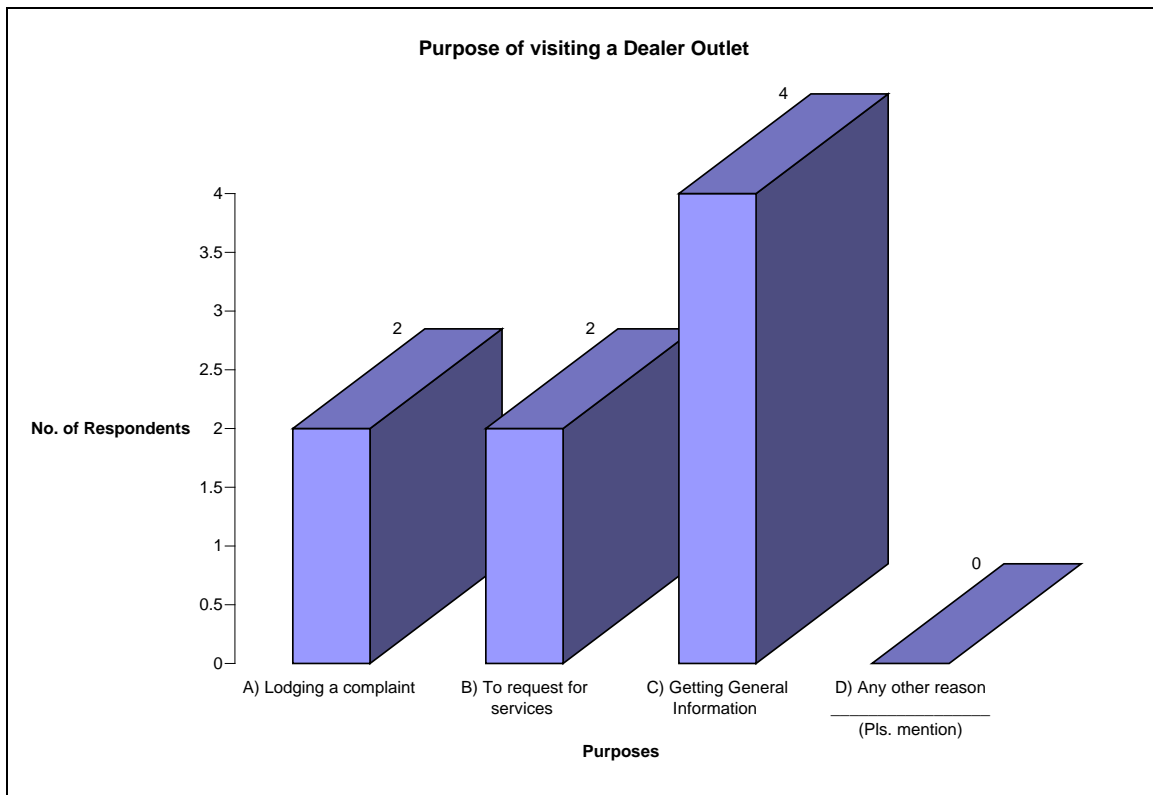
Percentage of Respondents who visited Idea dealer outlets



5) Have you ever visited an Idea Dealer Outlet		
Response Category	No. of Responses	Percentage (%)
YES	8	13
NO	52	87
Total Responses	60	100

Observation

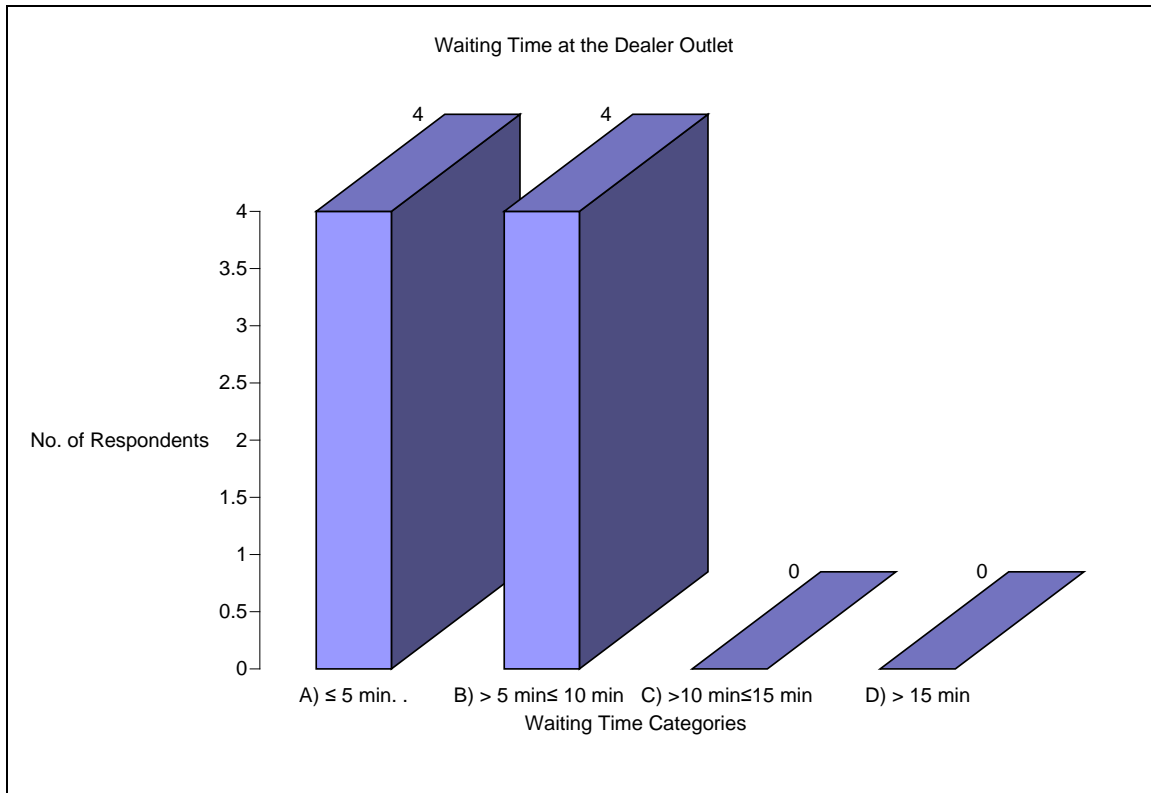
Only eight respondents i.e. thirteen percent of the respondents stated that they have visited Idea Cellular dealer outlets. The remaining eighty seven percent did not visit the dealer outlets. As has been observed earlier, the toll free call center number is the most popular touch point across cell phone users.



5a) If yes: Purpose of visiting		
Response Category	No. of Responses	Percentage (%)
A) Lodging a complaint	2	25
B) To request for services	2	25
C) Getting General Information	4	50

Observation

Of the six respondents who gave answers to this question, two of the respondents made a visit to the dealer outlets to lodge a complaint, while four of the respondents visited the dealer outlets to get general information regarding the services offered by Idea Cellular. Another two respondents visited the dealer outlets to make requests for services.



5b) The waiting time was:		
Response Category	No. of Responses	Percentage (%)
A) ≤ 5 min.	4	50
B) > 5 min ≤ 10 min	4	50
C) > 10 min ≤ 15 min	0	0
D) > 15 min	0	0
Total Responses	8	100

Observation

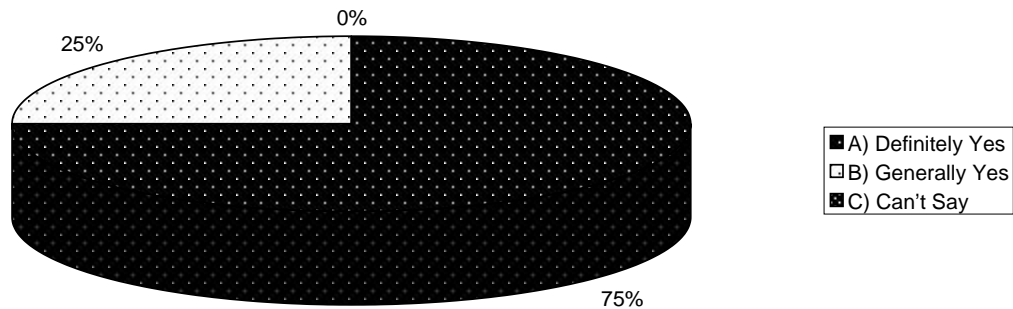
Fifty percent of the respondents i.e. four out of the eight respondents had experienced a waiting time between five to ten minutes at the dealer outlets. The other four respondents had a waiting time of less than five minutes.

5c) What did you feel about the waiting time?		
Response Category	No. of Responses	Percentage (%)
A) Very High	0	0
B) High	0	0
C) Reasonable	2	25
D) Less	2	25
E) Very Less	4	50
Total Responses	8	100

Observation

Fifty percent of the respondents felt that the waiting time was very less. Twenty five percent of the respondents felt that the waiting time was reasonable. The remaining twenty five percent of the respondents felt that the waiting time was less.

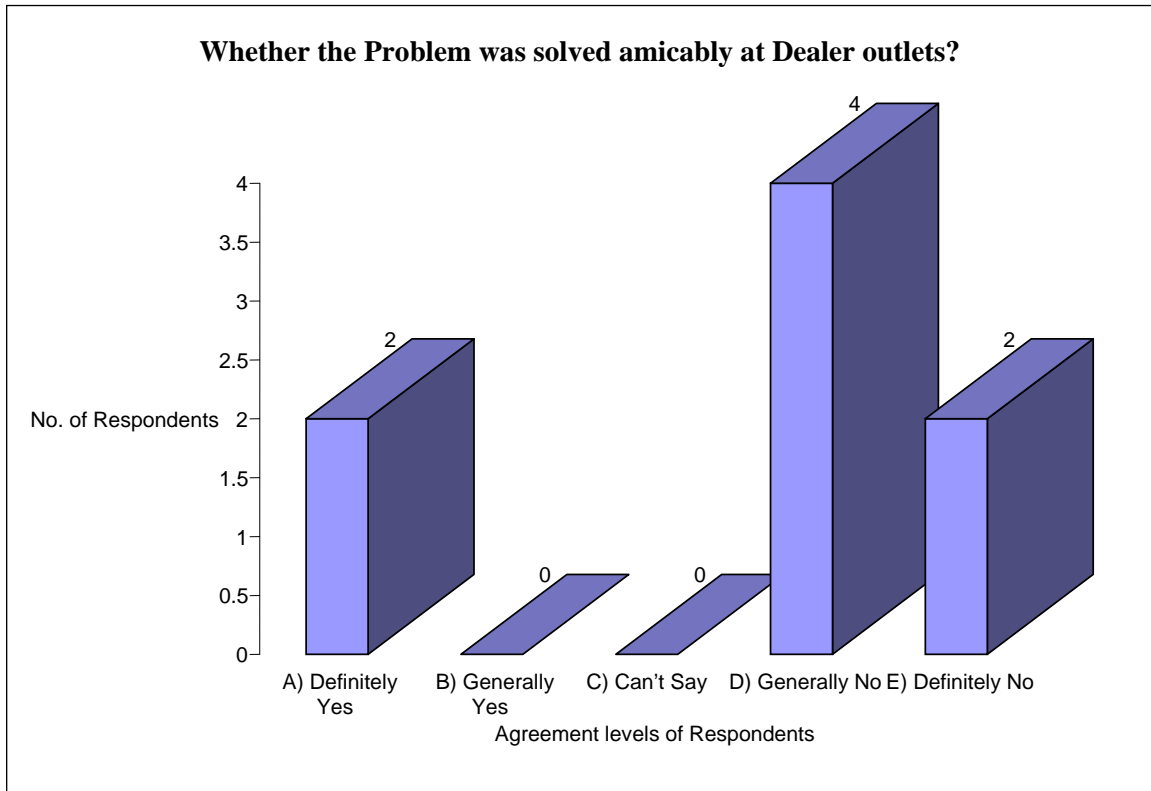
Whether Staff members were at Dealer Outlets were helpful



5d) Are the staff members friendly and helpful?		
Response Category	No. of Responses	Percentage (%)
A) Definitely Yes	6	75
B) Generally Yes	2	25
C) Can't Say	0	0
D) Generally No	0	0
E) Definitely No	0	0
Total Responses	8	100

Observation

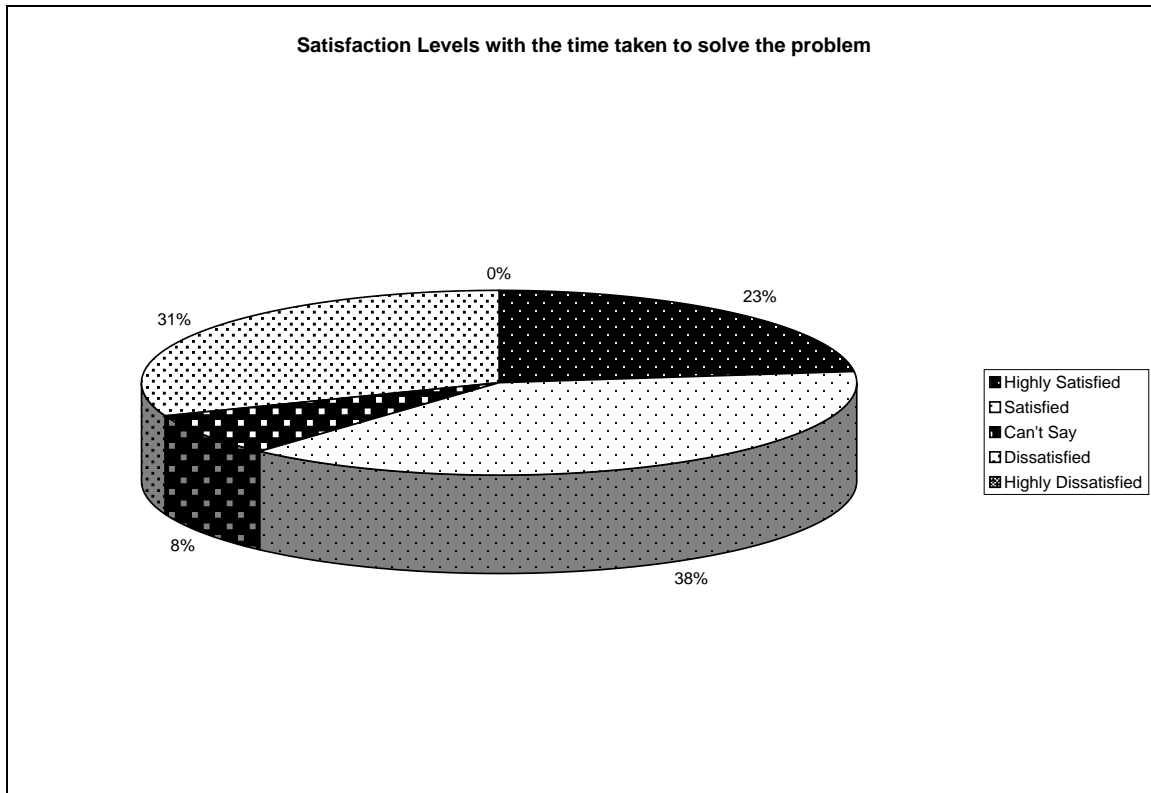
Out of the eight respondents who answered the question, six respondents definitely agreed that the staff members at the dealer outlets are friendly and helpful. Two respondents felt that they were generally helpful and friendly.



5e) Was your problem solved in an amicable manner?		
Response Category	No. of Responses	Percentage (%)
A) Definitely Yes	2	25
B) Generally Yes	0	0
C) Can't Say	0	0
D) Generally No	4	50
E) Definitely No	2	25
Total Responses	8	100

Observation

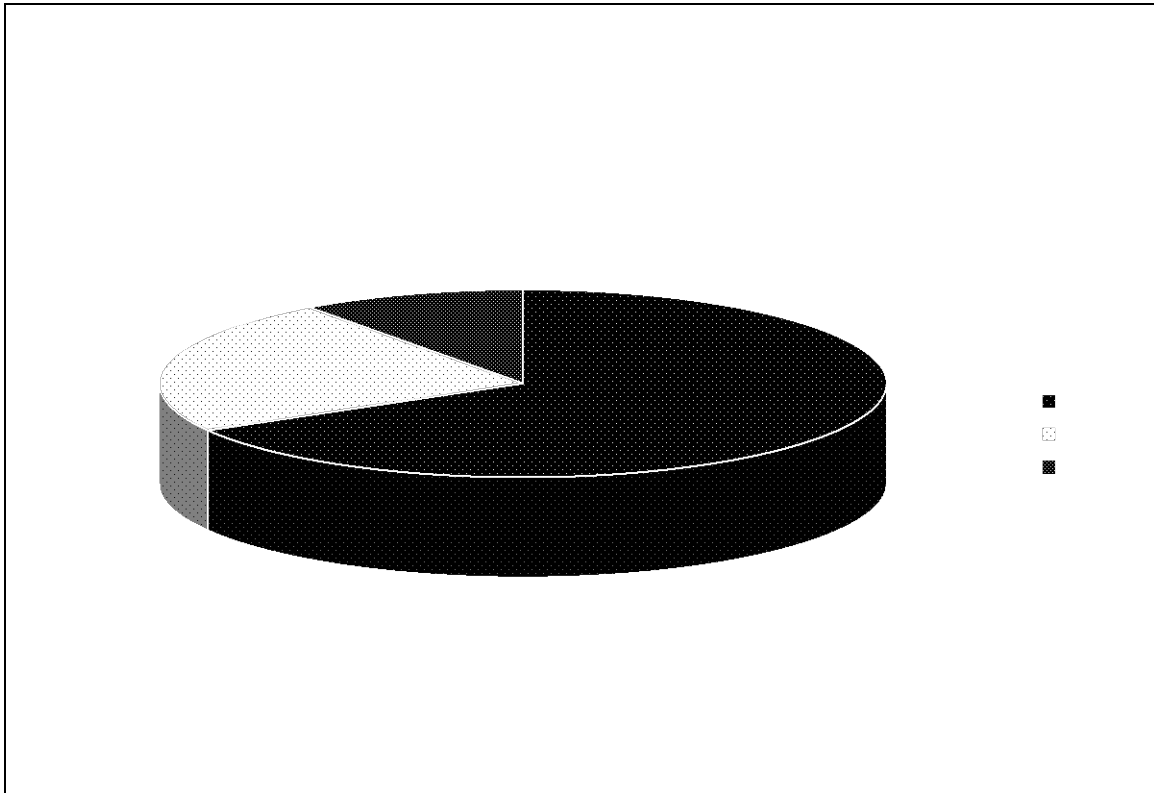
Fifty percent of the respondents generally disagreed that their problem was solved amicably, at the dealer outlet, another twenty five percent of the respondents definitely agreed that their problem was solved in an amicable manner. The remaining twenty five percent of the respondents definitely disagreed that their problem was solved in an amicable manner.



6. Are you satisfied with the time taken to provide a solution to your problem?		
Response Category	No. of Responses	Percentage (%)
Highly Satisfied	6	23
Satisfied	10	38
Can't Say	2	8
Dissatisfied	8	31
Highly Dissatisfied	0	0
Total Responses	26	100

Observation

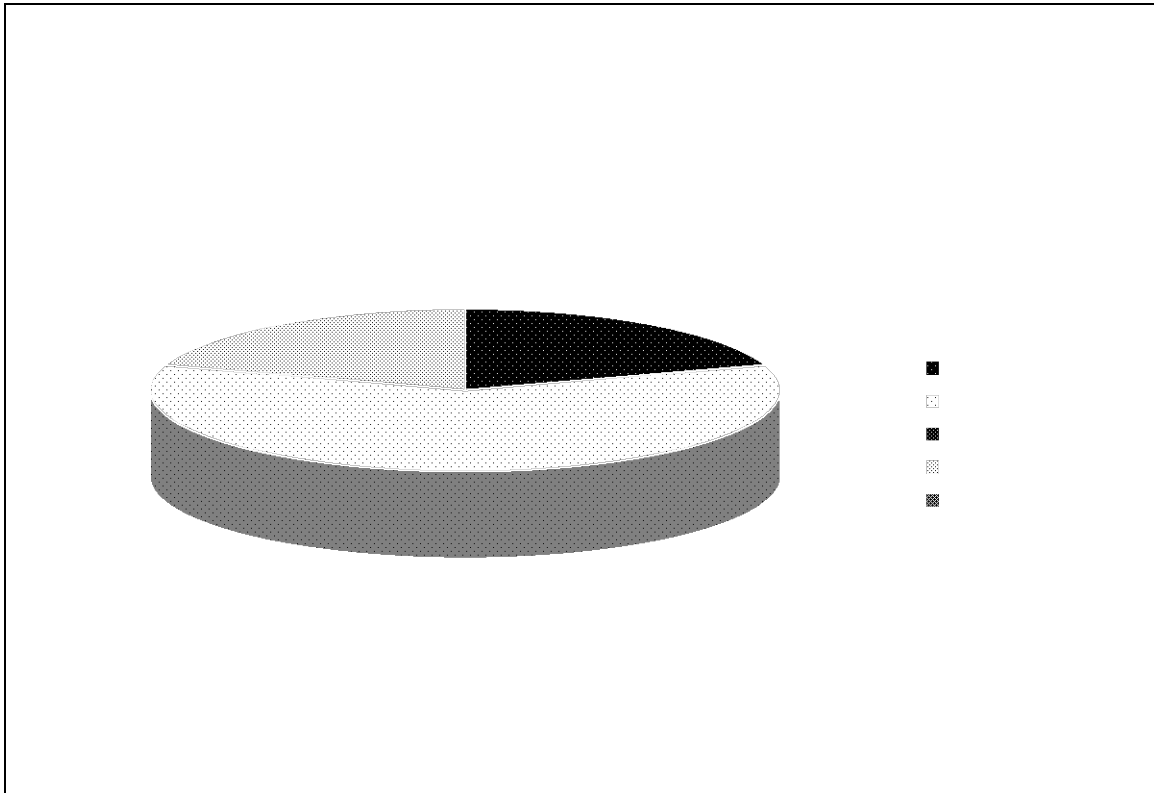
While thirty eight percent of the respondents are satisfied with the time taken to solve their problem, thirty one percent are dissatisfied. Twenty three percent of the respondents are highly satisfied with the time taken to solve their problems, while the other eight percent respondents could not decide their satisfaction/ dissatisfaction.



7a) Your language preference (while using IVR)		
Response Category	No. of Responses	Percentage (%)
English	40	67
Telugu	14	23
Hindi	6	10
Total Responses	60	100

Observation

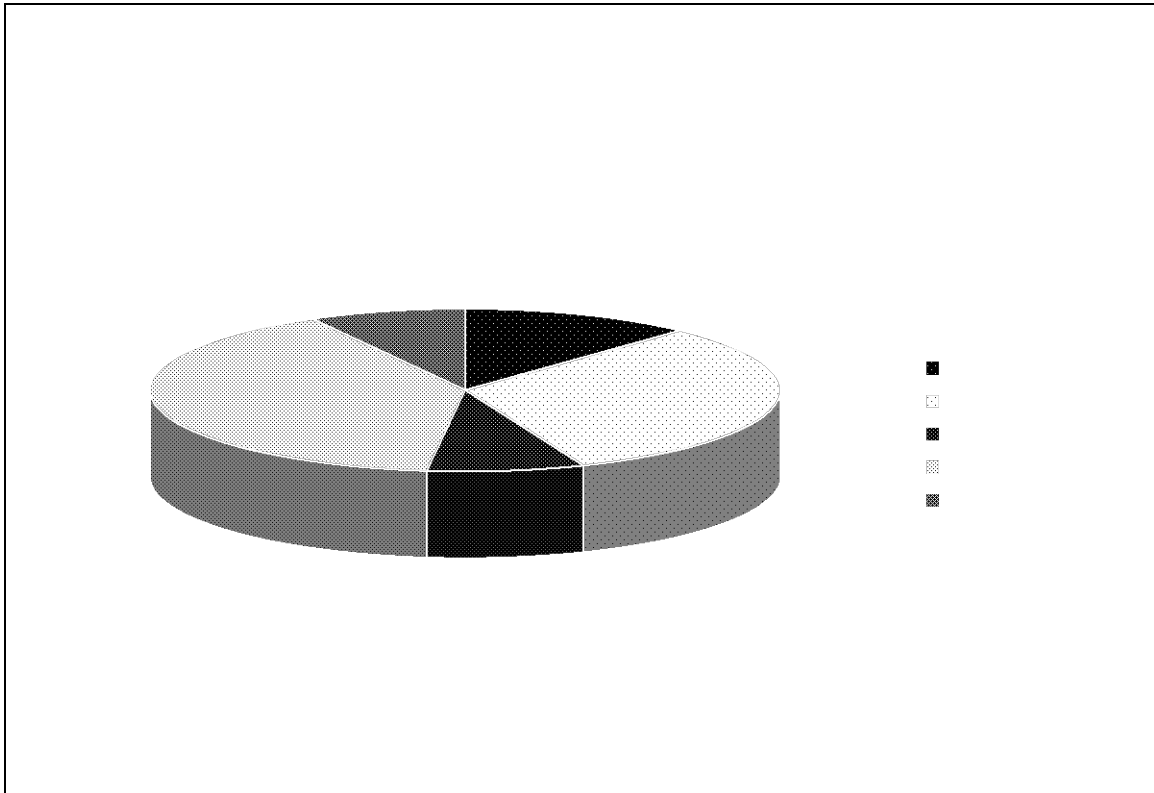
Sixty seven percent of the respondents gave their language preference as English, while using IVR service. Twenty three percent of the respondents mentioned Telugu as their preferred language while using IVR. The remaining ten percent respondents mentioned Hindi as their choice of language while using IVR service.



7b) Are you satisfied with the info given by IVR?		
Response Category	No. of Responses	Percentage (%)
Highly Satisfied	10	20
Satisfied	30	60
Can't Say	0	0
Dissatisfied	10	20
Highly Dissatisfied	0	0
Total Responses	50	100

Observation

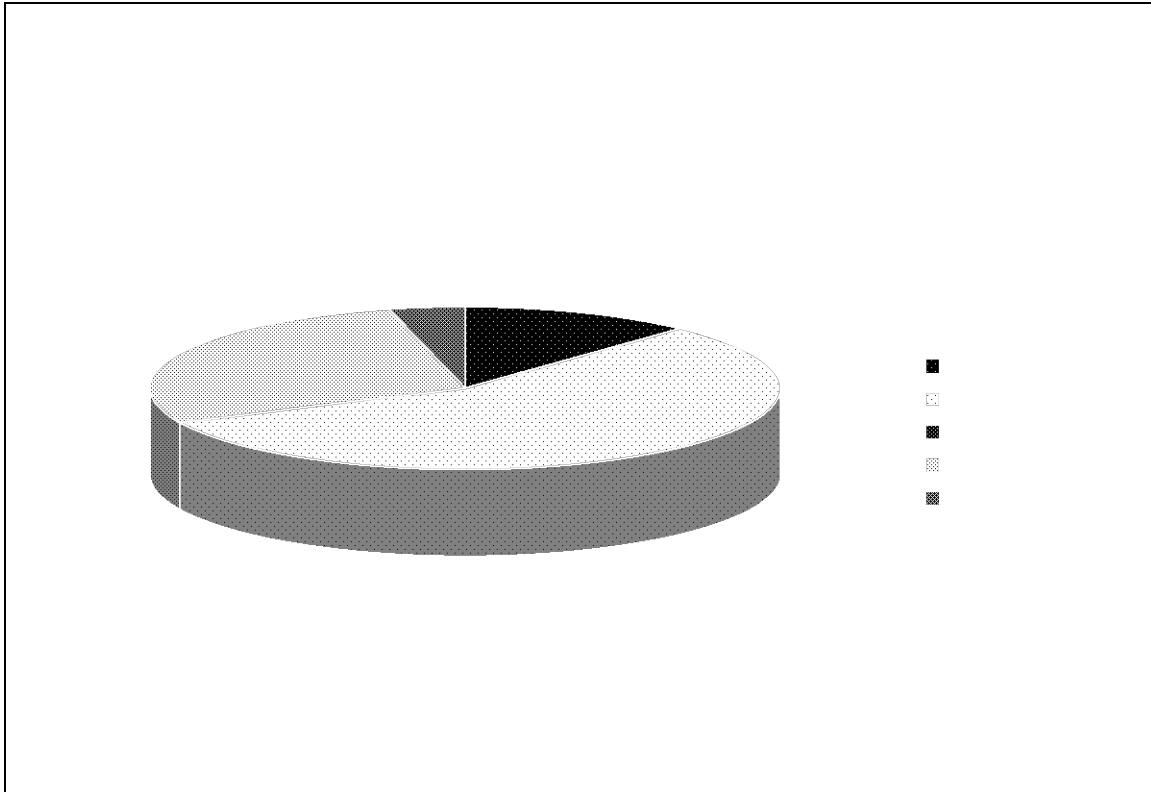
Sixty percent of the respondents mentioned that they are satisfied with the information given by IVR. Twenty percent of the respondents observed that they are dissatisfied with the information given by IVR. The remaining twenty percent respondents mentioned that they are highly satisfied with the information given by IVR service.



7c) Are you satisfied with the time taken to talk to an operator?		
Response Category	No. of Responses	Percentage (%)
Highly Satisfied	6	12
Satisfied	16	32
Can't Say	4	8
Dissatisfied	20	40
Highly Dissatisfied	4	8
Total Responses	50	100

Observation

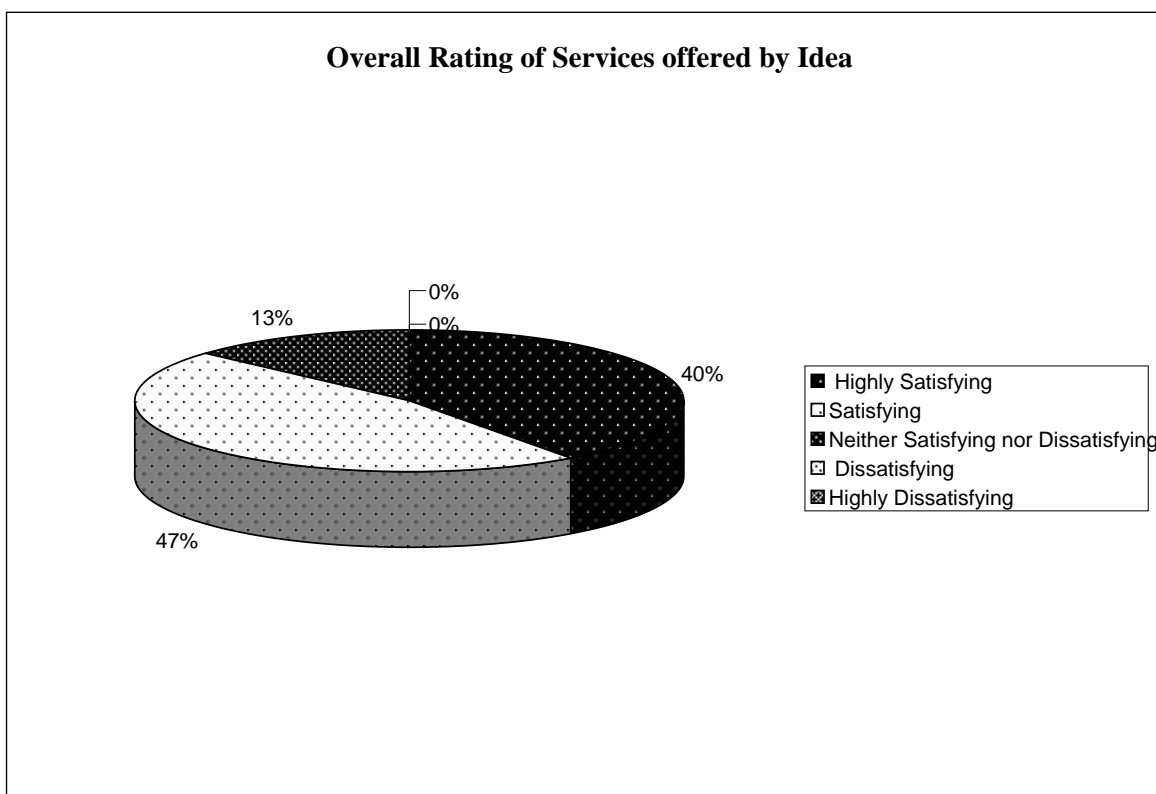
Forty percent of the respondents mentioned that they are dissatisfied with the time taken to talk to an operator at the call center. Thirty two percent of the respondents replied that they are satisfied with the time taken to talk to an operator. Twelve percent respondents mentioned that they are highly satisfied with the time taken to talk to an operator at the call center. Eight percent could not decide, while the remaining eight percent respondents mentioned that they are highly dissatisfied.



7d) Are you satisfied with the assistance offered by the operator your problem?		
Response Category	No. of Responses	Percentage (%)
Highly Satisfied	6	12
Satisfied	28	56
Can't Say	0	0
Dissatisfied	14	28
Highly Dissatisfied	2	4
Total Responses	50	100

Observation

Fifty six percent of the respondents mentioned that they are satisfied with the assistance offered by the operator in solving their problem, while another twenty eight percent of the respondents stated that they are dissatisfied with the assistance offered by the operator. Only twelve percent of the respondents mentioned that they are highly satisfied with the assistance offered by the operator in solving their problems. Four percent mentioned that they are highly dissatisfied.

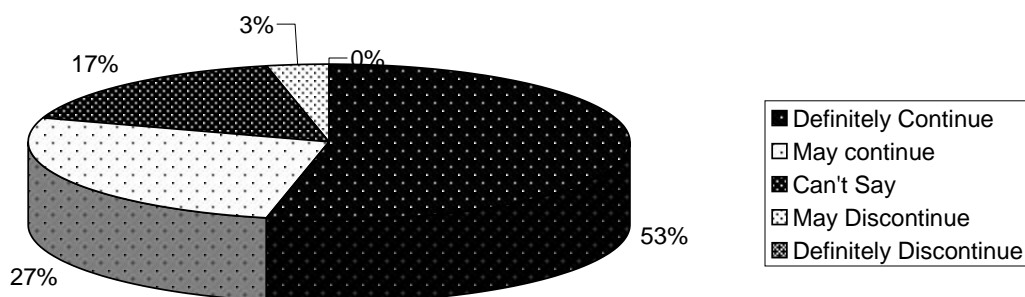


8. How do you rate the overall service given by Idea Cellular?		
Response Category	No. of Responses	Percentage (%)
Highly Satisfying	24	40
Satisfying	28	47
Neither Satisfying nor Dissatisfying	8	13
Dissatisfying	0	0
Highly Dissatisfying	0	0
Total Responses	60	100

Observation

Forty seven percent of the respondents rated the overall service given by Idea Cellular as 'Satisfying'. Forty percent of the respondents rated the overall service delivered by Idea Cellular as 'Highly Satisfying'. Thirteen percent of the respondents mentioned that the overall service is neither satisfying nor dissatisfying.

Whether you would continue with Idea for another year?

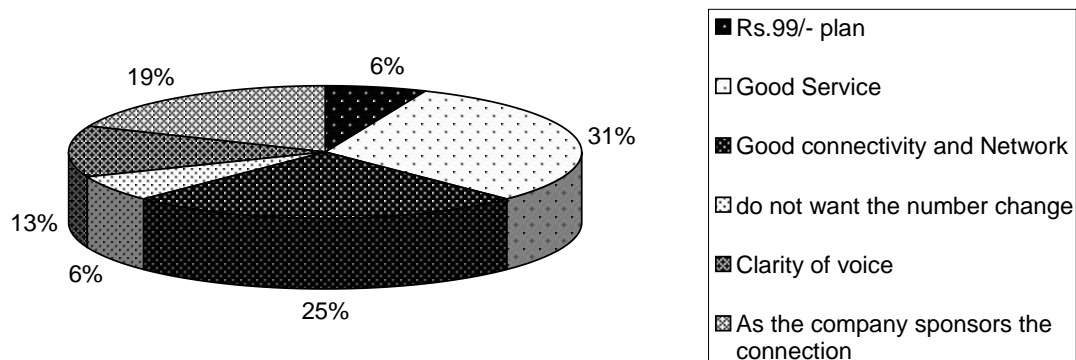


Q9. Would like to continue with Idea Cellular connection for another year?		
Response Category	No. of Responses	Percentage (%)
Definitely Continue	32	53
May continue	16	27
Can't Say	10	17
May Discontinue	2	3
Definitely Discontinue	0	0
Total Responses	60	100

Observation

Fifty percent of the respondents stated that they would definitely continue with Idea Cellular for another one year, while another twenty seven percent of the respondents stated that they may continue with Idea Cellular for another one year. Seventeen percent of the respondents could not decide, while three percent of the respondents stated that they may discontinue with Idea Cellular connection. The reasons for these decisions are analyzed in the next questions.

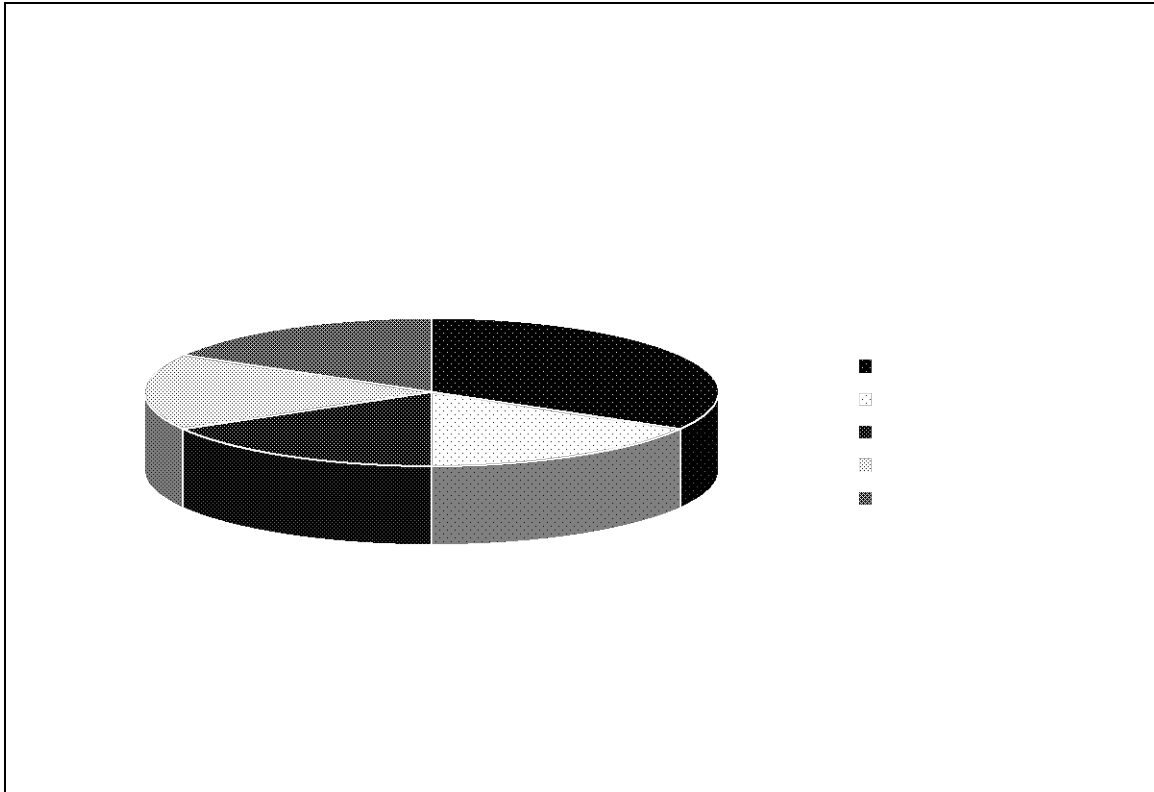
Reasons for continuing with Idea



Q9a) Reasons for Continuing with Idea		
Response Category	No. of Responses	Percentage (%)
Rs.99/- plan	2	6
Good Service	10	31
Good connectivity and Network	8	25
Do not want the number change	2	6
Clarity of voice	4	13
As the company sponsors the connection	6	19
Total Responses	32	100

Observation

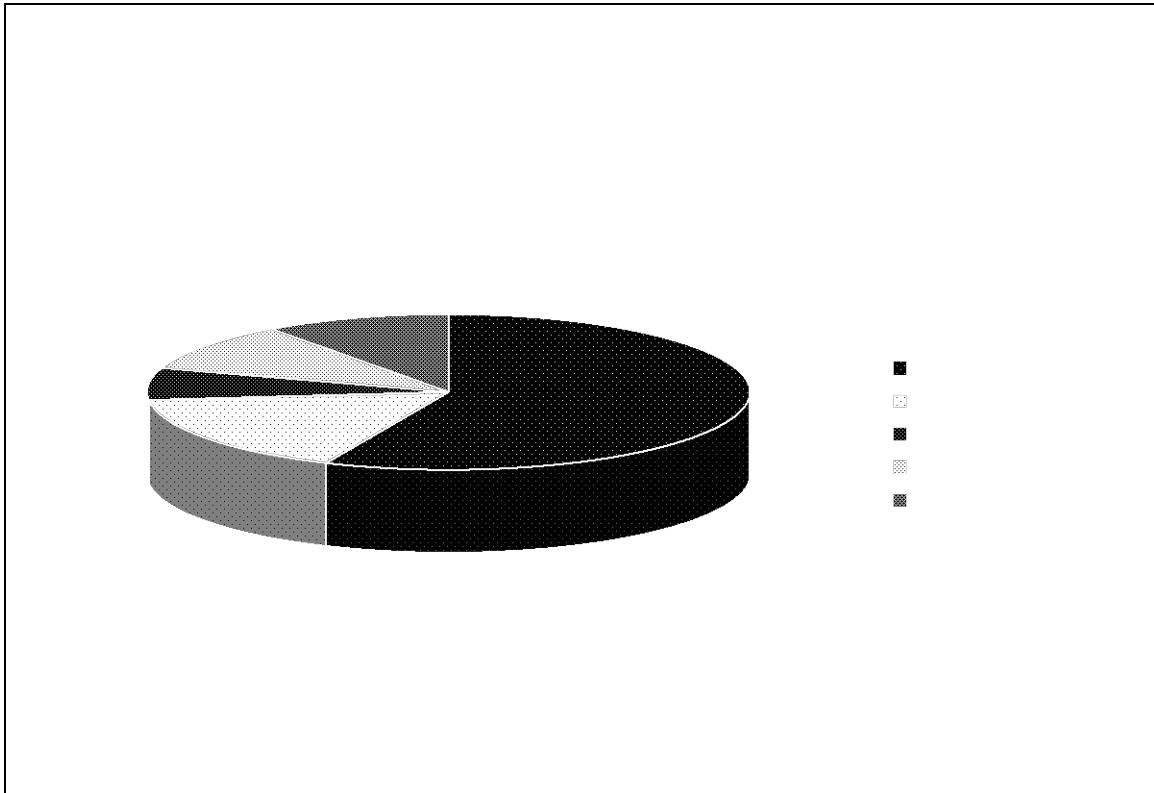
Out of the thirty two respondents who answered the question, ten respondents (31%) stated that they would like to continue with Idea Cellular, as they experienced good service. Eight of the respondents (25%) gave the reason as 'Good connectivity and Network'. Four respondents (13%) mentioned 'clarity of voice' as the reason. Six of the respondents (19%) stated that they would continue with Idea Cellular, as the company sponsors their connection, while two respondents (6%) gave the reason that they 'do not want to change their mobile number.'



Q9b) Reasons for discontinuing Idea		
Response Category	No. of Responses	Percentage (%)
Weak signals	4	33
Good plans with Hutch	2	17
Out going calls problems	2	17
Service not good	2	17
Billing problems	2	17
Total Responses	12	100

Observation

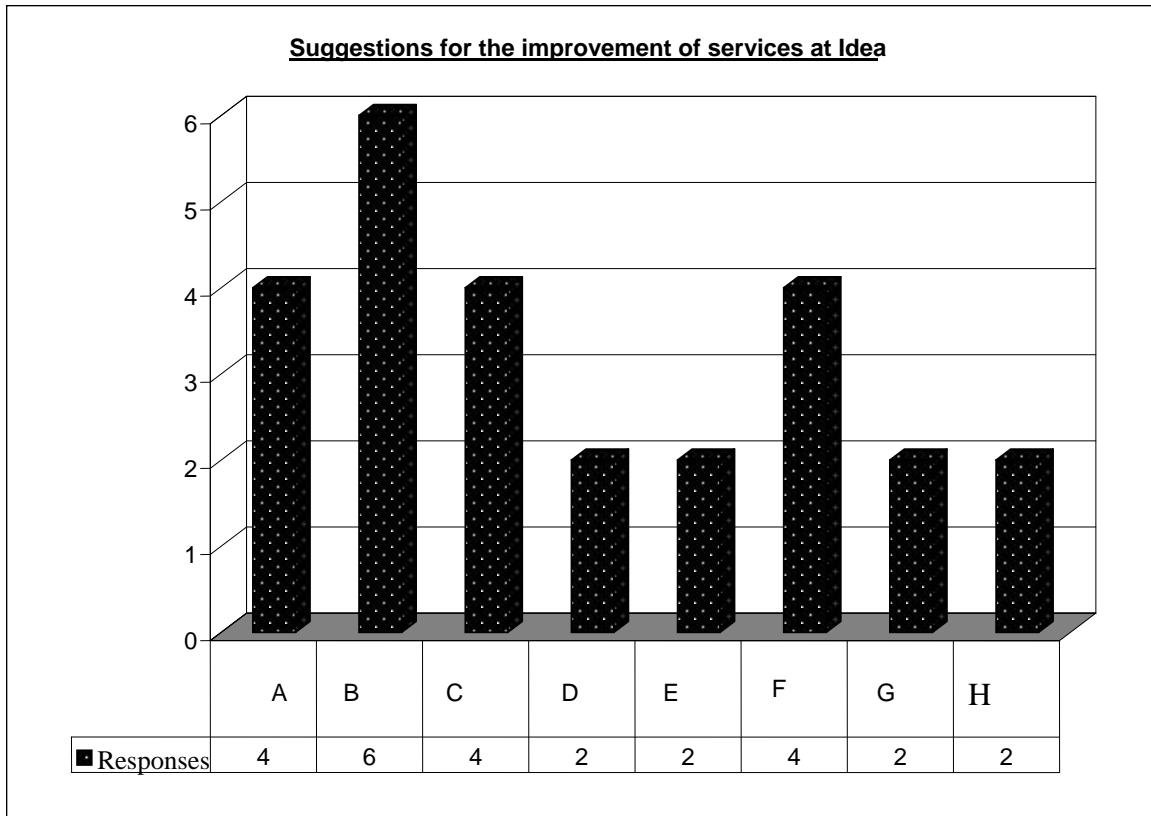
Out of the twelve respondents who answered the question, four respondents stated that they would like to discontinue with Idea Cellular, as they felt that the signals of Idea Cellular are weak. Two respondents stated that they would like to shift to Hutch, a competitor of Idea as it offered better payment plans. Two respondents stated the reason being 'problem in out going calls'. Two respondents stated that the service is not good. Another two respondents mentioned 'Billing problems' as the reason of for their decision to discontinue with Idea's connection.



Q10. Would you suggest usage of Idea Cellular to your friends/ relatives?		
Response Category	No. of Responses	Percentage (%)
Definitely Suggest	34	57
May Suggest	10	17
Can't Say	4	7
May not Suggest	6	10
Definitely not suggest	6	10
Total Responses	60	100

Observation

Fifty seven percent of the respondents mentioned that they would definitely suggest the usage of Idea Cellular to their friends/ relatives. Seventeen percent of the respondents stated that they may suggest Idea Cellular to their friends/ relatives. Seven percent of the respondents could not decide. Ten percent of the respondents stated that they may not suggest the usage of Idea Cellular to their friends/ relatives, while the remaining ten percent respondents stated that they definitely would not suggest the usage of Idea Cellular to their friends/ relatives.



11. What are your suggestions for improvement of services offered by Idea?

	Response Category	No. of Responses	Percentage (%)
A	SMS should be made cheaper	4	15
B	New plans similar to other brands should be launched	6	23
C	Call waiting time at call centre should be reduced	4	15
D	Call Centre operators should be polite	2	8
E	Network should be extended	2	8
F	Correct info. Should be available with dealers & call centre operators	4	15
G	Network clarity should be improved	2	8
H	Billing problems should be solved in less time	2	8
	Total Responses	26	100

Observation

Twenty three percent of the respondents suggested that 'New plans' similar to other brands (operators) should be launched. Fifteen percent of the respondents suggested that

the 'call waiting time' at call centre should be reduced. Another fifteen percent of the respondents suggested that SMS should be made cheaper. The other suggestions included extension of the network, timely resolution of billing problems, improving the network clarity etc.

CHAPTER VI
CASE STUDY OF LIFE INSURANCE
CORPORATION OF INDIA (LIC)

6.1 Insurance Industry in India

India has a large population of more than 100 crores. The untapped market potential of this population creates a very big opportunity for the life insurance industry. Currently insurance industry is growing at the rate of 15-20 per cent annually. Together with banking services, it adds about 7 per cent to the country's GDP. In spite of all the growth mentioned the penetration of the insurance in India is very low. Nearly 80% of Indian population is without life insurance cover and health insurance. This is an indicator that growth potential for the insurance sector is immense in India. The Indian government has constituted a committee popularly known as "Malhotra Committee" headed by former Finance Secretary and Reserve bank of India (RBI) Governor R. N. Malhotra in 1993 to examine the various aspects of the industry, and suggest major reforms. The key element of the reform process was Participation of overseas insurance companies with 26% capital. Creating a more efficient and competitive financial system suitable for the requirements of the economy was the main idea behind this reform.

6.2 Background of Indian Insurance Industry

The origin of insurance is very old. The basic urge of human beings to secure themselves against any form of risk and uncertainty led to the origin of insurance. The insurance industry made its entry to India from UK; with the establishment of the Oriental Life insurance Corporation in 1818. The Indian life insurance company act 1912 was the first statutory body that started to regulate the life insurance business in India. By 1956 about 154 Indian, 16 foreign and 75 provident firms were been established in India. Then the Government of India (GoI) took over these companies and as a result the LIC was formed. Since then LIC has worked towards spreading life insurance and building a wide network across the length and the breadth of the country. After the liberalization the entrance of foreign players has added to the competition in the market.

6.3 Concept of Life Insurance

Life Insurance is a contract for payment of a sum of money to the person assured (or failing him/her, to the person entitled to receive the same) on the happening of the event insured against. Usually the contract provides for the payment of an amount on the date of maturity or at specified dates at periodic intervals or at unfortunate death, if it occurs earlier. The contract also provides for the payment of premium periodically to the Corporation by the assured. Life insurance is universally acknowledged to be an institution which eliminates 'risk', substituting certainty for uncertainty and comes to the timely aid of the family in the unfortunate event of death of the breadwinner. Life insurance is considered as civilization's partial solution to the problems caused by death. Life insurance, in short, is concerned with two hazards that stand across the life-path of every person: that of dying prematurely leaving a dependent family to survive for itself and that of living to old age without visible means of support.

6.3.1 Eligibility for Taking Life Insurance Policy

Any person who has attained majority and is eligible to enter into a valid contract can take out a life insurance policy for himself and on those in whom he has insurable interest. Policies can also be taken out, subject to certain conditions, on the life of one's spouse or children.

6.3.2 'With Profit' and 'Without Profit' Plans

An insurance policy can be 'with' or 'without' profit. In the former, bonuses disclosed, if any, after periodical valuations are allotted to the policy and are payable along with the contracted amount. In 'without' profit plan the contracted amount is paid without any addition. The premium rate charged for a 'with' profit policy is therefore higher than for a 'without' profit policy.

6.3.3 Keyman Insurance

Keyman Insurance is taken by a business firm on the life of key employee(s) to protect the firm against the finance loss which may occur due to the premature demise of the Keyman.

6.4 Advantages of Insurance

Insurance offers certain advantages compared to other forms of savings. These are listed as follows:

6.4.1 Protection: Savings through life insurance guarantee full protection against risk of death of the saver. In life insurance, on death, the full sum assured is payable (with bonuses wherever applicable) whereas in other savings schemes, only the amount saved (with interest) is payable.

6.4.2 Aid to thrift: Life insurance encourages 'thrift'. Long term saving can be made in a relatively easy manner because of the easy installment facilities built into the schemes (method of paying premium either monthly, quarterly, half yearly or yearly).

6.4.3 Liquidity: Loans can be raised on the sole security of a policy which has acquired loan value. Besides, a life insurance policy is also generally accepted as security for even a commercial loan.

6.4.4 Tax Relief: Tax relief in Income Tax and Wealth Tax is available for amounts paid by way of premium for life insurance subject to Income Tax rates in force. Assessors can avail themselves of provisions in the law for tax relief. In such cases the assured in effect pays a lower premium for his/her insurance than he/she would have to pay otherwise.

6.5 Insurance Sector Reforms

In 1993, Malhotra Committee, headed by former Finance Secretary and Reserve bank of India (RBI) Governor R. N. Malhotra, was formed to evaluate the Indian insurance industry and recommend its future direction. The Malhotra committee was set up with the objective of complementing the reforms initiated in the financial sector. The reforms were aimed at “creating a more efficient and competitive financial system suitable for the requirements of the economy keeping in mind the structural changes currently underway and recognizing that insurance is an important part of the overall financial system where it was necessary to address the need for similar reforms.”

In the year 1994, the committee submitted the report and some of the key recommendations included changes related to the structure of the industry, opening the industry for competition, setting up of a regulatory body, customer service etc.

6.5.1 Recommendations on the Structure of Industry

The committee had recommended that the Indian Government stake in the insurance Companies should be brought down to 50% and that Government should take over the holdings of GIC and its subsidiaries so that these subsidiaries can act as independent corporations. It has also suggested that all the insurance companies should be given greater freedom to operate

6.5.2 Recommendations on Competition

- Private Companies with a minimum paid up capital of Rs.1billion should be allowed to enter the industry.
- No Company should deal in both Life and General Insurance through a single entity.
- Foreign companies may be allowed to enter the industry in collaboration with the domestic companies.
- Postal Life Insurance should be allowed to operate in the rural market.
- Only one State Level Life Insurance Company should be allowed to operate in each state.

6.5.3 Recommendations on Regulatory Body

- The Insurance Act should be changed
- An Insurance Regulatory body should be set up
- Controller of Insurance (Currently a part from the Finance Ministry) should be made independent

6.5.4 Recommendations on Investments

- Mandatory Investments of LIC Life Fund in government securities to be reduced from 75% to 50%.
- GIC and its subsidiaries should not to hold more than 5% in any company.

6.5.5 Recommendations on Customer Service

- LIC should pay interest on delays in payments beyond 30 days.
- Insurance companies must be encouraged to set up unit linked pension plans.
- Computerization of operations and updating of technology to be carried out in the insurance industry.

The committee emphasized that in order to improve the customer services and increase the coverage of insurance, the industry should be opened up to competition. But at the same time, the committee felt the need to exercise caution as any failure on the part of new players could ruin the public confidence in the industry. Hence, it was decided to allow competition in a limited way by stipulating the minimum capital requirement of Rs.100 crores. The committee felt the need to provide greater autonomy to insurance companies in order to improve their performance and enable them to act as independent companies with economic motives. For this purpose, it had proposed setting up an independent regulatory body.

6.6 Insurance Regulatory and Development Authority (IRDA)

Reforms in the Insurance sector were initiated with the passage of the IRDA Bill in Parliament in December 1999. The IRDA since its incorporation as a statutory body in April 2000 has framed regulations for registering and functioning of the private sector insurance companies.

The other decision taken simultaneously to provide the supporting systems to the insurance sector and in particular the life insurance companies was the launch of the IRDA's online service for issue and renewal of licenses to agents. The approval of institutions for imparting training to agents has also ensured that the insurance companies would have a trained

workforce of insurance agents in place to sell their products. Since being set up as an independent statutory body the IRDA has put in a framework of globally compatible regulations. In the private sector 12 life insurance and 6 general insurance companies have been registered.

6.7 Impact of Liberalization on Insurance Industry

The initiatives taken by the private players are very competitive and have given immense competition to the one time monopoly of the market LIC. Since the advent of the private players in the market the industry has seen new and innovative steps taken by the players in this sector. The new players have improved the service quality of the insurance. Though LIC still holds the 72% of the insurance market the innovative practices of the private players are expected to give tough competition to LIC in the near future. LIC market share has decreased from 95% (in FY 2002-03) to 82 % (FY 2004-05). By the end of December 2005, LIC's market share had further fallen and stood at 72.73%. The following table shows the market shares (based on the premium) of various companies of the insurance industry.

S.No.	NAME OF THE PLAYER	MARKET SHARE (%)
1	LIC	72.7
2	ICICI PRUDENTIAL	7.19
3	BIRLA SUN LIFE	1.82
4	BAJA ALLIANZ	6.87
5	SBI LIFE	1.64
6	HDFC STANDARD	3.01
7	TATA AIG	1.69
8	MAX NEW YORK	1.42
9	AVIVA	1.08
10	OM KOTAK MAHINDRA	0.75
11	ING VYASA	0.75
12	AMP SANMAR	0.58
13	METLIFE	0.42
14	SAHARA LIFE	0.06

Source: IRDA Journal, Feb'06

Table 6.1: Market Shares of Various Insurance Companies (as on Dec'05)

6.8 Current Status of the Insurance Market in India

The life insurance industry underwrote a premium of Rs.3, 28, 975.32 lakh (Rs. 32.89 billion) during the month of December, 2005, taking the cumulative premium underwritten for the nine months of the financial year (FY) 2005-06 to Rs.19, 89, 338.72 lakh. The total Individual and Group premium underwritten was Rs.16, 97, 149.36 lakh (accounting for 85.3% of the total premium) and Rs.2, 92, 189.36 lakh (14.7% of the total premium) respectively as against Rs.10, 81, 404.45 lakh (82.23%) and Rs.2, 33, 907.58 lakh (17.77%) underwritten in April-December, 2004. The premium underwritten by the industry up to December, 2005, towards individual single and non-single policies stood at Rs.636322.67 lakh and Rs.1060826.69 lakh respectively accounting for 1635298 and 16183376 policies.

The number of lives covered by the industry under the various group schemes was 1.14 crores during the nine months of the FY 2005-06. LIC covered 90 lakh lives under the group schemes accounting for 79.36% of the market, followed by SBI life with 6.67 lakh lives (5.85%) and TATA-AIG with 4.7 lakh lives (4.13%). A further segregation of the premium underwritten during the period indicates that Life, Annuity, Pension and Health contributed Rs.1376572.20 lakh (69.27%), Rs.102429.07 lakh (5.15%), Rs.507729.03 lakh (25.55%) and Rs.449.02 lakh (0.03%) respectively to the total premium.

6.9 Key Factors in Insurance Marketing

With the changed market scenario, the insurance sector in the country has become very competitive. As the number of players in the market increased, marketing of insurance schemes/policies has assumed significance. The factors that became critical for the success of the companies included customer service, efficient management distribution channels, product innovation, rural marketing and effective usage of information technology.

6.9.1 Customer Service

Consumers remain the most important centre of the insurance sector. After the entry of the foreign players the industry is witnessing a lot of competition leading to improvement in the customer service across the industry. Computerization of operations and updating of

technology have become imperative in the current scenario. Foreign players are bringing in international best practices in service through use of latest technologies. The one time monopoly of the LIC and its agents are now going through revision and training programs to catch up with the other private players.

6.9.2 Distribution Channels

Till date insurance agents still remain the main source through which insurance products are sold. The concept is very well established in the country like India but still the increasing use of other sources like electronic channels is imperative. It therefore makes sense to look at well balanced, alternative channels of distribution. LIC by virtue of its one time monopoly has already well established extensive distribution channels. New players may find it expensive and time consuming to bring up a distribution network to such standards. Therefore they are looking to the diverse areas of distribution channels to have an advantage. At present the distribution channels that are available in the market are:

- Direct selling
- Corporate agents
- Group selling
- Brokers and cooperative societies
- Bancassurance

In order to make all the above channels a success the companies have to be very alert and skillful to know how to use these channels in a proper way. 'Bancassurance' is one of the most upcoming channels of distribution which is being discussed in detail in the next section.

6.9.3 'Bancassurance'

India has an extensive bank network established over the years. Insurance companies can leverage on the customers' long-standing trust and relationships with banks. This is a mutually beneficial situation as banks can also expand their range of products on offer to customers, while the insurance company will also earn profits from the exposure. Another advantage is that banks, with their network in rural areas, help to fulfill rural and social obligations stipulated by the Insurance Regulatory and Development Authority (IRDA).

6.9.4 Product Innovation

There has been a wide range of new and innovative products offered by the new players. Customers have tremendous choice from a large variety of products from pure term (risk) insurance to unit-linked investment products. Customers are offered unbundled products with a variety of benefits from which they can choose the options. More customers are buying products and services based on their true needs and not just traditional money-back policies, which are not considered very appropriate for long-term protection and savings. Many new saving and investment plans are being offered in the market.

6.9.5 Rural Marketing

The rural consumer of India is exhibiting an increasing propensity to buy insurance products. A research conducted by an Indian research agency revealed that the rural consumers are willing to spend between Rs3, 500 and Rs2, 900 as premium each year. In the insurance sector the awareness level for life insurance is the highest in rural India, in addition the consumers are also aware about motor, accidents and cattle insurance. In a study conducted by Marketing and Research Group (MARG) the results showed that nearly one third said that they had purchased some kind of insurance with the maximum penetration in favor of life insurance. The study also pointed out that private companies have huge role to play in creating awareness and credibility among the rural population. The perceived benefits of buying a life policy range from security of income bulk return in future, daughter's marriage, children's education and good return on savings, etc, according to the study. Insurance Regulatory and Development Authority (IRDA) has set stiff rural targets for insurance companies. For the life sector, in the first year, 5 per cent of the total policies written should come from the rural sector. This will go up to 15 per cent in five years. Similarly, for the non-life sector, two per cent of the total gross premium income should come from the rural sector going up to 5 per cent in five years, according to the regulation. All these moves are expected to take the investment the rural area to higher levels.

6.9.6 Role of Information Technology in Insurance Industry

Insurance industry is a data-rich industry, and thus, there is dire need to use the data for trend analysis and personalization. With increased competition among insurers, service has become a key issue. Moreover, customers are getting increasingly sophisticated and tech-savvy. Customers expect personalized interactions and they look for more product features, add-ons and better service. The insurance companies today must meet the needs of the customers for a better personalized approach. Managing the customer intelligently is very critical for the insurer especially in the very competitive environment. Companies need to apply different set of rules and treatment strategies to different customer segments. However, insurers are required to capture customer information in an integrated system to personalize interactions.

With the explosion of internet and greater access to direct product or policy information, there is a need for developing better techniques to give customers a truly personalized experience. Personalization helps organizations to reach their customers with better impact and to generate new revenue through cross selling and up selling activities. To ensure that the customers are receiving personalized information, many organizations are incorporating knowledge database-repositories of content that typically include a search engine that allows the customers locate the all document and information related to their queries of request for services. Customers can use the knowledge database to manage their products or the company information and invoices, claim records, and histories of the service inquiry. The insurance sector remains a very competitive market and those companies that are able to best utilize their data and provide their customer with the most personalized options will have the distinct competitive advantage. The insurers who survive and gain leadership in the market will be those who leverage the appropriate technology solutions effectively in order to foster customer loyalty attract new customers and improve operational efficiency by providing common information across their lines of business.

6.10 Future Trends in Life Insurance

The falling interest rates, the collapse of many small-time financial institutions, the scope for entering related areas like banking and pensions in a bid for synergy and the promise of e-

commerce are some of the opportunities available to the insurance companies. There is a probability of a spurt in employment opportunities. Many of the universities and management institutes have already started or are contemplating new courses in insurance. Health insurance, which is still in its infancy, is also likely to get a major boost, ultimately leading to improvement in the quality of medical treatment and facilities in the country.

Life insurance has today become a mainstay of any market economy since it offers plenty of scope for acquiring large sums of money for long periods of time. A well-regulated life insurance industry which moves with the times by offering its customers tailor-made products to satisfy their financial needs is, therefore, essential. Companies that develop the capabilities to maintain a healthy relationship with the customers are bound to succeed in the long run.

6.11 Introduction to Life Insurance Corporation of India (LIC)

Life insurance sector in India was nationalized on the 19th of January, 1956. About 154 Indian insurance companies, 16 non-Indian companies and 75 provident companies were operating in India at the time of nationalization. Nationalization was accomplished in two stages; initially the management of the companies was taken over by means of an Ordinance, and later, the ownership too by means of a comprehensive bill. The Parliament of India passed the Life Insurance Corporation Act on the 19th of June 1956, and the Life Insurance Corporation of India (popularly known as LIC) was created on 1st September, 1956, with the objective of spreading life insurance much more widely and in particular to the rural areas with a view to reach all insurable persons in the country, providing them adequate financial cover at a reasonable cost.

LIC had 5 zonal offices, 33 divisional offices and 212 branch offices, apart from its corporate office in the year 1956. Since life insurance contracts are long term contracts and during the servicing of the policy it requires a variety of services need was felt in the later years to expand the operations and place a branch office at each district headquarter. Re-organization of LIC took place and large numbers of new branch offices were opened. As a result of re-organization servicing functions were transferred to the branches, and branches were made accounting units. From about Rs.200 crores of New Business in 1957 the corporation crossed Rs. 1000.00 crores in the year 1969-70, and it took another 10 years for LIC to cross Rs.2000 crore mark of new business. But with re-organization happening in the early eighties, by 1985-86 LIC had crossed Rs.7000.00 crore sum assured on new policies.

Currently (in the year 2005) LIC functions with 2048 fully computerized branch offices, 100 divisional offices, 7 zonal offices and the corporate office. LIC's Wide Area Network covers 100 divisional offices and connects all the branches through a Metro Area Network. LIC has tied up with some Banks and Service providers to offer on-line premium collection facility in selected cities. LIC's ECS and ATM premium payment facility is an addition to customer convenience. Apart from on-line Kiosks and IVRS, Info Centres have been commissioned at Mumbai, Ahmedabad, Bangalore, Chennai, Hyderabad, Kolkata, New Delhi, Pune and many other cities. With a vision of providing easy access to its policyholders, LIC has launched its 'SATELLITE SAMPARK' offices. The satellite offices are small offices located closer to

the customer. It is expected that the digitalized records of the satellite offices would facilitate servicing from any place in the country and many other conveniences in the future.

LIC continues to be the dominant life insurer even in the liberalized scenario of Indian insurance and is moving fast on a new growth trajectory surpassing its own past records. LIC has issued over one crore policies during the current year (2005). It has crossed the milestone of issuing 1,01,32,955 new policies by 15th Oct, 2005, posting a healthy growth rate of 16.67% over the corresponding period of the previous year.

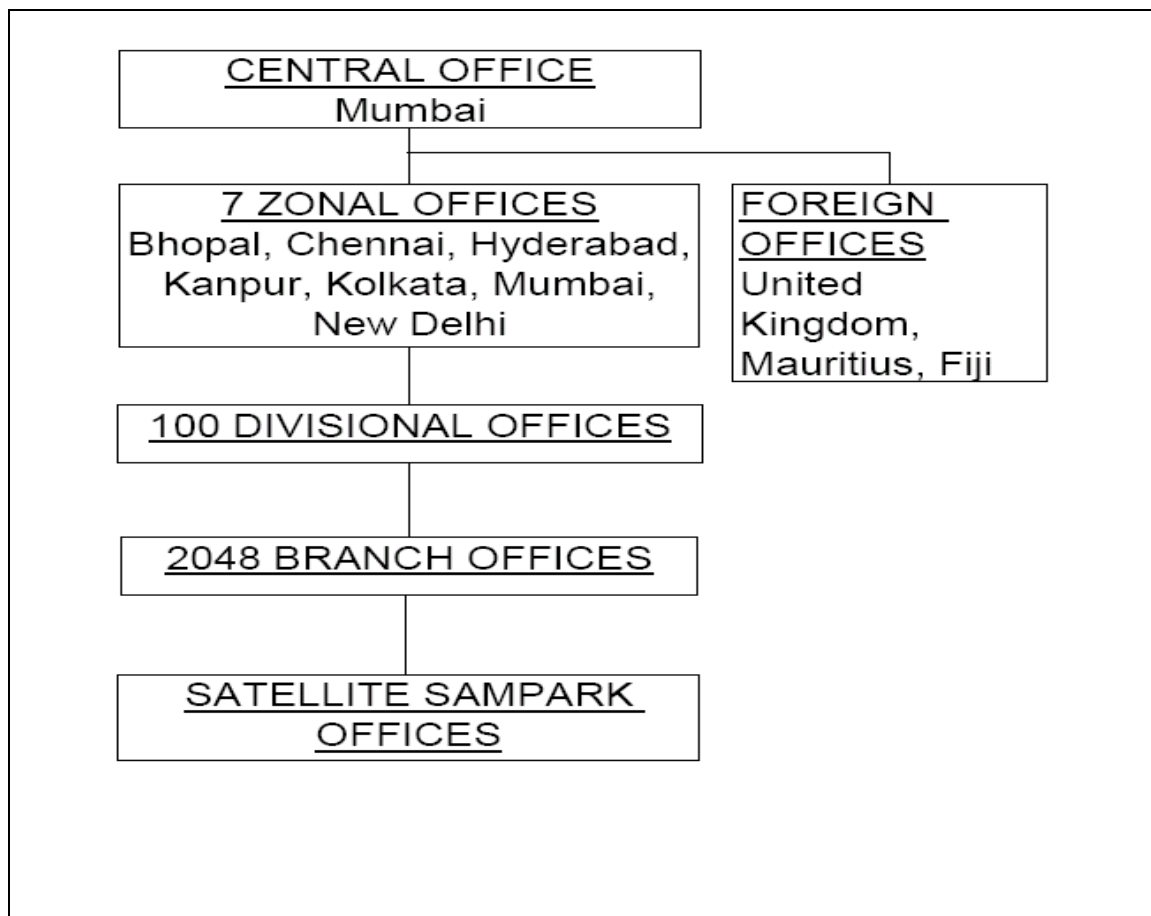


Fig 6.1: Organizational Structure of LIC

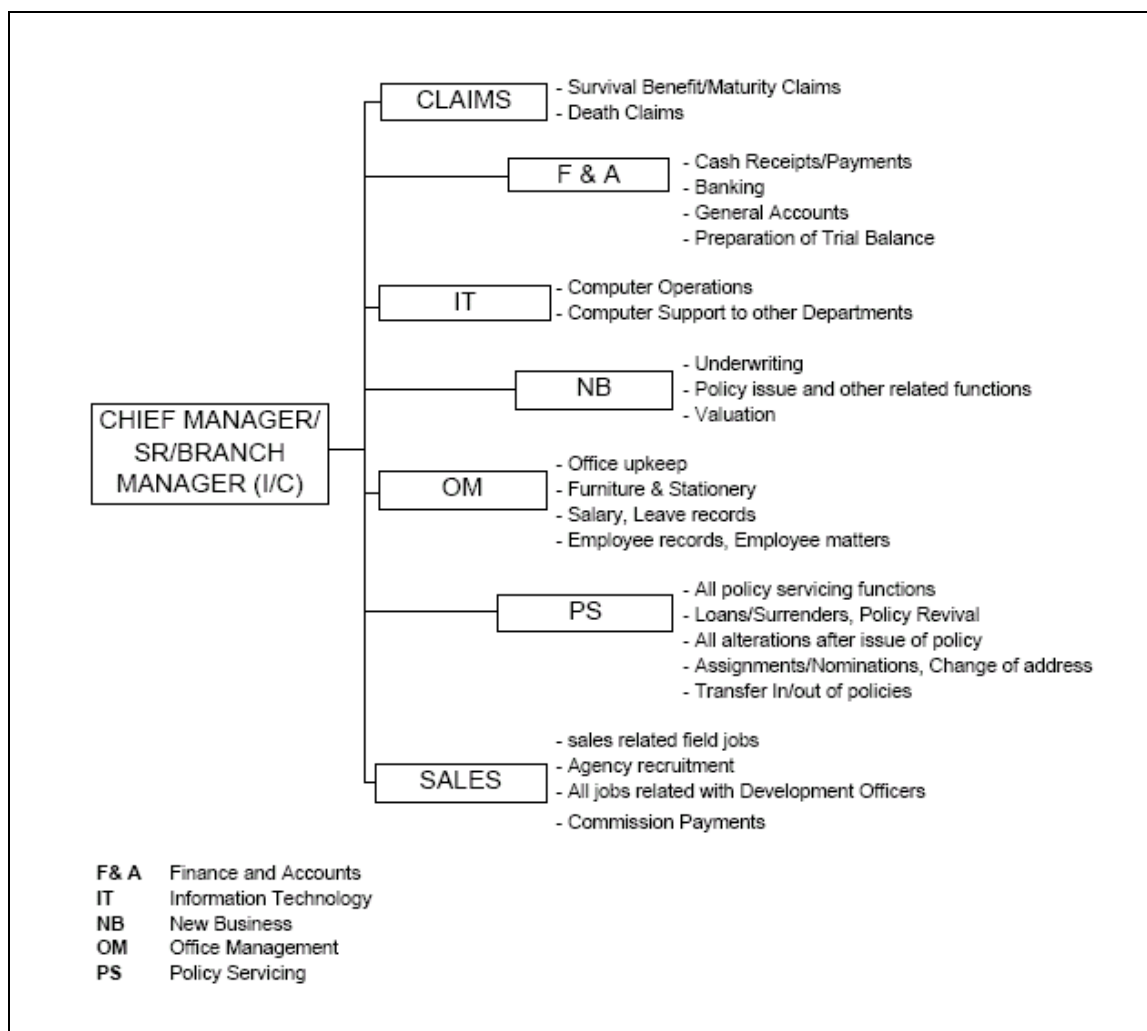


Fig 6.2: Organization of LIC Branch Office

6.12 Objectives of LIC

The objectives of LIC are listed as follows:

- Spread Life Insurance much more widely and in particular to the rural areas and to the socially and economically backward classes with a view to reaching all insurable persons in the country and providing them adequate financial cover against death at a reasonable cost.
- Maximize mobilization of people's savings by making insurance-linked savings adequately attractive.

- Bear in mind, in the investment of funds, the primary obligation to its policyholders, whose money it holds in trust, without losing sight of the interest of the community as a whole; the funds to be deployed to the best advantage of the investors as well as the community as a whole, keeping in view national priorities and obligations of attractive return.
- Conduct business with utmost economy and with the full realization that the moneys belong to the policyholders.
- Act as trustees of the insured public in their individual and collective capacities.
- Meet the various life insurance needs of the community that would arise in the changing social and economic environment.
- Involve all people working in the Corporation to the best of their capability in furthering the interests of the insured public by providing efficient service with courtesy.
- Promote amongst all agents and employees of the Corporation a sense of participation, pride and job satisfaction through discharge of their duties with dedication towards achievement of Corporate Objective.

6.13 Financial Performance of LIC

LIC registered first Premium Income of Rs.15, 840.67 crores in the year 2004-05 as against the first premium income of Rs.12179 cr. during the year 2003-04, accounting for a growth rate of 30 % during the year 2004-05. Out of the premium mentioned above, Rs. 12174.11 cr. came from the Individual Business, posting a growth rate of 42.1% as against the targeted growth rate of 35 % through the sale of more than 2.39 cr. policies during the year 2004-05. An amount of Rs.3666.56 crores is contributed by the Corporation's Pension & Group Business during the year 2004-05. In the month of March 2005 the company has recorded a historic new business first premium income of Rs.6282.35 cr (Individual Business of Rs.4655.87 cr. showing a growth rate of 60.54 % and Pension & Group Business of Rs.1626.48 posting a growth rate of 19 %).

The major contributors to the First Premium income are the market preferred unit linked plans of LIC – Bima Plus and Future Plus. During the year, Bima Plus brought in Rs.2183.5

crores income by means of first premium through 7.19 lakh policies. LIC has sold more than 10 lakh policies of Future Plus , the unit linked pension plan of LIC launched during the month of March- 2005 , bringing in premiums to the tune of Rs. 2107.75 crores (first premium). 35.25 % of the First Premium business of LIC has come from these two plans alone. The segment of Individual Pension Plans also posted a growth rate of 462 % in First Premium Income and 337 % in policies. The Single premium plans and Bima Nivesh have posted a growth rate of 132 %.

In the segment of Pension and Group Business LIC has achieved a growth rate of 42 % in the number of lives covered. In spite of the intensifying competition, the market share of LIC's Pension and Group Business has shown an increasing trend as on 28th Feb, 2005 and is expected to go up further as on 31st March, 2005. Some schemes were finalized during the year with corporates companies like BEML, Infosys, TCS, Grasim and Ultratech Cements Ltd. In Social Security Schemes LIC has achieved a growth rate of 142 % in the number of lives and 48 % on the schemes count respectively. The Western Zone of LIC has contributed to the maximum amount of First Premium Income and the Eastern Zone has brought in the maximum Number of Policies. LIC's Howrah Division contributed to 6.23 lakh policies while Delhi – I Division contributed Rs.310.17 cr. of first premium during the year.

LIC's Total Income (provisional) for the year 2004-05 amounts to Rs.106540 cr. (growth rate – 14.45%) and the Total Assets as on March, 2005 stand at Rs.462000 cr. (growth rate of 25.76 %). LIC has settled 1.073 cr. of total Claims during the year 2004-05 (Maturity Claims -1.034 cr. and Death Claims -0.039 cr.). LIC is planning to launch a combo policy in the year 2006 that will have all four features that include whole-life, money-back, endowment and maturity repayment. This will be the third scheme in a row this fiscal after Bima Gold and Jeevan Plus. In group insurance, LIC still dominates with a market share of 67.28%, covering 28.17 lakh lives till September 2005.

6.14 LIC's Investment Decisions

One of the objectives of nationalization of the life insurance industry was channelizing of its funds for the benefit of the community at large. In pursuance of this objective, LIC has, over the years, been investing a major part of its funds primarily in the socially oriented sector.

6.14.1 Investment in Welfare Activities

Adhering to the primary obligation of the Corporation to its policyholders, as mentioned in the objectives of nationalization, the funds of the Corporation are deployed to the best advantage of the policyholders as well as the community as a whole. While investing this money which is held in trust, the Corporation has to keep in view the national priorities and obligation of reasonable returns. Over 75% of the accumulations to the funds are invested in Central Government Securities, Government Guaranteed Marketable Securities, Loans are extended to the socially oriented sectors for approved purposes such as Power (Electricity), Housing, Water Supply and Sewerage, Road Transport and Co-operative Industrial Estates.

6.14.2 Investments in Health, Power and Housing

The Corporation has been promoting Social Welfare through Socially Oriented investments. These investments are regulated by the Government from time to time to benefit the community at large by providing basic amenities like potable water, drainage, housing, electrification and transport. Under the Corporation's scheme of providing financial assistance for piped water supply and drainage schemes, 1960 urban/local bodies in 23 States and the Union Territory of Chandigarh have benefited. In addition, 507 Zilla Parishads in 7 States are also receiving financial assistance from the Corporation for rural piped water supply schemes. The Corporation also provides financial assistance to State Electricity Boards/Power Corporations for power generation projects by way of loans/subscriptions to their bonds.

Housing Finance occupies a prime place in the corporation's socio-purposive investments. Since inception, the Corporation has been providing finance for housing to individuals, Co-operative Housing Societies and private undertakings under its various mortgage housing

schemes. With a view to solving the housing shortage in the country, the Corporation joined in a big way in the massive efforts by providing financial assistance to State Governments for Social Housing Schemes for Economically Weaker Sections, Low Income Groups, Middle Income Groups, State Government employees and rural population. The Corporation has also been extending financial assistance to State level Apex Co-operative Housing Finance Societies, the benefits of which are passed on to individuals through Primary Societies. Besides, the Corporation is providing bulk loans to Housing Finance Institutions like Housing Development Finance Corporation, Housing and Urban Development Corporation, National Housing Bank and State Policy Housing Corporations in a few States. LIC Housing Finance Company Ltd. was formed initially with equity participation by LIC, UTI, ICICI and IFCI which has since become a Company with equity participation by public.

6.14.3 Financing Small and Medium Industries

The Corporation helps boost the industrial growth in India. It helps small scale and medium scale industries by granting loans for setting up Co-operative Industrial Estates and an amount of Rs.45 crore has so far been advanced to Co-operative Industrial Estates and Industrial Development Corporations. The Corporation's assistance to State Level Finance Corporations and all India Finance Corporations like IDBI, IFCI, ICICI, etc. by way of subscription to bonds/debentures issued by such institutions, also indirectly helps development of small scale and medium scale industries. The Corporation also makes investment in the corporate sector in the form of long, medium and short term loans to Companies/Corporations.

6.15 Usage of Information Technology at LIC

LIC has been one of the pioneering organizations in India who introduced the leverage of Information Technology in servicing and in their business. Data pertaining to almost 10 crore policies is being held on computers in LIC. LIC has gone in for relevant and appropriate technology over the years

The year 1964 witnessed the introduction of computers in LIC. Unit Record Machines introduced in late 1950's were phased out in 1980's and replaced by Microprocessors based

computers in Branch and Divisional Offices for Back Office Computerization. Standardization of Hardware and Software commenced in the decade of 1990's. Standard Computer Packages were developed and implemented for Ordinary and Salary Savings Scheme (SSS) Policies.

Servicing a large cross section of customers across the country is quite a challenging task, and LIC wanted to improve customer services by streamlining processes and making policies more accessible to customers. It also needed to reduce costs on travel and intra-office communications. LIC realized that it needed an extensive network with internet based front-end operations to make policies and services more accessible. LIC connected its branches, district centers and zonal offices to the Wide Area Network (WAN) in a hierarchical arrangement. It then set up a web server so that policy holders could lodge complaints online, modify policy information or just check the status of policies.

6.16 CRM Initiatives at LIC

LIC has launched a series of CRM initiatives, in order to protect its customer base from competitors. The entry of private sector players has changed the market scenario for LIC, which enjoyed the status of monopoly prior to liberalization. The measures taken by the corporation in the area of CRM include structural changes in the organization set up like the creation of CRM department at central, zonal and divisional office levels, setting up of Customer Relations Group at the branch level, launch of customer contact campaigns etc. LIC has also leveraged on telecommunications and information technology, to set up call centers, internet enabled services, information kiosks etc. With an intention of providing quicker and better services to the policyholders, approximately 97% of the total branches of LIC have front end computerization for giving on-line service to policyholders. In addition to this, New Delhi, Chennai, Bangalore and Mumbai have installed Metro Area Network (MAN) and interactive Voice Response System (IVRS).

6.17 Objectives of CRM Initiatives at LIC

A careful study of the secondary data available which is related to CRM practices at LIC, and various programs launched by LIC would reveal the following as the objectives of CRM at LIC. These objectives are as follows:

- To provide vital differentiation to the customers by enhancing the value delivered to the customers.
- To provide greater access to the customers (to approach the organization) by opening up of various communication channels and their effectiveness.
- To respond speedily to the queries, requests and grievances of the customers.
- To enhance the quality of service delivery by improving data accuracy and making it available across all the service points.
- To simplify the information flow to the customers.

6.18 Role of Customer Relations Group (CRG)

LIC has created a team known as Customer Relations Group (CRG) at the branch offices. This team provides single point servicing to the customers. Apart from service delivery

through, this group is responsible for developing relationship with customers. CRG would undertake activities related to service desk, enquiry desk, customer communication etc. A specialized position known as Customer Relations Executive (CRE) is created to ensure a customer base which is loyal and satisfied. The company wants to achieve the following objectives with the help of CRE position. They are mentioned as follows:

1. To delight the customers with steadfast loyalty to the organization.
2. To reduce the number of customer grievances and service delivery failures.
3. To impart customer centric culture across the organization.
4. To increase the customer base.

6.19 Functioning of Customer Relations Executive (CRE)

- The CRE acts as a vital link between the customer and the organization, and represents the customers' concerns within the organization
- The CRE ensures an efficient service delivery by managing the customer touch points.
- The CRE ensures retrieval of service failures.
- The CRE should conduct campaigns for closer customer relationship.
- The CRE has to study the data regarding the revenue leakages and recommend steps for plugging the same.
- The CRE has to study customer satisfaction levels and also conduct time bound surveys to assess the service quality and suggest appropriate measures for improvement.
- The CRE has to involve top level managers (like Divisional Officers), for cases that require special consideration.

6.20 Front End Operations

In order to enhancing customer responsiveness and services, LIC started a drive of 'On Line Service' to policyholders and agents through computers. This on line service enabled policyholders to receive immediate policy status report, prompt acceptance of their premium and get facilities like revival quotation, loan quotation on demand. Incorporating change of

address can be done on line. Quicker completion of proposals and dispatch of policy documents have been enabled with these measures. All the 2048 branches of LIC across the country have been covered under front-end operations.

Thus all the 100 divisional offices have achieved the distinction of 100% branch computerization. New payment related Modules pertaining to both ordinary & SSS policies have been added to the Front End Package catering to Loan, Claims and Development Officers' Appraisal. All these modules help to reduce time-lag and ensure accuracy.

6.21 Metro Area Network (MAN) of LIC

A Metropolitan Area Network, connecting 74 branches in Mumbai was commissioned in November, 1997, enabling policyholders in Mumbai to pay their Premium or get their Status Report, Surrender Value Quotation, Loan Quotation etc. from any branch in the city. Through MAN policyholder in the cities can obtain their policy status and make premium payment to any of the branches within the city, and any branch of the city can handle their policy enquiries. The System has been working successfully. More than 10,000 transactions are carried out over this Network on any given working day. Such Networks have also been implemented in other cities.

6.22 Wide Area Network (WAN) of LIC

All the seven Zonal Offices and all the MAN centers are connected through a Wide Area Network (WAN). This will enable a customer to view his policy data and pay premium from any branch of any MAN city. As on November 2005, LIC has more than 2035 branches networked under WAN. Through the first phase of the Wide Area Network (WAN), LIC had connected branches of Ahmedabad, Mumbai, Pune, Bangalore, Kolkata, Chennai, Hyderabad, and New Delhi. In the second phase, it had connected branches in the following cities, depicted in the table. Total number of policies covered under WAN are 13, 99, 28, 800 (including policies under salary saving scheme). Total number of branches covered under WAN are 1966. Total No. of centers connected under WAN are ninety one.

AGRA	GANDHINAGAR	LUDHIANA
AURANGABAD	GOA	MADURAI
AJMER	GORAKHPUR	MEERUT
ALIGARH	GUAHATI	MUZAFFARPUR
ALLAHABAD	GWALIOR	MYSORE
AMRAVATI	HALDWANI	NADIAD
AMRITSAR	HAZARIBAGH	NAGPUR
ASANSOL	HYDRABAD	NANDED
BIKANER	INDORE	NASIK
BONGAIGAON	JABALPUR	NELLORE
BAREILLY	JAIPUR	PATNA
BELGAUM	JALANDHAR	RAICHUR
BERHAMPUR	JALPAIGURI	RAIPUR
BHAGALPUR	JAMSHEDPUR	RAJAMUNDRY
BHAVNAGAR	JODHPUR	RAJKOT
BHOPAL	JORHAT	SALEM
COIMBATORE	KANPUR	SAMBALPUR
CUDDAPAH	KARIMNAGAR	SATARA
CUTTACK	KARNAL	SATNA
CHANDIGARH	KOLHAPUR	SHAHNOL
DEHRADUN	KOTTAYAM	SHIMLA
DHARWAD	KOZHIKODE	SILCHAR
ERNAKULAM	LUCKNOW	SRINAGAR
SURAT	THANE	THANJAVUR
TIRUNELVELI	TRIVANDRUM	UDAIPUR
UDUPI	VADODARA	VARANASI
VELLORE	VIJAYWADA	VIZAG
WARANGAL		

Table 6.2: Cities Connected with LIC's WAN

Through this network LIC offers the following facilities.

- 1) A person in any of the enlisted cities (91) can have access to his policy data in any of the other cities.
- 2) The policyholder is enabled to pay his premiums and get policy status from any of the above mentioned cities.

WIDE AREA NETWORK

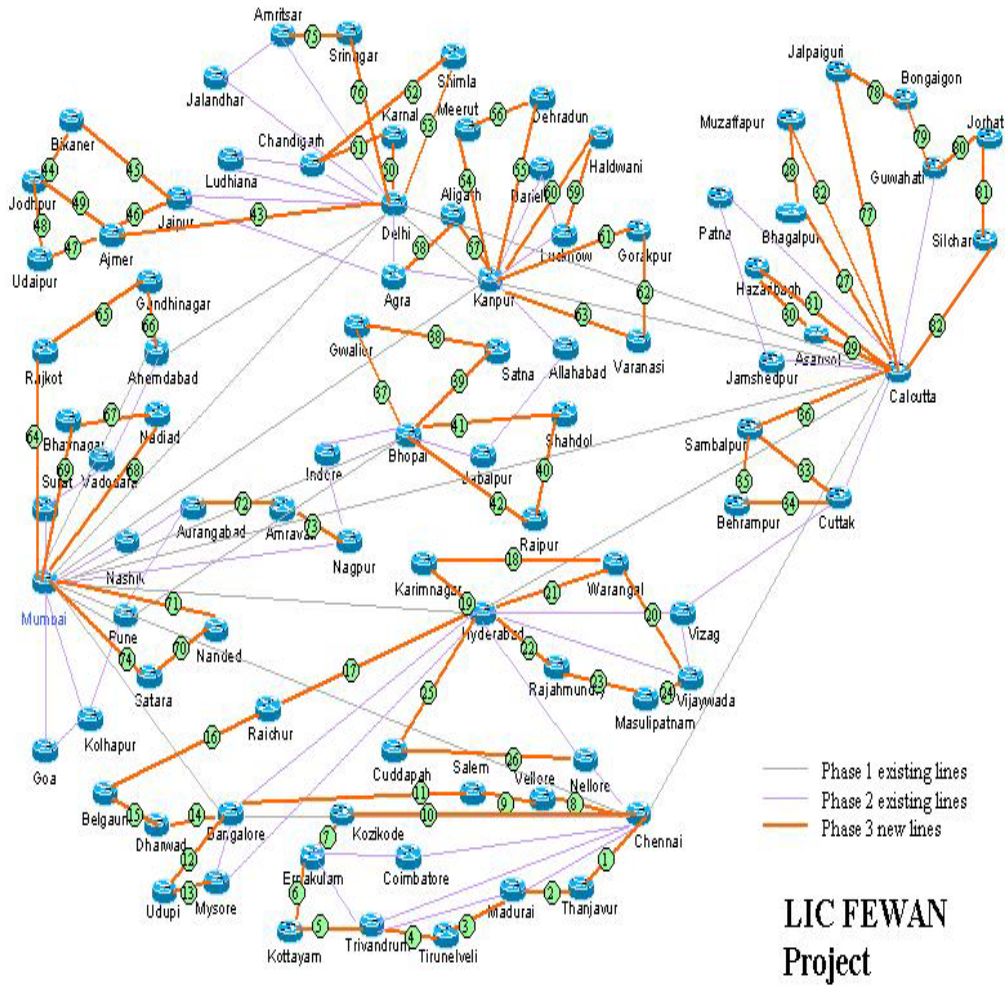


Fig 6.3: Wide Area Network of LIC

6.23 Interactive Voice Response Systems (IVRS)

IVRS was made functional in 59 centers all over the country. This would enable customers to ring up LIC and receive information (e.g. next premium due, Status, Loan Amount, Maturity payment due, Accumulated Bonus etc.) about their policies on the telephone. This information could also be faxed on demand to the customer.

6.24 LIC's Presence on the Internet

A Web server has been set up at the central office (www.licindia.com) for the purpose of offering policy holders basic services. In the near future a registered user can avail of services like making modifications to a policy (change of address, change of nominee), querying the status of the policy, etc. Already, LIC can send policy holders premium notices by e-mail. According to LIC, 70,000 users have already registered for the status report.

LIC has displayed information about LIC & its subsidiaries-LIC (International) LIC (Nepal) Ltd, LIC Mutual Fund, LIC Housing Finance and their products on its website. The addresses/e-mail Ids of LIC's Zonal Offices, Zonal Training Centers, Management Development Center, Overseas Branches, Divisional Offices and also all Branch Offices are made available on the web site with a view to speed up the communication process. The details made available on the organization's website are depicted in the following table.

Table 6.3:E-mail Addresses of LIC's Divisional Offices

Central Zone	
DIVISION NAME	E-MAIL-ID
Bhopal	mm.bhopal@licindia.com
Gwalior	mm.gwalior@licindia.com
Indore	mm.indore@licindia.com
Jabalpur	mm.jabalpur@licindia.com
Raipur	mm.raipur@licindia.com
Shahdol	mm.shahdol@licindia.com
Satna	mm.satna@licindia.com
Eastern Zone	
DIVISION NAME	E-MAIL-ID

Asansol	mm.asansol@licindia.com
Berhampur	mm.berhampur@licindia.com
Bhagalpur	mm.bhagalpur@licindia.com
Bongaigaon	mm.bongaigaon@licindia.com
Cuttack	mm.cuttack@licindia.com
Guwahati	mm.guwahati@licindia.com
Hazaribag	mm.hazaribag@licindia.com
Howrah	mm.howrah@licindia.com
Jalpaiguri	mm.jalpaiguri@licindia.com
Jamshedpur	mm.jamshedpur@licindia.com
Jorhat	mm.jorhat@licindia.com
Kolkata D.O. I	mm.kolkata-do1@licindia.com
Kolkata D.O. II	mm.kolkata-do2@licindia.com
Kolkata Suburban D.O.	mm.kolkata-sub@licindia.com
Muzaffarpur	mm.muzaffarpur@licindia.com
Patna	mm.patna@licindia.com
Sambalpur	mm.sambalpur@licindia.com
Silchar	mm.silchar@licindia.com
North-Central Zone	
DIVISION NAME	E-MAIL-ID
Agra	mm.agra@licindia.com
Aligarh	mm.aligarh@licindia.com
Allahabad	mailto:mm.allahbad@licindia.com
Bareilly	mm.bareilly@licindia.com
Dehradun	mm.dehradun@licindia.com
Gorakhpur	mm.gorakhpur@licindia.com
Haldwani	mm.haldwani@licindia.com
Meerut	mm.meerut@licindia.com
Kanpur	mm.kanpur@licindia.com
Lucknow	mm.lucknow@licindia.com
Varanasi	mm.varanasi@licindia.com
North Zone	
DIVISION NAME	E-MAIL-ID
Amritsar	mm.amritsar@licindia.com

Ajmer	mm.ajmer@licindia.com
Bikaner	mm.bikaner@licindia.com
Chandigarh	mm.chandigarh@licindia.com
Delhi D.O.I	mm.delhi-do1@licindia.com
Delhi D.O. II	mm.delhi-do2@licindia.com
Delhi D.O. III	mm.delhi-do3@licindia.com
Jaipur	mm.jaipur@licindia.com
Jalandhar	mm.jalandhar@licindia.com
Jodhpur	mm.jodhpur@licindia.com
Karnal	mm.karnal@licindia.com
Ludhiana	mm.ludhiana@licindia.com
Shimla	mm.shimla@licindia.com
Srinagar	mm.srinagar@licindia.com
Udaipur	mm.udaipur@licindia.com
South Central Zone	
DIVISION NAME	E-MAIL-ID
Bangalore D.O. I	mm.bangalore-do1@licindia.com
Bangalore D.O. II	mm.bangalore-do2@licindia.com
Cuddapah	mm.cuddapah@licindia.com
Dharwad	mm.dharwad@licindia.com
Hyderabad	mm.hyderabad@licindia.com
Karimnagar	mailto:mm.bhopal@karimnagar@licindia.com
Masulipatnam	mm.masulipatnam@licindia.com
Mysore	mm.mysore@licindia.com
Nellore	mm.nellore@licindia.com
Raichur	mm.raichur@licindia.com
Rajamundry	mm.rajamundry@licindia.com
Secunderabad	mm.secunderabad@licindia.com
Udupi	mm.udupi@licindia.com
Visakhapatnam	mm.visakhapatnam@licindia.com
Warangal	mm.warangal@licindia.com
South Zone	
DIVISION NAME	E-MAIL-ID
Chennai D.O. I	mm.chennai-do1@licindia.com
Chennai D.O. II	mm.chennai-do2@licindia.com

Coimbatore	mm.coimbatore@licindia.com
Ernakulam	mm.ernakulam@licindia.com
Kottayam	mm.kottayam@licindia.com
Kozhikode	mm.kozhikode@licindia.com
Madurai	mm.madurai@licindia.com
Salem	mm.salem@licindia.com
Thanjavur	mm.thanjavur@licindia.com
Thiruvananthapuram	mm.thiruvananthapuram@licindia.com
Tirunelveli	mm.tirunelveli@licindia.com
Vellore	mm.vellore@licindia.com
Western Zone	
DIVISION NAME	E-MAIL-ID
Ahmedabad	mm.ahmedabad@licindia.com
Amravati	mm.amravati@licindia.com
Aurangabad	mm.aurangabad@licindia.com
Gandhinagar	mm.gandhinagar@licindia.com
Goa	mm.goa@licindia.com
Kolhapur	mm.kolhapur@licindia.com
Mumbai D.O. I	mm.mumbai-do1@licindia.com
Mumbai D.O. II	mm.mumbai-do2@licindia.com
Mumbai D.O. III	mm.mumbai-do3@licindia.com
Mumbai D.O. IV	mm.mumbai-do4@licindia.com
Nadiad	mm.nadiad@licindia.com
Nagpur	mm.nagpur@licindia.com
Nanded	mm.nanded@licindia.com
Nashik	mm.nashik@licindia.com
Pune	mm.pune@licindia.com
Rajkot	mm.rajkot@licindia.com
Satara	mm.satara@licindia.com
Surat	mm.surat@licindia.com
Thane	mm.thane@licindia.com
Vadodara	mm.vadodara@licindia.com

6.24.1 Payment of Premium and Policy Status on Internet

LIC has given its policyholders a unique facility to pay premiums through Internet absolutely free and also view their policy details on Internet premium payments. LIC has signed the agreement with eleven service providers to provide this service. At present, policy holders can pay premiums online through service providers (ICICI bank, HDFC bank, UTI bank, Bank of Punjab, Corporation Bank, Billjunction.com and Timesofmoney.com).

6.25 Installation of Information Kiosks

LIC has set up 150 Interactive Touch screen based Multimedia Kiosks in prime locations in metros and some major cities for dissemination information to general public on our products and services. These Kiosks are capable of providing policy details and accept premium payments.

6.26 Information Centers of LIC

LIC has set up 8 call centers, manned by skilled employees to provide the customers with information about our Products, Policy Services, Branch addresses and other organizational information. Customers of LIC, for any information on Insurance call up any of the numbers mentioned in the following table presented in the next page (Table 6.4).

New Delhi	011 - 332 9595
Mumbai	022 - 612 5555
Kolkata	033 - 706 3582/83/84/85
Chennai	044 - 858 9830/31/32/33/34
Hyderabad	040 - 323 6687
Bangalore	080 - 224 5635
Pune	020 - 553 6161
Ahmedabad	079 - 550 7777

Table 6.4: Details of LIC's Information Centers

6.27 Grace Period Facility for Premium Payment

Policyholders are required to pay the premiums to the Corporation on the due dates. One month but not less than thirty days of grace is allowed for payment of yearly, half-yearly and quarterly premiums, and fifteen days for payment of monthly premiums. When the days of grace expire on a Sunday or a holiday observed by the Office of the Corporation where premiums are payable, the premium may be paid on the following working day to keep the policy in force. Modes of Payment of Premiums other than single premiums may be paid by the policyholders to LIC in yearly, half-yearly, quarterly or monthly installments.

6.28 Revival of Lapsed Policy

When the premium is not paid within the days of grace, the policy lapses, it can, however, be revived during the life-time of the assured but before the expiry of a period of five years from the due date of the first unpaid premium and before the date of maturity, if applicable. The Corporation offers three convenient schemes of revival, viz. the Ordinary Revival scheme, the Special Revival scheme and the Installment Revival scheme. It is also possible to revive a policy by raising a loan under the policy provided that the policy is one with loan eligibility

and has acquired adequate loan value to pay the arrears of premiums with interest. Requests for revival may be made to the Branch Office servicing the policy

6.29 Loan Facility to Customers

At present loans are granted on unexpired policies up to 90 percent of the surrender value under policies which are in force for the full sum assured and up to 85 percent of the Surrender Value on policies which are paid-up for a reduced sum assured. The minimum amount for which a loan can now be granted under a policy is Rs.150/-. The rate of interest charged at present is 100.5 percent or 12 percent per annum payable, payable half yearly, depending on plan per annum payable half-yearly. Loans are not granted for a period shorter than six months, or on the security of lost policies (duplicate policies must be got issued for loan) or on policies issued under certain plans. The Branch Office servicing the policy will quote the loan value on request from the policyholder. Certain types of policies are, however, without loan facility. The terms and conditions printed on the policy bond reveal whether a particular policy is with or without loan facility.

6.30 Relief to Policy Holders

The Corporation allows concessions on payment of premiums, settlement of claims, issue of duplicate policies etc. when the policyholders are affected by natural calamities such as droughts, cyclones, floods, earthquakes etc.

6.31 Claims by Maturity

The Corporation strives to settle maturity claims and make periodic payments, as in the case of Money Back Policies, on the due date itself. The branch office concerned which services the policy sends out an intimation regarding the payment along with the necessary discharge voucher for execution by the assured, approximately two months before the due date of such payment. In case the policyholder does not receive any information from the concerned branch office in this connection, he/she may contact them by quoting the policy number.

6.32 Claims Review Committee

The Corporation settles a large number of death claims every year. Only in case of fraud or suppression of material information a claim is rejected. The number of death claims rejected is, however, very small. Even in these cases, an opportunity is given to the claimant to make a representation for consideration by the Review Committees at the zonal office and the central office. As a result of such reviews, depending on the merits of each case, appropriate sanctions are made.

6.33 Grievance Redressal Machinery

Policyholder's grievance redressal cells exist in all the offices of the Corporation, headed by Senior Officers who can be approached by policyholders to get their grievances redressed, on any day but particularly on every Monday between 2.30 PM and 4.30 PM. The following table depicts the designated officers, who need to be contacted at different offices.

Branch Offices	-	Sr./Branch Manager
Divisional Offices	-	Marketing Manager
Zonal Offices	-	Regional Manager (Marketing)
Central Office	-	Chief/Exe.Dir.(Mktg.-Customer Services)

Table 6.5: Officers Designated for Grievance Redressal

6.34 Data Management Project at LIC

Life Insurance Corporation of India (LIC) has engaged software companies Wipro and IBM for its Customer Relation Management project. The project will help the corporation chalk out its future plan and marketing strategy. The CRM project of LIC is the largest of its kind in India. It is aimed at studying consumer behavior and chalking out our future plans and marketing strategy, according to the senior managers of LIC. The cost of the project is estimated to be over Rs. 50 crore (Rs. 500 million) and it is expected to be completed in the next three years. Wipro and IBM will work together to compile the data of over 15 crore (Rs.

150 million) policyholders of LIC. The data would reflect consumer behavior of the policyholders. It will also find out the number of customers going for loans, paying premium within the due date and defaulting in premium payment.

Based upon the consumer behavior of over 15 crore policy holders, LIC will formulate its new policy accordingly and will chalk out its market plan. According to the company officials, Consumer behavior analysis will help the corporation play a major role in the competitive and expanding insurance market.

6.35 Survey of LIC Customers

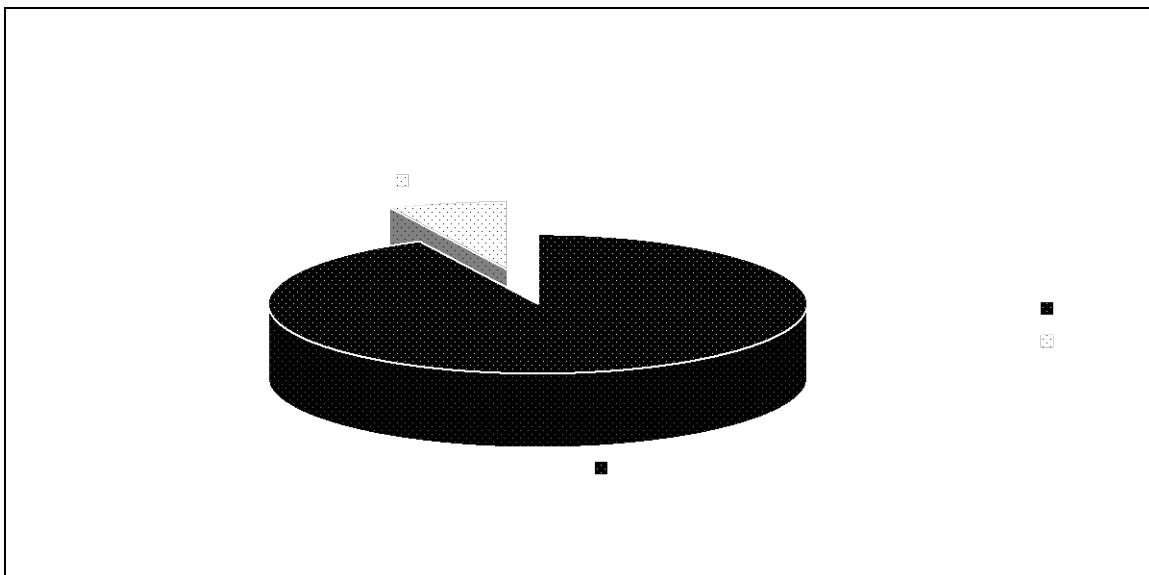
As per the research design, discussed in the second chapter, a survey was carried out in the twin cities of Hyderabad and Secunderabad, among the customers of Life Insurance Corporation of India (LIC). A structured questionnaire was used to carry out the survey. The survey was carried out at the various branch offices of Life Insurance Corporation of India, located in Hyderabad and Secunderabad. A total number of one hundred and twelve customers were interviewed in the process. The questionnaire used for the survey is presented in the appendix.

Both open ended and close ended questions were used in the survey. For the close ended questions, in order to analyze the results, the responses were grouped into different categories as per the choices selected by the respondents. For the open ended questions, depending on the responses given by the respondents, different categories were created and the responses were grouped under these categories.

6.35.1 Analysis

In order to have a better understanding of the survey, various bar charts and pie diagrams were constructed, as per the data obtained. In the analysis part, each question is presented separately, along with the frequency tables, in each category of response (number of responses under each of the categories for a particular question), and the corresponding bar chart/ pie diagram is also presented, followed by the observations made. Details of non-parametric tests which were conducted to test the statistical significance of the results obtained are presented in the appendix.

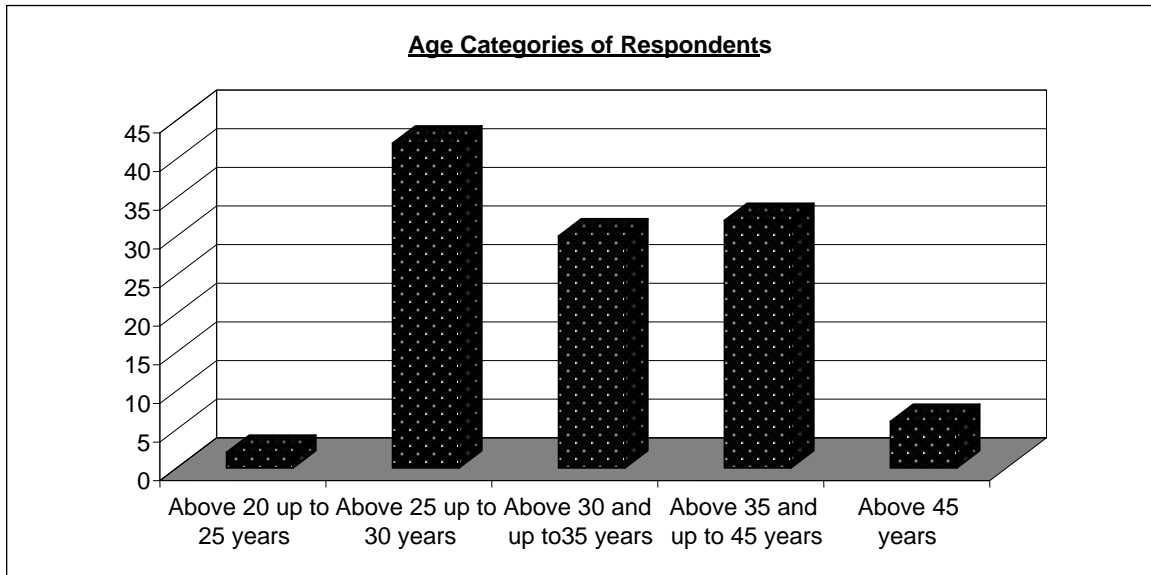
Analysis of Data Related to LIC Customer Survey



Gender:	No. of Responses	Percentage (%)
Male	104	93
Female	8	7
Number of Respondents:	112	100

Observation

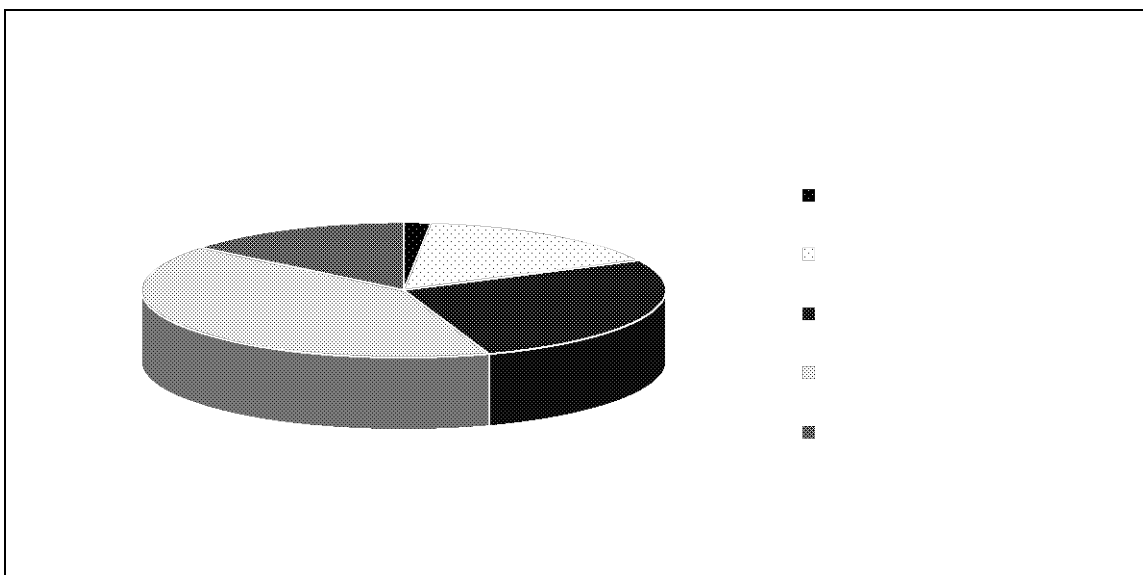
The total number of respondents was 112, out of which 93% were male and 7% were female. This observation corresponds to the fact that most of the customers who approach the branch offices are men.



Age		
Response Category	No. of Responses	Percentage (%)
Above 20 up to 25 years	2	2
Above 25 up to 30 years	42	38
Above 30 and up to 35 years	30	27
Above 35 and up to 45 years	32	29
Above 45 years	6	5
Total Responses	112	100

Observation

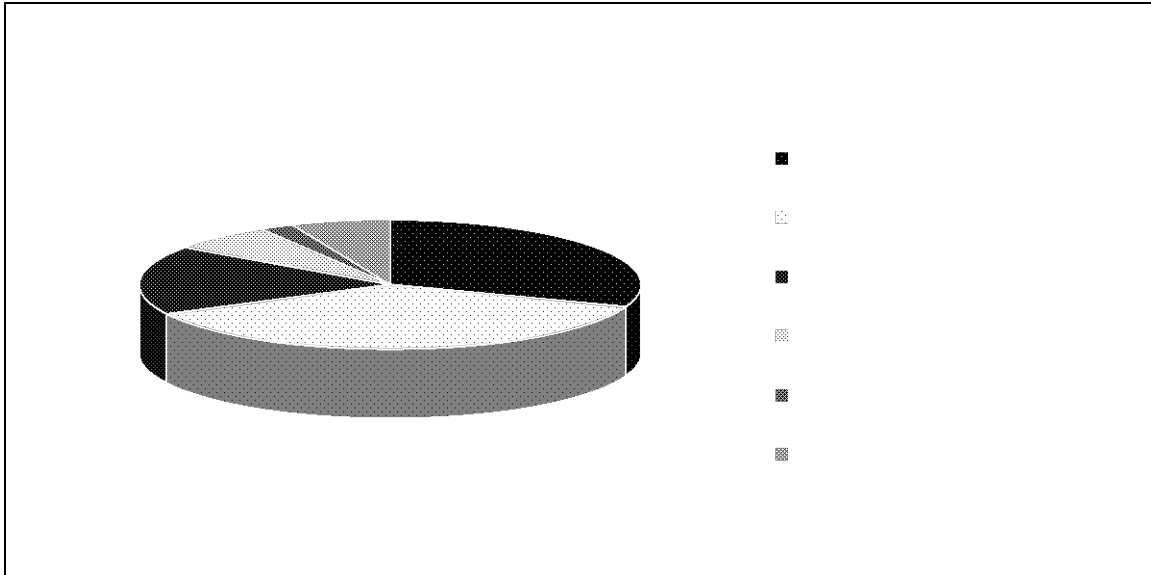
Thirty eight percent of the respondents belonged to the age group 25 to 30 years, followed by the respondents who belonged to the age group between 35 to 45 years (accounting for 29%). Twenty seven percent of the candidates belonged to the age group between 30 to 35 years, five percent of the candidates were above 45 years and 2 percent of the candidates were of the age group 20 to 25 years. This observation reveals that majority of the respondents are above twenty five years of age.



Occupation		
Response Category	No. of Responses	Percentage (%)
Self employed professionals	2	2
Business people	18	16
Government Employees	30	27
Private Employees	46	41
Others(skilled, unskilled labour etc)	16	14
Total Responses	112	100

Observation

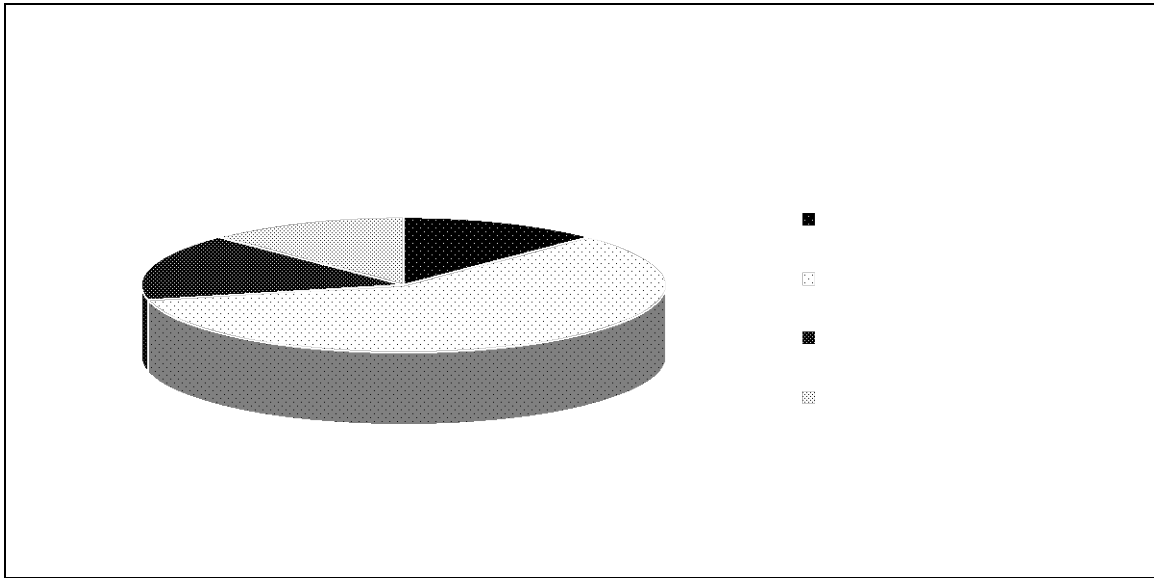
Forty one percent of the respondents were working in the private sector, while twenty seven percent of the respondents were government employees. Sixteen percent of the respondents were business people. Fourteen percent were skilled and semi skilled labour working in the unorganized sector. Two percent of the respondents were self employed professionals like doctors, lawyers etc. More than sixty percent of the respondents belong to the category of employees (private sector and government employees together).



Monthly Income		
Response Category	No. of Responses	Percentage (%)
Up to Rs.5000/-	28	30
Above Rs.5000, up to Rs.10,000/-	34	37
Above Rs.10,000/- up to Rs.15,000	16	17
Above Rs.15,000 up to Rs.20,000	6	7
Above Rs.20,000 up to Rs.25,000/-	2	2
Above Rs.25,000/-	6	7
Total Responses	92	100

Observation

Thirty seven percent of the respondents belonged to the monthly income group between Rs.5000/- and Rs.10000/-, followed by thirty percent of the respondents who had income less than Rs.5000/- per month. Seventeen percent of the respondents had monthly income between Rs.10000/- and Rs.15000/-. Seven percent of the respondents had monthly income in the category Rs.10000/- and Rs.15000/-, another seven percent of the respondents had monthly income above Rs.25, 000/-. Two percent of the respondents had monthly income in the range between Rs.20000/- and Rs.25000/-. Seventy percent of the respondents belong to the above Rs.5000/- per month

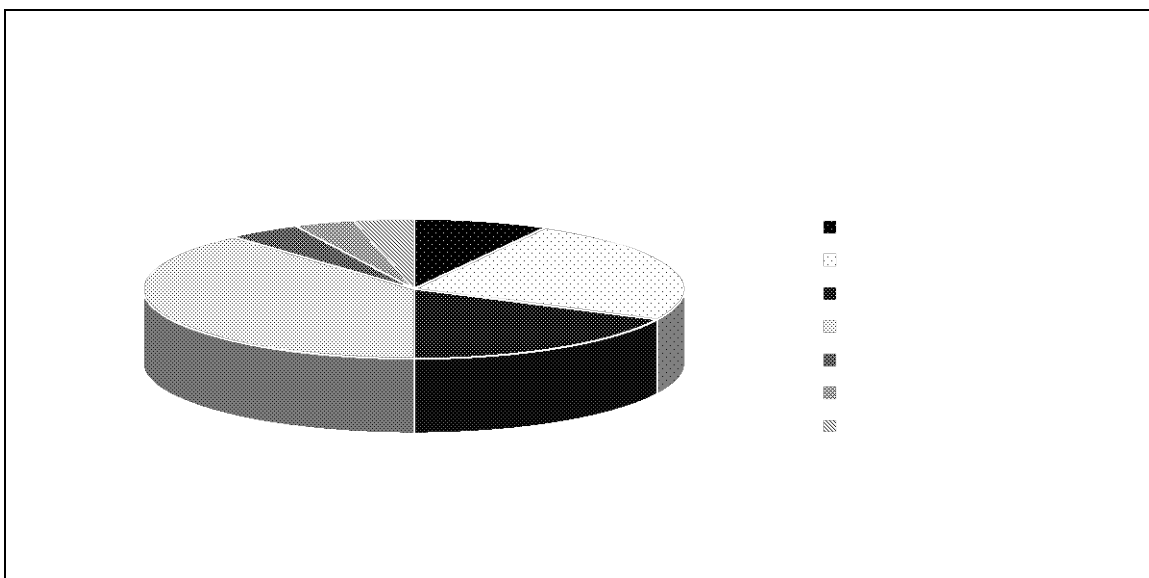


1. How long have you been holding LIC policy/ policies?

Response Category	No. of Responses	Percentage (%)
Up to 1 year	14	13
More than 1 year and up to 5 years	66	59
More than 5 years and up to 10 years	18	16
Above 10 years	14	13
Total Responses	112	100

Observation

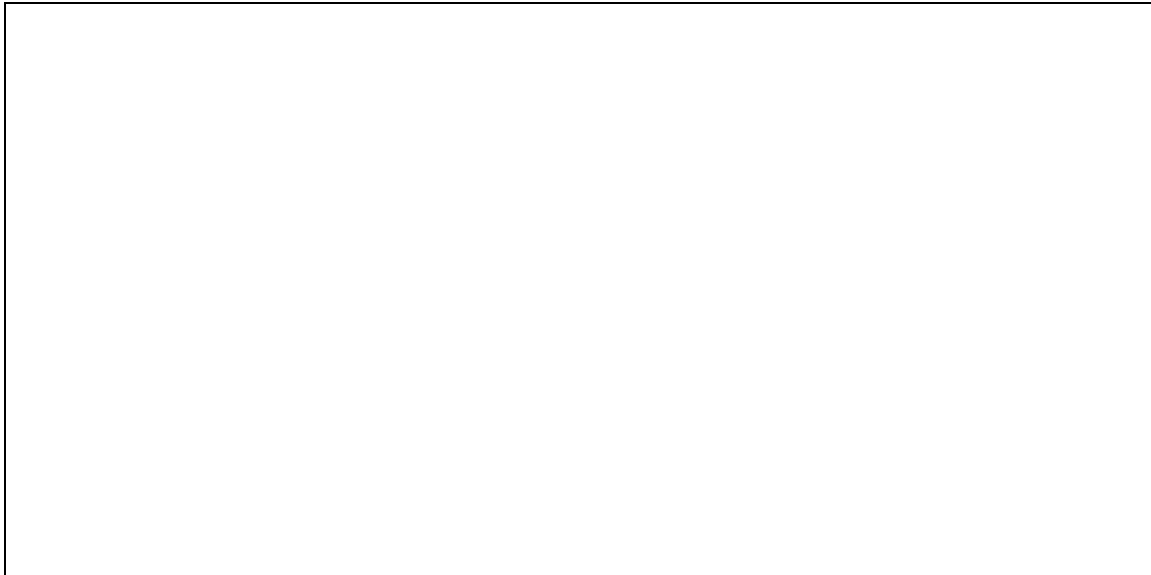
Fifty nine percent of the respondents were holding the insurance policies for more than one year and up to five years, while sixteen percent of the respondents were holding the policies for more than five years and up to 10 years. Thirteen percent of the respondents were holding the policies for more than 10 years, while another 13% of the respondents were holding LIC policies for less than a year.



2. Name of the policy		
Response Category	No. of Responses	Percentage (%)
Jeevan Shree policy	9	8
Jeevan Mitra policy	27	24
Endowment policy	20	18
Money Back policy	43	38
Komal Jeevan policy	5	4
Bima Kiran policy	4	4
Children's money back policy	4	4
Total Responses	112	100

Observation

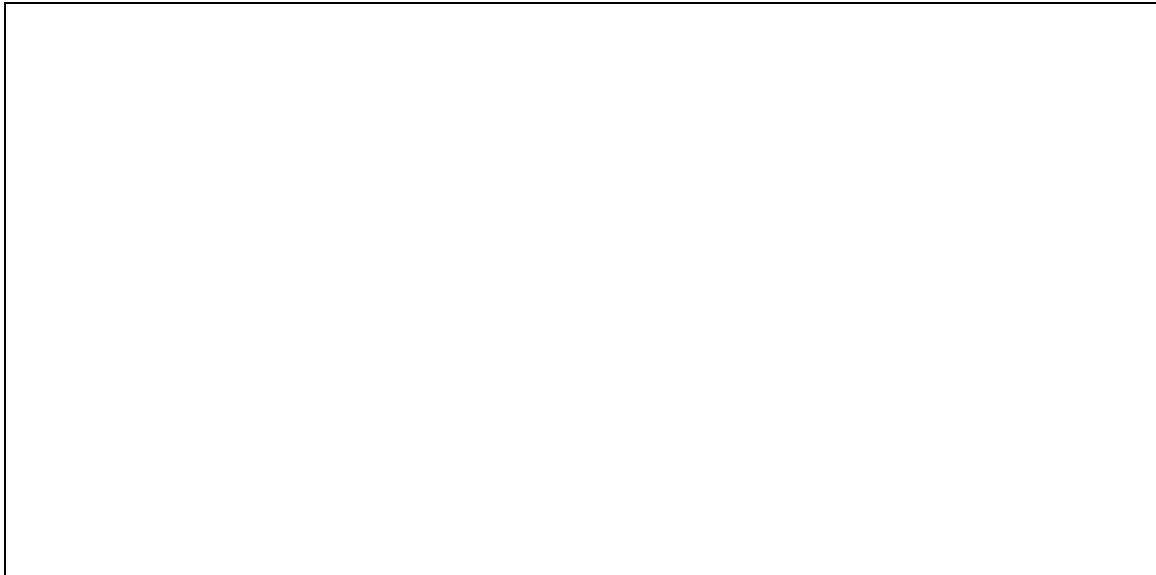
Thirty eight percent of policy holders had a money back policy, followed by 24% of the respondents, who had Jeevan Mitra policy. the remaining policy holders were spread across policies like Endowment Policy (18%), Jeevan Shree Policy (8%), four percent each for Komal Jeevan policy, Bima Kiran Policy, and children's money back policy.



3. Why did you take an Insurance policy		
Response Category	No. of Responses	Percentage (%)
A) For tax benefit	24	21
B) For uncertain future	42	38
C) For children's education	16	14
D) Any other reasons(savings, security etc)	30	27
Total Responses	112	100

Observation

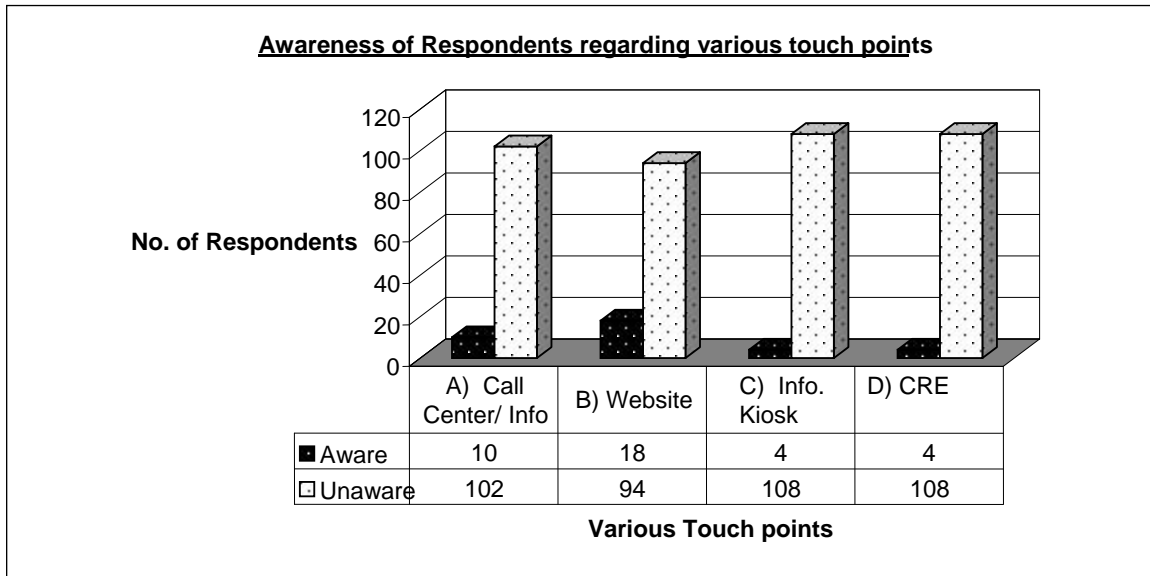
Thirty eight percent of the respondents took LIC policy as they felt that it is necessary to cope with uncertainty in the future, twenty one percent respondents opted the policy for the purpose of tax benefit, twenty percent gave purposes like savings, security etc., and the remaining fourteen percent respondents opted for the LIC policy hoping that it would be beneficial for uncertain future.



4. Why did you prefer LIC policy / policies?		
Response Category	No. of Responses	Percentage (%)
A) Because it is a Govt. organization	82	73
B) The returns are good	0	0
C) Excellent service is given	2	2
D) I do not know other Insurance companies	18	16
E) Any other reasons	10	9
Total Responses	112	100

Observation

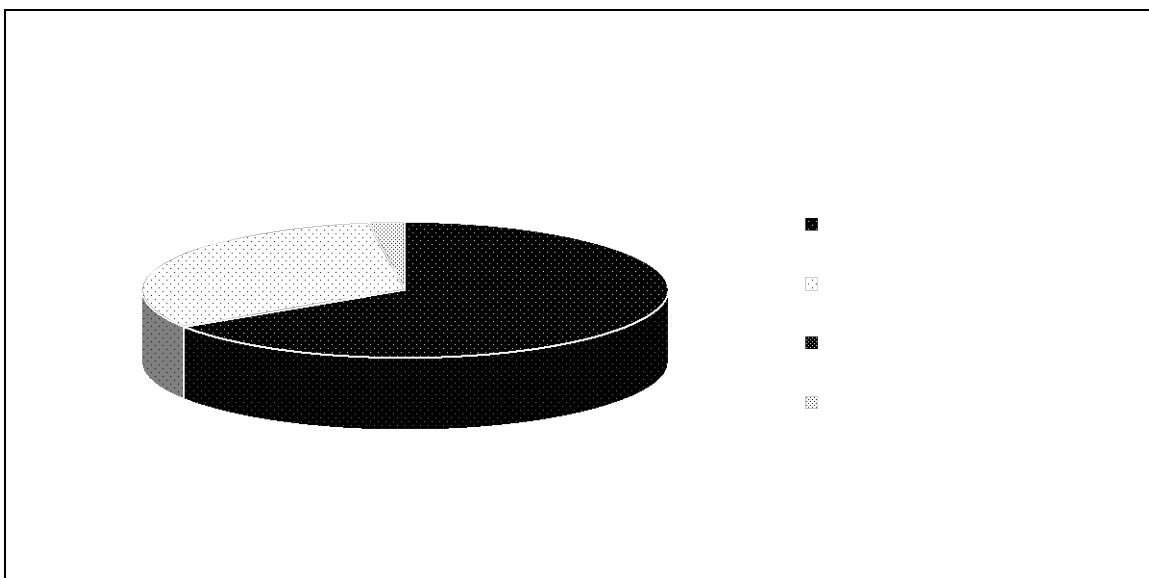
Seventy three percent of the respondents opted for Life Insurance Corporation of India (LIC) policies, as it is a government organization. Sixteen percent of the respondents opted for LIC policies, as they did not know any other insurance companies. Two percent felt that excellent service given by LIC is the main reason for taking the insurance policy, but interestingly none of them felt that the returns were good enough.



5. Are you aware of the following facilities offered by LIC?				
	Aware	Unaware	%Aware	%Unaware
A) Call Center/ Info Center	10	102	9	91
B) Website	18	94	16	84
C) Info. Kiosk at divisional office	4	108	4	96
D) Customer Relations Executive (CRE) at branch offices	4	108	4	96

Observation

Only nine percent of the respondents were aware of Call Center facility offered by LIC, sixteen percent of the respondents were aware of LIC web site. Only four percent respondents were aware of Information Kiosk, and similarly only 4% were aware of Customer Relations Executive at the branch offices. These observations emphasize the need for effective communication with the customers regarding the facilities set up by the organization.

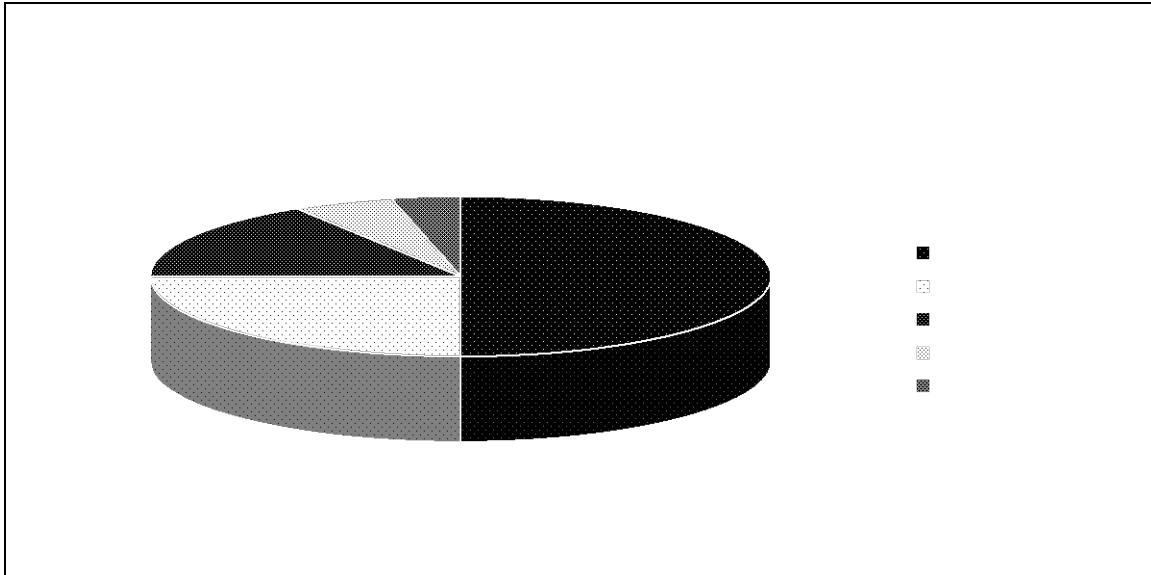


6. If you have any problem/ query/ request with LIC policy, what do you do?

Response Category	No. of Responses	Percentage (%)
A) Contact the LIC agent and inform him	58	52
B) Contact the Branch office	28	25
C) Contact the call center/ Info Centre	0	0
D) Any other (web site etc)	2	2
No necessity so far	24	21
Total Responses	112	100

Observation

Regarding the preference of touch point in problem of a query/ request problem, fifty two percent of the respondents preferred meeting LIC agent, 25% respondents preferred contacting the branch office, 2% preferred the usage of web site, while 21% of the respondents said that so far they did not have the necessity of meeting any one at LIC for a problem/ query etc.



7) Your experience with LIC Agent was:		
Response Category	No. of Responses	Percentage (%)
Highly Satisfying	56	50
Satisfying	28	25
Average	18	16
Dissatisfying	6	5
Highly Dissatisfying	4	4
Total Responses	112	100

Observation

Fifty percent of the respondents were highly satisfied LIC agents, 25% felt satisfied, 16% felt they had average satisfaction, five percent reported that they were dissatisfied with the agent and four percent felt highly dissatisfied. the reasons are analyzed in the next question.

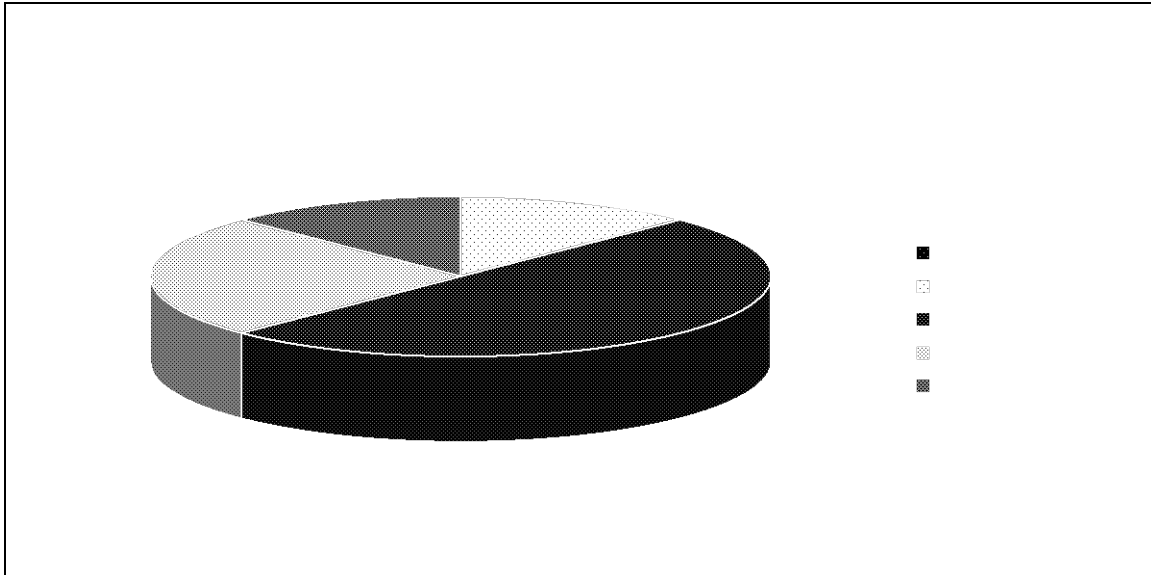
7a)Reasons for satisfaction		
Response Category	No. of Responses	Percentage (%)
Agent is accessible	33	57
Agent is courteous	25	43
Total Responses	58	100

Observation

When the respondents were probed for reasons for satisfaction with LIC agent, 57% of those responded gave a reply that the agent was accessible. Forty three percent replied that the agent was courteous with them.

5b)Reasons for Dissatisfaction	
Agent not seen after taking policy	4

All those who replied to the query related to reasons for dissatisfaction with the agent replied that the agent was not seen after taking the policy.



8) Your experience with the website was:		
Response Category	No. of Responses	Percentage (%)
Highly Satisfying	0	0
Satisfying	2	13
Average	8	50
Dissatisfying	4	25
Highly Dissatisfying	2	13
Total Responses	16	100

Observation

None of the respondents were completely satisfied with the website of LIC. Thirteen percent of the respondents were satisfied in general with LIC web site, while 50% respondents felt that it was average. Twenty five percent of the respondents felt dissatisfied with the website, while 13% felt highly dissatisfied. The reasons for the above conclusions are analyzed in the next question.

8a) Reasons for Satisfaction		
Response Category	No. of Responses	Percentage (%)
Information on New plans is made available	2	100
Total Responses	2	100

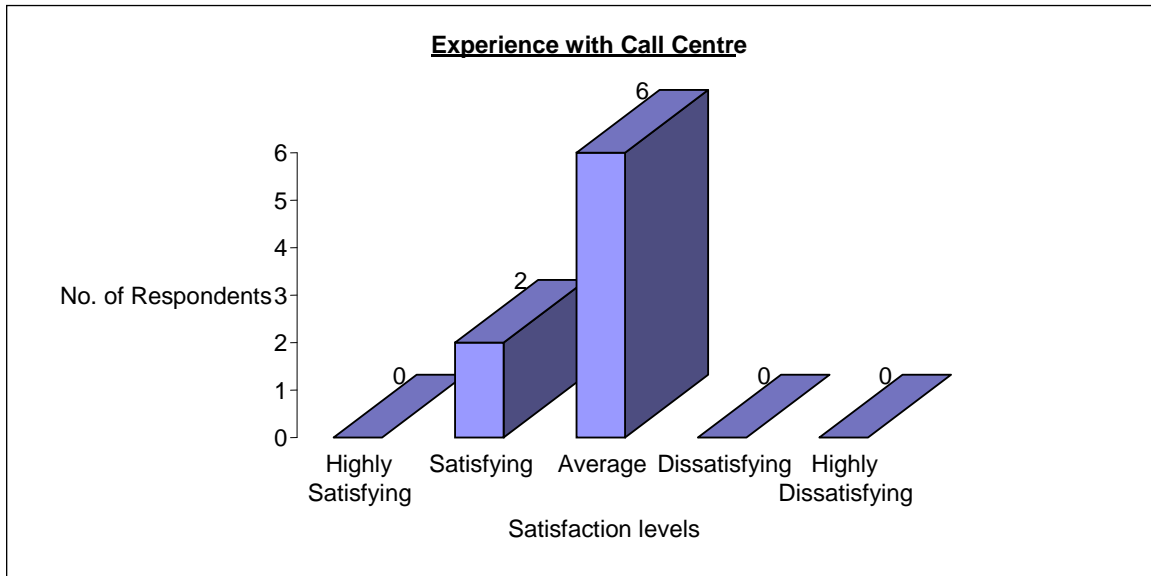
Observation

Only one reason was mentioned by both the respondents who answered the question. The reason for satisfaction was that information regarding the new plans was made available on the web site.

8b) Reasons for Dissatisfaction		
Response Category	No. of Responses	Percentage (%)
Web site not properly accessible	4	50
Server is slow	2	25
Mail- not composing	2	25
Total Responses	8	100

Observation

The reasons for dissatisfaction included reasons like the web site not being accessible (50%), the server being slow (50%), mail not getting composed (50%).



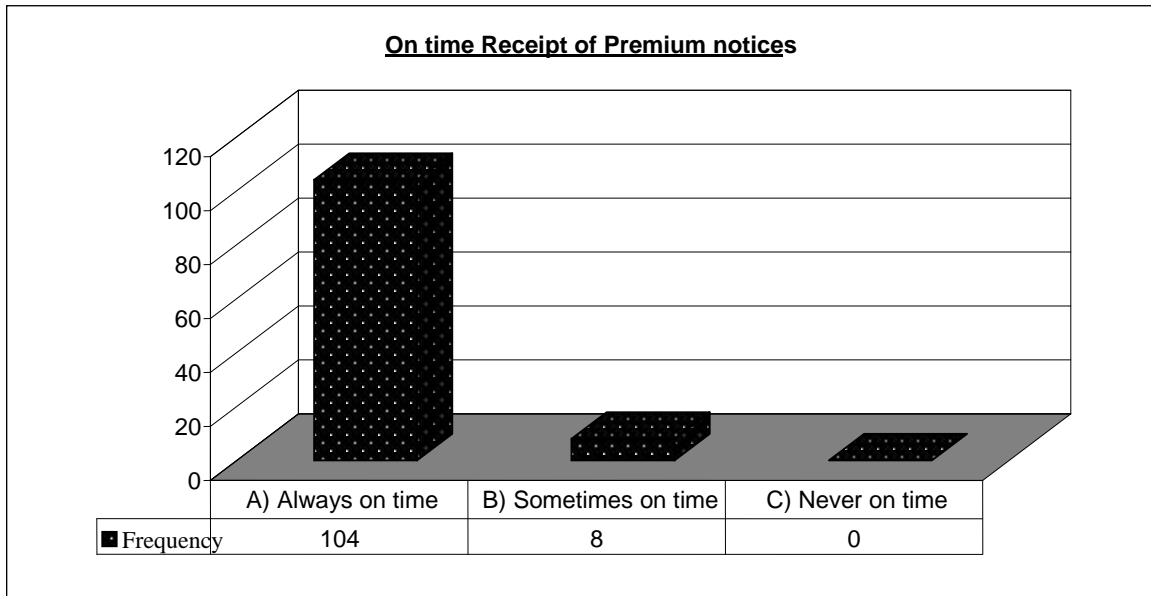
9) Your experience with Call Center was:		
Response Category	No. of Responses	Percentage (%)
Highly Satisfying	0	0
Satisfying	2	25
Average	6	75
Dissatisfying	0	0
Highly Dissatisfying	0	0
Total Responses	8	100

Observation

Out of the eight respondents who answered the question, two respondents (accounting for 25%) replied that call center was satisfying, six respondents (accounting for 75%), replied that they had average satisfaction with the call centre.

9a) Reasons for average satisfaction		
Response Category	No. of Responses	Percentage (%)
Response is inadequate	4	67
Proper information was not given	2	33
Total Responses	6	100

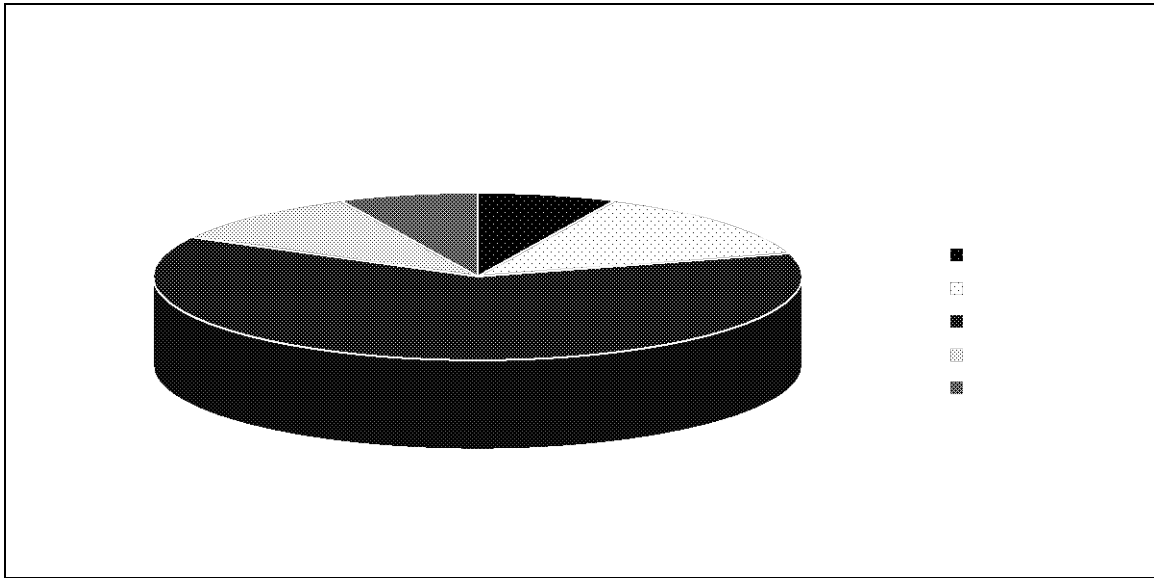
The reasons for average satisfaction included the reasons like the response of the call center personnel being inadequate i.e., lack of information (67%); and the information which was given was not proper (33%).



10. Do you receive premium notices on time?		
Response Category	No. of Responses	Percentage (%)
A) Always on time	104	93
B) Sometimes on time	8	7
C) Never on time	0	0
Total Responses	112	100

Observation

As far as premium notices are concerned ninety three percent of the respondents replied that they always received premium notices on time, and seven percent replied they sometimes received premium notices on time.

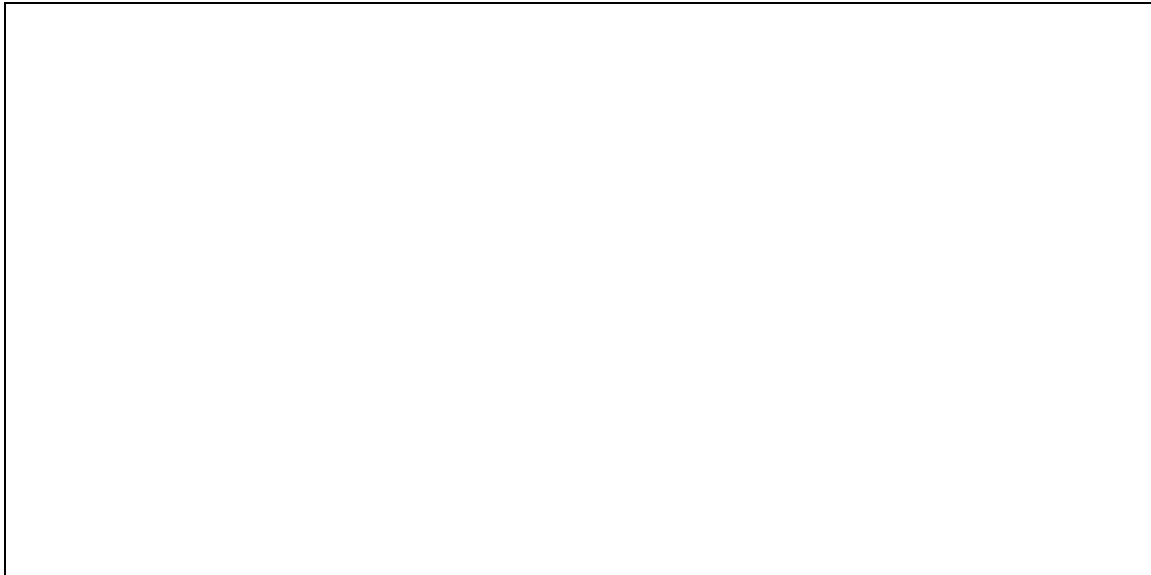


11. The time taken by LIC to address your needs and take necessary action is

Response Category	No. of Responses	Percentage (%)
A) Very high	4	7
B) High	8	14
C) Reasonable	36	62
D) Less	6	10
E) Very less	4	7
Total Responses	58	100

Observation

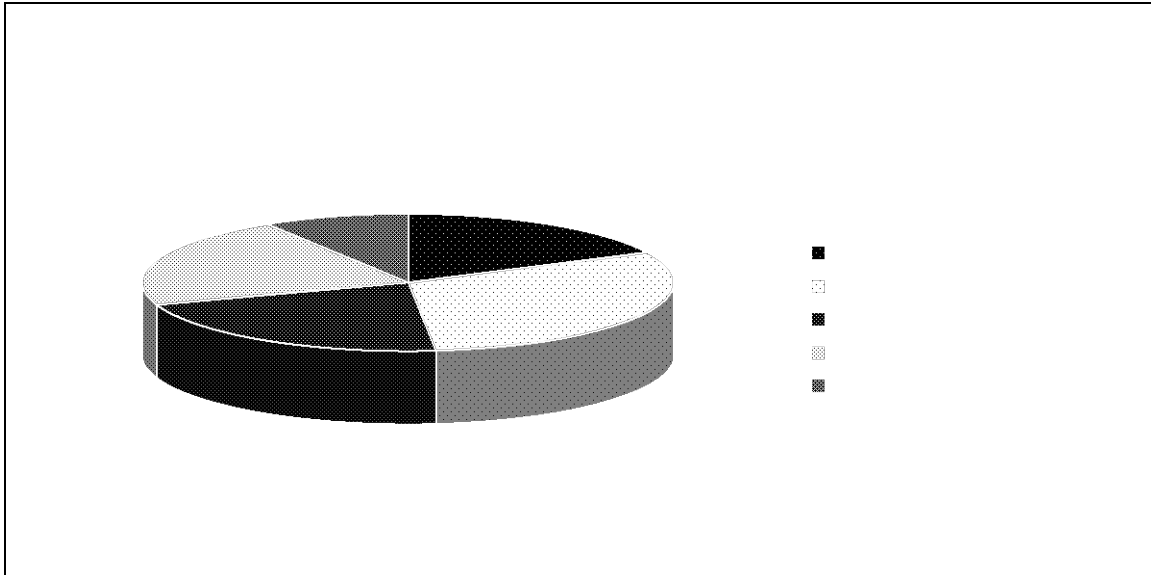
Sixty two percent of the respondents felt that LIC took reasonable time to address their needs and take necessary action; ten percent felt that LIC took less time to address their needs; fourteen percent felt that the time taken by LIC was high; seven percent felt that the time taken was very high and another seven percent of the respondents felt that LIC took very less time to address their needs and take necessary action.



12. Are you satisfied with the services offered by LIC		
Response Category	No. of Responses	Percentage (%)
Highly Satisfying	42	38
Satisfying	58	52
Average	12	11
Dissatisfying	0	0
Highly Dissatisfying	0	0
Total Responses	112	100

Observation

Fifty two percent of the respondents felt that the services offered by LIC were satisfying; thirty eight percent of the respondents felt that the services offered by LIC were highly satisfying, while eleven percent of the respondents felt average satisfaction with LIC services.



13. Would you prefer to buy another policy from LIC?		
Response Category	No. of Responses	Percentage (%)
A) Definitely purchase	20	18
B) May Purchase	34	30
C) Can't Say	24	21
D) May not purchase	24	21
E) Definitely will not Purchase	10	9
Total Responses	112	100

Observation

Thirty percent of the respondents replied that they may purchase another policy from LIC; twenty one percent respondents were undecided, while another 21% indicated that they may not purchase another policy from LIC. Eighteen percent of the respondents replied that they would definitely purchase another policy from LIC, while nine percent of the respondents replied that they definitely would not purchase another policy from LIC.

13a) Reasons for preferring future Purchase from LIC		
Response Category	No. of Responses	Percentage (%)
Tax Benefits	10	19
Savings	16	31
Family security	8	15
Children's future(education, marriage) etc	16	31
Security - LIC being a govt. organization	2	4
Total Responses	52	100

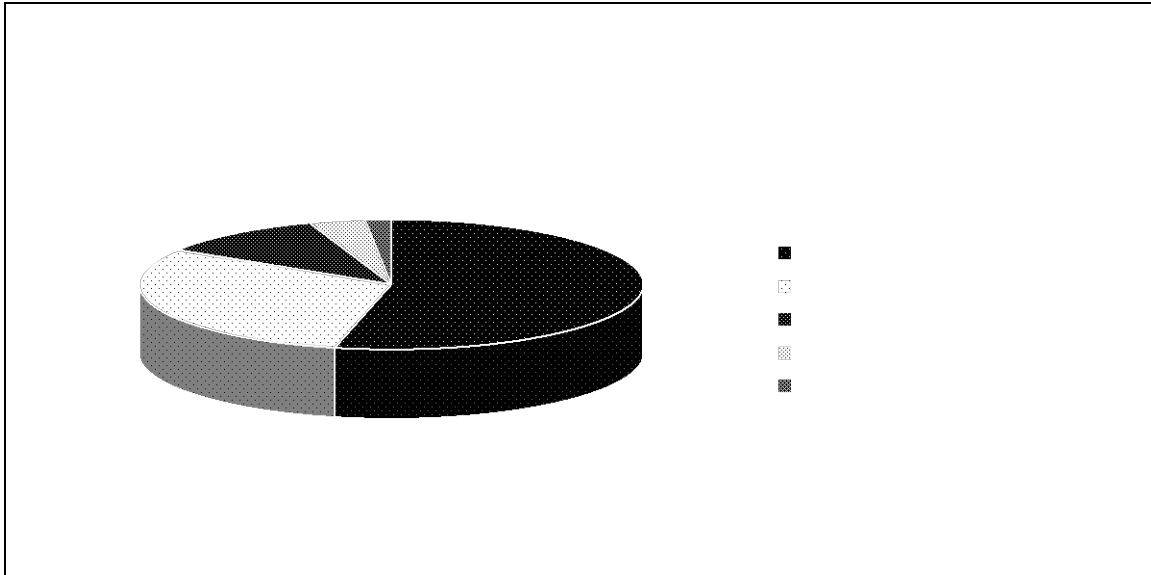
Observation

The reasons for preferring a future purchase of LIC policy included reasons like children's future (31%), general savings (31%), tax benefits (19%), family security (15%), the reason of security for their money as LIC is a government organization (4%).

13b) Reasons for not preferring future purchases from LIC		
Response Category	No. of Responses	Percentage (%)
Would opt for policies of private companies	8	24
Cannot afford (low income)	16	47
Already enough policies taken	8	24
Not necessary	2	6
Total Responses	34	100

Observation

Forty seven percent of the respondents gave reason of low affordability levels for not preferring to purchase LIC policies in the future. Twenty four percent of the respondents said they would opt for policies of private companies, while another twenty four percent of the respondents replied that they already have enough policies, and they don't need any policies further. Six percent respondents felt it unnecessary to take any more policies from LIC.

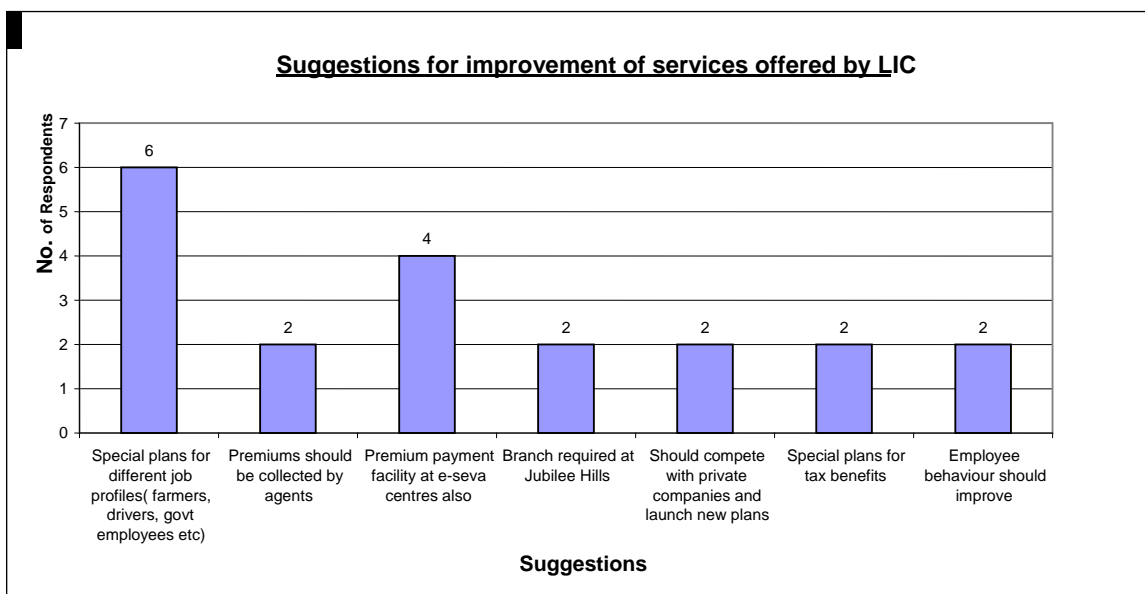


14. Would you recommend LIC policies to your friends/ relatives?

Response Category	No. of Responses	Percentage (%)
A) Definitely recommend	60	54
B) May Recommend	34	30
C) Can't Say	12	11
D) May not Recommend	4	4
E) Definitely will not Recommend	2	2
Total Responses	112	100

Observation

Fifty four percent of the respondents replied that they would definitely recommend purchase of LIC policies to their friends and relatives. Thirty percent of the respondents said that they may recommend they may recommend purchase of LIC policies. Eleven percent of the respondents were undecided. Four percent said that they may not recommend, while the remaining 2% said that they definitely would not recommend the purchase of LIC policies to their friends and relatives.



15. Your Suggestions for improvement of services offered by LIC		
Response Category	No. of Responses	Percentage (%)
Special plans for different occupation/job profiles(farmers, drivers, govt. employees etc)	6	30
Premiums should be collected by agents	2	10
Premium payment facility at e-seva centers also	4	20
Branch required at Jubilee Hills	2	10
Should compete with private companies and launch new plans	2	10
Special plans for tax benefits	2	10
Employee behavior should improve	2	10
Total Responses	20	100

Observation

A wide range of suggestions were made by the respondents for the improvement of services offered by LIC; the prominent suggestions include launch of special plans for different job profiles (30%); premium payment facility at e-seva centers (20%). Other suggestions included launch of LIC branches at some locations, premium collection by agents, launch of special plans for tax benefit, improvement of employee behavior etc.

CHAPTER VII

**SUMMARY OF MAJOR FINDINGS AND
RECOMMENDATIONS**

7.1 Findings Related to Secondary Data

In the initial phase the analysis of secondary indicates that CRM is emerging as a strategic factor in the survival and growth of companies. Irrespective of the nature of business, it is imperative to build value based relationships with the customers. Both the service sector as well as the manufacturing sector has long term implications with respect to the implementation of CRM activities

There is a growing interest in the Indian firms towards initiatives related to relationship marketing. Notwithstanding the nature of ownership of the firms, be it a private sector firm or public sector enterprise, the importance of CRM is being recognized and appreciated by the top management of various organizations. Any company that would like to survive and grow in the competitive environment cannot afford to neglect the importance of CRM. Although value based relationships are not new to business enterprises, in the recent years (late 1990s and early 2000s), the concept of relationship marketing/ CRM has gained importance in the Indian Business Environment.

Two specific factors are identified for the surge in interest among companies for implementing CRM initiatives. They are:

1. The impact of liberalization and privatization on Indian Business Environment.
2. The tremendous changes brought in by Information Technology (IT) that enabled data management software of high capacities, which was beyond the imagination earlier.

7.1.1 Impact of Liberalization

The process of liberalization and deregulation of business activity has brought tremendous pressure on business organizations. The monopoly/ oligopoly status enjoyed by large business firms, has started changing. The thinking of the companies, in the earlier stages (prior to liberalization of Indian economy) was limited to managing production lines, distribution channels, and launching a variety of promotional activities. Prior to liberalization, many Indian companies thought that it was enough to deliver a product to the customer, and the customer would be happy with it. The marketing

activities totally reflected a transaction process, where companies focused immensely on finding new customers, while neglecting the existing customers.

The liberalization policy of the Indian government has enabled more number of firms/ organizations to operate in various business sectors. Although the impact of these policy decisions was not suddenly and deeply felt by the existing companies, slowly and steadily, they started realizing the changing market dynamics.

Apart from private sector companies like Mahindra & Mahindra, ICICI, Idea Cellular, Hero Honda, companies like BPCL, HPCL, BHEL, LIC even though being public sector enterprises were some of the early movers in taking necessary steps to protect their business interests. The companies that had a strategic vision realized the importance of customer value. Organizations realized that existing customers are very important to the organization, and they cannot be neglected and treated like captive customers. The life time value the existing customers could contribute to the company and the impact the existing customer could possibly make on the prospective customers are the key factors considered by companies while initiating CRM programs.

The increased competition among the companies has resulted in the following challenges:

1. Retaining the existing customer base.
2. Maintaining the existing market share.
3. Sustaining a healthy growth rate.

It is in the above context that CRM has been recognized as a strategic tool for maintaining mutually beneficial relationships with the customers.

7.1.2 Changes Brought in by Information Technology (IT)

Any study related to CRM cannot deny the importance of Information technology (IT) in the management of data and opening of various touch points with the customers. IT helps in maintaining continuous contact with the customers through channels like call centers, internet, e-mail etc. Essentially any contact management program with a large base of customers is not possible without IT applications. Data base related CRM packages like

My SAP CRM, SIEBEL, Oracle, Talisma etc have played a major role in the implementation of CRM initiatives. There cannot be any denial about the importance of the role of IT in CRM initiatives, but the role played by IT some times gives an impression that CRM is an IT initiative. This notion needs a correction, as it should be understood that CRM is primarily a business activity. CRM is a strategic initiative, that aims at creating improving and sustaining value- based relationships with the customers, with an intention of long-term business goals.

In order to attain the business objectives, various customer parameters are maintained in the form of customer purchases, preferences, which would help in understanding customer behaviour. IT helps in creating and maintaining large data bases, related to the customers. This becomes critical, especially in the cases where companies deal with customers running into hundreds of thousands, and spread across various geographic locations. The situation further becomes complex, as there is no guarantee that each time a customer interacts with the company, he/ she would contact the same executive every time. In these circumstances, IT at a very basic level helps in recording and storing the customer related data, which could be easily accessed by the company executives, thus making it easy for the company to maintain individual customer track records.

The scope of IT however does not end with contact management. If IT could be used properly, it helps in deeper understanding of the customers. This particular area of CRM called as 'Analytical CRM' is useful in analyzing the buying patterns, preferences, likes and dislikes of the customers. Companies can make use of this data to understand the customer needs and problems in a better fashion and launch initiatives that are personalized to the customer requirements.

Thus it can be observed that CRM is primarily a business activity, where IT has a critical role in achieving the business objectives. In fact IT acts as a back bone in the implementation of CRM activities. However good an IT package is and whatever capabilities it has, it should be realized that the nature of initiatives, the value proposition that is offered to the customers are the critical factors that determine the success of CRM initiatives.

7.2 Findings Related to Primary Data Analysis

The following findings were made with respect to CRM practices in the manufacturing sector:

1. Both the firms under study (BPCL, Hero Honda) have launched special loyalty programs (Petro Card and Passport) for creating relationships with the customers.
2. Both the loyalty programs use a specialized branded identity for relationship programs ('PetroCard'/ 'PetroBonus' by BPCL and 'Passport' by Hero Honda).
3. 'My SAP CRM' is the software used by both the companies in running the CRM programs.
4. Both companies had to depend on the dealer network for the CRM initiatives.
5. Both the companies had news letters/e- mail kind of arrangements for maintaining regular contact with the customers.
6. Both the companies used internet with a separate section for CRM programs.
7. The loyalty programs of both the companies had a similar format like accrual of points with various purchases made by the customers. The accumulated points, at a future point of time after reaching a certain limit could be exchanged for gifts.
8. As far as the usage of technology is concerned, BPCL is using high-end technologies with smart card applications, while Hero Honda uses low end technology- a book with manual entries that gets updated with every purchase. The updated data over a period of time is entered into a specialized database.
9. BPCL is extensively focusing on up-selling by encouraging customers to purchase superior value petrol variant SPEED, and its lubricants while Hero Honda encourages its customers to purchase original spare parts for the vehicles and

usage of its authorized service centers. Hero Honda also encourages its customers to act as referrals by issuing them discount coupons.

10. BPCL is also focusing on implementation of the principle of cross selling through its concept of IN&OUT convenience stores. In the case of Hero Honda, it has tied up with companies like LAOPLA, Welcome Heritage, SINGER and SBI to offer value proposition to its customers.
11. Exclusive promotional tools are used for relationship programs by both Hero Honda and BPCL.
12. The customers of both companies who are participants of loyalty programs showed significantly higher levels of loyalty, in their normal purchases, referrals, and trying new products launched by the companies.

As far as the service sector companies (Idea Cellular and LIC) are concerned, the following findings are made:

1. Both the organizations have evolved a separate structural set up for managing relationships with the customers.
2. More emphasis is laid on contact management, rather than loyalty programs.
3. Contact point management was considered critical for both the companies under study.
4. There is a need for continuous interaction between the company and the customers at regular intervals for maintaining relationships.
5. While LIC had to ensure continuous premium payments, Idea had to ensure bill payments (Post paid), and renewal of accounts by the pre paid members.

6. Information management is critical for both the organizations (correct premium information, time of maturity etc for LIC; correct billing, activation of special services, in case of Idea)
7. Call Centers, Web sites and customer service executives formed the back bone of CRM programs in both the companies.
8. Parameters like accessibility of the company executives, waiting time for service delivery, availability of proper information are the key elements in the service sector.
9. Idea Cellular, being a mobile service provider, has the advantage of using its own net work for managing relationships with the customers, while LIC had to depend on creation of separate information platform for communication systems.
10. Creation of IVRS facility has emerged as a minimum requirement for the CRM initiatives in both the cases.
11. Awareness levels related to LIC's Call Centers, Information Kiosks, and websites are very low among the customers. Personal contact with the agent still happens to be main touch point.
12. Although no specific reward/ benefits are available, most of the customers exhibited their loyalty to the companies (Idea and LIC), as they feel that the main purpose of partnering with these companies is attained, and their needs are satisfied.
13. Various 'value added service' like ring tones, games etc are being offered by Idea Cellular ltd, which could be viewed as up-selling.

<u>Services sector</u>	<u>Manufacturing sector</u>
<ol style="list-style-type: none"> 1. Emphasis is more on structural set-up. 2. Contact management is given priority. 3. Need for continuous interaction to manage relationships and derive life time value. 4. High emphasis is laid on information management. 5. Call centers, web sites and customer service personnel formed the back bone for contact management. 6. IVRS facility gaining tremendous importance. In the case of insurance customers still rely on 'agent'. 7. Dealer/ agent network is still critical for managing relationships. 8. In spite of the absence of special loyalty programs, customers are satisfied as their basic purposes of taking services from the company are realized. 9. The emphasis on cross-selling and up-selling is relatively very low, and is being slowly introduced. 10. Specialized software forms the back bone for customer information management and interaction. 	<ol style="list-style-type: none"> 1. Emphasis is more on Loyalty programs. 2. Separate branded identity is given for relationship programs. 3. Bulk of the value is realized at the point of initial sale in durables, but in retailing, the case is similar to that of services. 4. Although information management is taken care of, it is mostly for the loyalty program members. 5. In spite of the presence of web sites point of sale is considered critical. 6. Although toll free numbers are present, emphasis is still on personal touch. 7. Dealer network is still critical for managing relationships. 8. Customers registered with loyalty programs are more satisfied and more loyal than the ordinary ones. 9. Concepts of Cross-selling and up-selling are actively deployed. 10. Specialized CRM software (My SAP CRM) is used for CRM initiatives

***Table 7.1: Cross Comparison of CRM Programs in
Services and Manufacturing Sectors***

7.3 Key Factors for CRM Success

After a careful analysis of the secondary data related to the CRM concepts and CRM practices across various organizations along with the analysis of primary data collected during the course of the study (data related to the companies chosen for the study namely Hero Honda Motors Ltd. and Bharat Petroleum Corporation Ltd. in the manufacturing sector; Idea Cellular Ltd. and Life Insurance Corporation of India in the services sector), the following factors are identified as the key factors that would determine the success of CRM initiatives. The factors identified are listed as follows:

1. Clear objective setting for CRM programs, in terms of the basic purpose of the programs.
2. Imparting the concept of 'customer life time value' among the company personnel across various touch points of the organizations.
3. Segmentation of customers and identification of value propositions from the customer point of view.
4. Choosing the right package for CRM implementation.
5. Ability to integrate the existing systems with the CRM packages.
6. Obtaining continuous feed back on the programs implemented and taking necessary corrective measures.

7.4 Recommendations

After the study of all the four organizations, namely BPCL, Hero Honda Motors Ltd, Idea Cellular Ltd., it is found that it would be useful to conceive a model that would act as a generic model for creation, maintenance and enhancement of meaningful relationships with the customers. It is also found that there is no specific or particular common solution or infrastructure, if created would suit CRM initiatives across all the organizations. Setting up of infrastructure facilities, creation of information platforms, though necessary are not an end in themselves. It is in this context that an attempt is made to conceptualize a model, on the basis of the study made.

7.4.1 Value Chain Relationship Model for CRM (VR Model)

The inspiration for this model is Michael Porter's Value Chain concept, where he has given a model that fits any firms' activities into 'Primary' activities and 'Supporting' activities. Thinking along the same lines, an attempt was made to give a generic model for CRM. As explained in the previous sections, CRM is basically a business activity, which focuses on the long term goals of the business. So CRM should be considered as a strategic area for business.

Developing and implementing customer relationship oriented business strategy becomes the primary activity for the business organization. This activity is further divided into certain sub activities as per the sequence of steps involved in it. Having achieved this purpose the next steps include the conceptualization and implementation of support activities that would help in realizing the objectives of the business strategy. Support activities require various resources for their implementation. The resources that are required vary depending on the nature of programs being conceived and implemented. In some cases the resources could be technology intensive, where as in other cases the emphasis could be more on human resources etc. The model termed as Value Relationship (VR) is presented in the following sections.

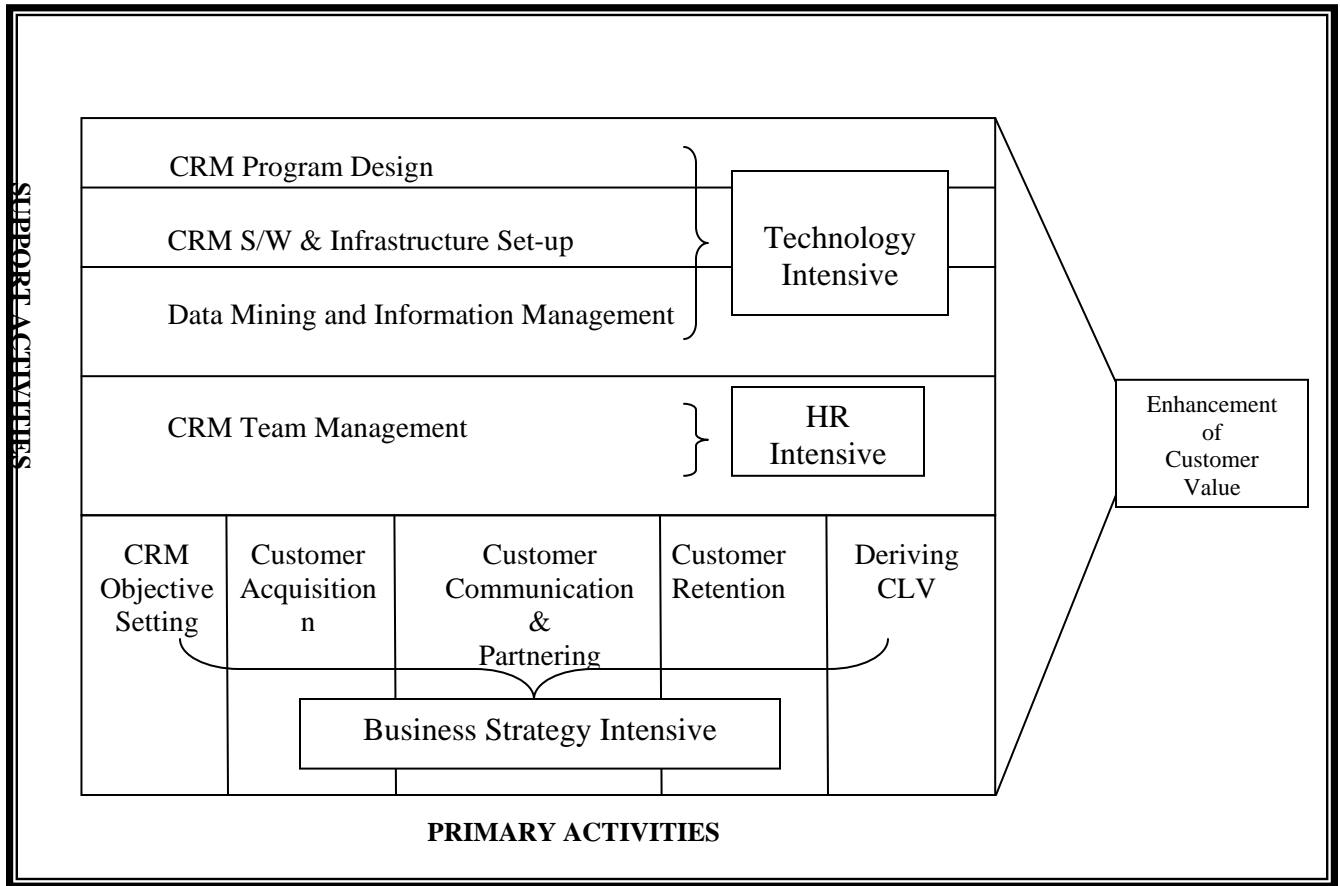


Fig 7.1: VR Model for CRM

7.4.2 Explanation of Value Relationship (VR) Model

After a careful study of CRM programs and practices, in manufacturing and service sectors, it was found that the process of CRM implementation in an organization included a variety of activities, which depended on the management's understanding of CRM and the expectations/ benefits sought through CRM.

In order to generate a process model for CRM it was found useful to conceptualize at a model that would avoid the confusion involved in understanding CRM as a software installation vs. a business activity. The proposed CRM process model divides the activities involved in CRM implementation as Primary Activities and Support Activities.

7.4.2.1 Primary Activities

Primary activities are considered to be those activities that are fundamental to the CRM initiatives. These activities come at the first place in implementing CRM programs. These activities form the basis of the entire CRM process itself. The primary activities actually determine the direction and provide focus for various relationship based programs. Effective implementation of these activities, with the help of support activities would lead to the success of CRM strategy. The following are the sequential components of the primary activities. They include:

1. CRM Objective Setting
2. Customer Acquisition
3. Customer Partnering
4. Customer Retention
5. Deriving CLV (Customer Lifetime Value)

7.4.2.1.1 CRM Objective Setting

Setting the objectives of CRM programs should be given the top most priority for any relationship strategy. The organization should be clear in terms of what it wants to achieve by implementing a CRM program. Considering the current problems faced by the organization and looking at the future scenarios would be helpful in setting the objectives.

Questions like:

Do we require a relationship with our customers, how does it help the organization?

Should we concentrate on reducing customer defections? What are the reasons behind customer defections?

Should we have a database of loyal customers? In what ways we can use this data?

What sort of activities would appeal most to the customers?

What are the activities of the competitors? Should we take them into consideration while designing our activities?

Questions like the above ones would be helpful in understanding the requirements of customers and setting up of objectives of CRM

7.4.2.1.2 Customer Acquisition

After setting the objectives of CRM, companies should focus on activities that would result in customer acquisition. Depending on the markets in which companies are operating, they should be able to identify various segments and differentiate accordingly, as different segments are bound to have different characteristics like the needs, purchase capacity, profitability etc. Here again the activities are related to deciding the segments to be targeted, drawing up strategies to acquire customers, and implementing them with an intention of partnering with the customers.

7.4.2.1.3 Customer Communication and Partnering

The next step after acquiring customers is related to the design and implementation of programs to partner with the customer. Delivery of value to the customers in terms of quality, service etc would encourage the customers to treat the company as a partner in their activities, rather than just trying to dump products. Developing effective partnerships with customers requires a thorough understanding of customers' needs and wants and delivery of solutions. Effective customer partnering requires efficient communication with the customer. Deciding on the theme of communication, channels of communication are critical for effectively partnering with the customer. It is quite useful to realize that communication should not only flow from the company to the customers, but it should also flow in the reverse direction. This would result in a feed back directly from the customers, which would be useful in taking necessary steps to further strengthen the bond between the customer and the company.

7.4.2.1.4 Customer Retention

This phase includes design and implementation of activities aimed at retaining customers. Customer satisfaction and delight are the important parameters here. Identification of factors that would enhance customer satisfaction and development of relationship bonds with the customers is important at this level. Identification and elimination of factors that contribute to dissatisfaction of customers is also a key activity. Bench marking against competitors (in terms of product standards, service delivery etc), and setting up of own

standards that would help in customer retention would help in enhancing customer satisfaction.

7.4.2.1.5 Deriving CLV (Customer Lifetime Value)

The next step in CRM involves design and implementation of strategies and activities to derive the life time value of the customer. Depending on the objectives set for the CRM programs, estimation of the value (in monetary terms) of the customer to the organization, the average life time of the customer is the important step in this phase. In order to derive the life time value, companies should implement programs that would help in increasing the share of the customers.

7.4.2.2 Support Activities

Support activities would help in realizing the objectives of the business strategy of relationship management. Support activities require various resources for their implementation. The resources that are required vary depending on the nature of programs being conceived and implemented. The support activities could be divided into the following sub-activities. They are:

1. CRM program Design
2. CRM S/W & infrastructure set-up
3. Data Mining and Information Management
4. CRM Personnel management

7.4.2.2.1 CRM Program Design

Various programs are designed as a part of CRM process, with an aim of meeting the goals and objectives of CRM strategy. The programs could take the shape of loyalty rewards program, customer contact program, offering discounts etc. The central point here is that the program in itself is not all of the CRM process but the program is given the required shape depending on the objectives of CRM strategy.

7.4.2.2.2 CRM Software and Infrastructure

It is imperative that any CRM program requires adequate infrastructure like telecommunications, internet and specialized data management software and hardware. Increased usage of call centers for customer service is an example of the importance of infrastructure in CRM activities. Acquiring the required inputs and managing them is one of the important support activities of CRM process. Careful evaluation and choosing vendors is very important, as this activity is highly capital intensive. In addition to this the capabilities of these inputs are of crucial importance in terms of data management, design and activation of various programs.

7.4.2.2.3 Data Mining and Information Management

Data mining is a critical support activity that helps in segmenting customers on the basis of their past history of purchases, preferences and other variables. Effective data mining helps in understanding the needs of the customers and serve them better. A lot of emphasis is generally made on the importance of data/ information management, in terms of having a 360 degree understanding of the customer, maintaining data integration, real time customer information systems etc. It should be understood that although information management is critical for the success of a CRM program, the degree of success depends on how we use the data effectively.

7.4.2.2.4 CRM Team Management

This activity is very crucial in terms of implementation of various CRM related activities. Automation can reduce the intervention of human beings up to some extent, but cannot entirely avoid the deployment of human resources. Also in certain activities, human intervention might be essential. Enough care should be taken in choosing, training and updating the skills of the members belonging to the CRM team. A human being can create either a positive or a negative image in the mind of the customer, by his/ her interaction.

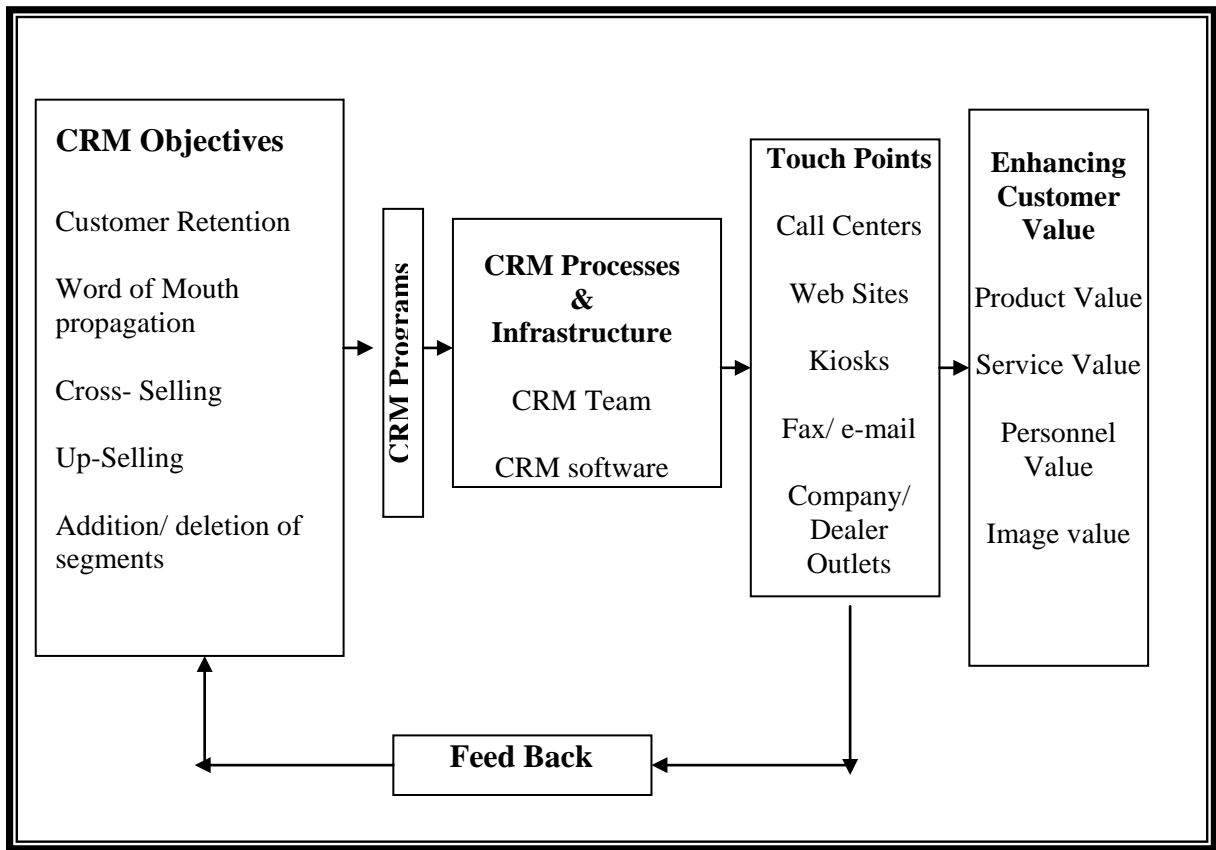


Fig 7.2: Flow Process Model for CRM

7.4.3 Flow Process Model for CRM

The above model is presented as a continuation of the VR model discussed in the previous section. This model depicts the work flow in the implementation of CRM strategies. The model is quite simple to understand and self explanatory, in terms of the sequence of activities involved and the various sub activities under each of the major activities.

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APPENDICES

A1.1

**Questionnaire for Customer Survey on Relationship Management at
Hero Honda Motors Ltd.**

Name:

Age:

Gender:

Profession:

Monthly Income:

Model of Hero Honda Motor Cycle:

New/ Second Hand

1. How long have you been using Hero Honda Motor cycle

No. of years_____

2. What is your main purpose of using the Hero Honda Motor cycle

3. What do you like most about Hero Honda motor cycle? []

A) Mileage B) Style and Design C) Trouble free use

D) Any other feature (Pls. mention) _____

4. Are you aware of Hero Honda Passport Program Yes/No []

5. Are you a member of Hero Honda Passport Yes/No []

If yes:

a) How long have you been a member? _____

b) What benefits did you get from the Hero Honda Passport Program?

6. If you require spare parts for your motorcycle, where do you buy them?[]

a) Go to the Hero Honda Show Room and purchase original spares

b) Go to any other outlet and buy spares of other manufacturers

Reasons for your decision

7. If you are a Hero Honda Passport member, are you satisfied with the benefits offered by the program ☐ Yes/No ☐

8. Would you suggest Hero Honda motorcycle to your friends/ relatives

☐Yes/No ☐

Reasons for your decision

9. Are you satisfied by the service offered by the Company service Centre?

☐Yes/ No ☐

Reasons for your decision

10. What are your suggestions for the improvement of Hero Honda Passport program?

Thank You

A1.2

**Questionnaire for Customer Survey on Relationship Management at
Bharat Petroleum Corporation Ltd.**

Name:

Age:

Gender:

Monthly Income:

Type of vehicle:

Own/ Co. provided

1. Do you always buy petrol at BPCL outlets []

A) Always B) Frequently C) Sometimes D) Rarely E) Never

2. How frequently do you visit Petrol Outlets? []

A) Every day B) Once every two days C) Twice a week
D) Weekly once E) Any other duration (please mention_____)

3. What matters you most while buying petrol at an outlet? (Rank your preferences)

- a) Waiting time at the outlet ☐
- b) Brand of the petrol being sold at the outlet ☐
- c) Nearness of the outlet ☐
- d) Correctness of measurement and quality of the fuel at the outlet ☐

4. Are you aware of BPCL's Petro Card program ☐ Yes /No ☐
If Yes,

4 b) Are you a member of PETRO CARD program ☐ Yes/No ☐

Reasons for joining/ not joining the Program

5. How much worth of fuel (in rupees) do you purchase on an average during a visit?

6. How much distance (on an average) do you travel per day? _____KMs.

7. Are you aware of IN & OUT convenience stores located at BPCL petrol outlets?

☐Yes/No ☐

7 a) If Yes,

Have you purchased any items at IN & OUT STORES? Yes ☐ No ☐

7 b) Reasons for purchase/ 7c) Non purchase

8. If you have purchased from IN & OUT stores, what items did you purchase at IN & OUT?

9. Are you aware of BPCL's PURE for SURE campaign?

9a). what do you expect from PURE for SURE petrol outlets?

10. Do you buy lubricants from BPCL petrol outlets? []

A) Always B) Frequently C) Sometimes D) Never

10 a) and b) Reasons for your decision

11. Do you buy SPEED Petrol sold at BPCL OUTLETS? []

A) Regularly B) Sometimes C) Rarely D) Never

11 a) and b) Reasons:

12. Suggestions for improvement of service at BPCL outlets and Petro Card program?

Q13. Your suggestions for improvement of Petro Card program

Thank You

A1.3

Questionnaire for Customer Survey on Relationship Management at Idea Cellular Ltd.

Name: _____ Age: _____
Gender: _____ Profession: _____
Organization: _____
Monthly Income: _____
Own/ Co. provided connection: _____

1. Type of mobile connection owned by you: (please tick) : ☐ Post paid /Pre paid ☐

2. How long have you been using Idea Cellular? []

A) ≤ 6 months **B)** > 6 months ≤ 1 year **C)** > 1 year ≤ 2 Years **D)** > 2 years

3. Are you aware of the following?: (please tick)

- a) Team response unit (at Khan Latif Khan- corporate office of Idea Cellular Ltd.) ☐
- b) E-mail i.d. (ccare.ap@ideacellular.com) ☐
- c) Team Response desk at dealer outlets ☐
- d) Call center number ☐

4. Have you ever visited Team Response at Idea Cellular Office (KLK) ☐ Yes/ No ☐

a) If yes: Purpose of visiting []

A) Lodging a complaint **B)** To request for services

C) Getting General Information **D)** Any other reason _____ (Pls. mention)

b) The waiting time was: []

A) ≤ 5 min. **B)** > 5 min ≤ 10 min **C)** > 10 min ≤ 15 min **D)** > 15 min.

c) Did you feel that the waiting time was high ☐ YES / NO ☐

d) Are the staff members friendly and helpful? ☐ YES / NO ☐

e) Was your problem solved in an amicable manner ☐ YES / NO? ☐

5) Have you ever visited an Idea Dealer Outlet ☐ Yes/ No ☐

a) If yes: Reason for visiting []

A) Lodging a complaint **B)** To request for services

C) Getting General Information **D)** Any other reason _____ (Pls. mention)

b) The waiting time was: []

A) ≤ 5 min. **B)** > 5 min ≤ 10 min **C)** > 10 min ≤ 15 min **D)** > 15 min.

c) Did you feel that the waiting time was high ☐ YES / NO ☐

d) Are the staff members friendly and helpful? ☐ YES / NO ☐

e) Was your problem solved in an amicable manner ☐ YES / NO? ☐

6. Are you satisfied with the time taken to provide a solution to your problem?

A) Highly Satisfied B) Satisfied C) Neither Satisfied nor Dissatisfied
D) Dissatisfied E) Highly Dissatisfied

7. Please answer the following regarding Interactive Voice Response (IVR) unit of Idea

a) Your language preference _____

b) Are you satisfied with the info given by IVR []

A) Highly Satisfied B) Satisfied C) Neither Satisfied nor Dissatisfied
D) Dissatisfied E) Highly Dissatisfied

c) Are you satisfied with the time taken to talk to an operator []

A) Highly Satisfied B) Satisfied C) Neither Satisfied nor Dissatisfied
D) Dissatisfied E) Highly Dissatisfied

d) Are you satisfied with the assistance offered by the operator in solving your problem?

A) Highly Satisfied B) Satisfied C) Neither Satisfied nor Dissatisfied []
D) Dissatisfied E) Highly Dissatisfied

8. How do you rate the overall service given by Idea Cellular? []

A) Highly Satisfying B) Satisfying C) Can't Say
D) Dissatisfying E) Highly Dissatisfying

9. Would like to continue with Idea Cellular connection for another year? []

- A) Definitely Continue B) May Continue C) Can't Say
D) May Discontinue E) Definitely Discontinue

9 a) and b) Reasons for your decision

10. Would you suggest usage of Idea Cellular to your friends/ relatives? []

- A) Definitely Suggest B) May Suggest C) Can't Say
D) May Not Suggest E) Definitely Not Suggest

10. What are your suggestions for improvement of services offered by Idea?

Thank You

A1.4

Questionnaire for Customer Survey on Relationship Management at Life Insurance Corporation of India Ltd.

Name: _____ Age: _____
Gender: _____ Profession: _____
Organization: _____
Monthly Income: _____

1. How long have you been holding policies of LIC? _____

2. Name of the Policy/ Policies _____

3. Why did you take an Insurance policy []

- A) For tax benefit
- B) For uncertain future
- C) For children's education
- D) Any other reasons _____ (pls. mention)

4. Why did you prefer LIC policy / policies? []

- A) Because it is a Govt. organization
- B) The returns are good
- C) Excellent service is given
- D) I do not know other Insurance companies
- E) Any other reasons _____ (please specify)

5. Are you aware of the following facilities offered by LIC? Please tick

- A) Call Center/ Info Center ☐
- B) Website ☐
- C) Info. Kiosk at divisional office ☐
- D) Customer Relations Executive at branch office ☐

6. If you have any problem/ query/ request with LIC policy, what do you do? []

- A) Contact the LIC agent and inform him
- B) Contact the Branch office
- C) Contact the call center/ Info Centre
- D) Any other (pls. mention)

7. What was your experience with the LIC AGENT?

Highly Satisfying ☐ Satisfying ☐ Average ☐ Dissatisfying ☐ Highly Dissatisfying ☐

7 Reasons for a) satisfaction & b) dissatisfaction

8. What was your experience with the website?

Highly Satisfying ☐ Satisfying ☐ Average ☐ Dissatisfying ☐ Highly Dissatisfying ☐
8a) & b) Reasons for the above conclusion

9. What was your experience with Call Center?

Highly Satisfying ☐ Satisfying ☐ Average ☐ Dissatisfying ☐ Highly Dissatisfying ☐
9a) & b) Reasons for the above conclusion

10. Do you receive premium notices on time? []

A) Always on time B) sometimes on time C) Never on time

11. The time taken by LIC to address your needs and take necessary action is []

A) Very high B) High C) Reasonable D) Less E) Very less

12. Are you satisfied with the services offered by LIC []

A) Highly Satisfied B) Satisfied C) Can't Say
D) Dissatisfied E) Highly Dissatisfied

13. Would you prefer to buy another policy from LIC Y/N []

13a) and b) Reasons for your decision

14. Would you recommend LIC policies to your friends/ relatives Y/ N [] Reasons

15. Your Suggestions for improvement of services offered by LIC

Thank You

A2.1

‘SUHANA SAFAR’-NEWS LETTER FOR HERO HONDA’S PASSPORT HOLDERS



Suhana Safar

Hero Honda Suhana Safar For Members Only Rs. 2.50 December 2004, VOL I ISSUE 11



The spirit of Biking down the ages

Motorcycles the world over represent style and freedom. They reflect man's inner desire for space and power. Yet in India, they are predominantly a means of personal transportation. 'Suhana Safar' explores the history of biking and why it means two different things to India and the western world.



The one that started it all:
The world's first motorcycle
run by steam (1869)

Believe it or not, the first motorbike built by Sylvester Howard Roper of Roxbury, Massachusetts in 1868 actually had a steam engine. It was Gottlieb Daimler, of Germany, who presented the world with its first petrol-driven motorcycle several years later in 1885.

The ability of motorcycles to reach places where other vehicles could not go made them a favourite with the Army. Whether it was for the purpose of combat, communication or basic transportation, motorcycles served their purpose well. In fact, powerful motorcycles mounted with machine guns were very effective during both the World Wars.



The 'Cruiser' makes an entry
Great Indian Chief
hits the road (1920)



The second phase:
The first petrol motorcycle (1885)

In 1944-46, after the World War II, motorcycles found other takers too. Ex-Army men wanted the thrill of being on the motorcycle again. The time also demanded a more economical means of transportation. Motorcycles filled the slot in civilian life slowly but surely.

But, it is important to note, that people in the west never really rode motorcycles for economical reasons. The presence of an effective public transport system never let motorcycles become a major form of transportation.

As years passed by, motorcycles changed form, shape and speed potential and their popularity kept rising. Certain brands even managed to attain cult status amongst its riders. First of these was the legendary Indian Chief and then came the famous



The changing face of motorcycles in the
70's Harley Davidson (1972)



Motorcycle takes a new shape.
The Triumph (1917)

But in 2004, the movement towards style has become clearer even in India. The need for trendier, faster and more powerful vehicles in India is already becoming a reality.

In retrospect, one thing is for sure. Motorcycle has been and always will be man's favourite thrill machine! The country notwithstanding!



The style icon on Indian roads
Karizma (2003)

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Rishta Dil Ka

Hero Honda Suhana Safar



Treasured rewards Kit

Introducing HHP Treasured rewards



Good news for all Passport Programme members who have crossed the 1 lakh point mark in the Hero Honda Passport Programme. We have introduced yet another reward structure especially for you - **The HHP Treasured Rewards**.

- The HHP Treasured Rewards will come to you at 8 prescribed milestones beginning from 1.25 lakh points and ending at 3 lakh points, with each milestone at a gap of 25,000 points. In other words, the new milestones would be placed at 1.25 lakhs, 1.5 lakhs and so on till 3 lakhs
- Each time you reach a milestone you will get a Motorcycle Privilege Voucher of Rs. 1250/-
- This voucher may be used by you to avail a discount on the purchase of a new Hero Honda motorcycle
- This voucher is transferable and can be used by your friends or relatives who may be planning to buy a new Hero Honda motorcycle

Please note that under the new Rewards Programme, the mode of recording points will change. The points will now be recorded in 2

books - one would be the Passport for entering points earned through service, spares and accessories and the other would be a Referral Book which will be used for entering referral points. The Passport and the Referral Book would both begin from 1 lakh points.

In case you have already crossed 1 lakh points please send your old Passport to the HHP Programme Centre immediately. On receipt, your Passport along with the new Referral Book will be sent across to you enabling you to start redeeming rewards beyond 1 lakh points.

For more information on HHP Treasured Rewards, please contact us at **011-26294025/39010203** or email us at **passport@herohonda.com**

We are sure that your journey henceforth will be much more rewarding as you continue to avail the benefits of HHP Treasured Rewards.

सुनहरे पल

कोर्बा, अंबिकापुर एवं विलासपुर के पासपोर्ट प्रोग्राम सदस्यों के लिए 3 दिनों का एक विशेष संगीत कार्यक्रम "नाच ले विद गुंजीत सिंह" आयोजित किया गया. इन सभी शहरों से इस रंगारंग कार्यक्रम में लगभग 3000 पासपोर्ट सदस्य शामिल हुए.

हाल ही में खास पासपोर्ट प्रोग्राम सदस्यों के लिए रुड़की में आयोजित किए गए मैजिक शो का सभी सदस्यों ने खूब आनंद उठाया.



हीरो हॉक मैजिक शो



नाच ले विद गुंजीत सिंह

शो में मौजूद 350 पासपोर्ट सदस्यों और उनके साथियों ने जादूगर सखाट सूरज के हेरलेगेज कारनामों का भरपूर आनंद उठाया और उनके मैजिक बॉक्स से सरप्राइज गिफ्ट्स भी प्राप्त किए.

इस अवसर पर अधिकतम प्वाइंट्स वाले पासपोर्ट प्रोग्राम सदस्यों को सम्मानित किया गया और उन्हें उपहार भी दिए गए.

INTRODUCING

HHPP STAR CLUB



हीरो होंडा पासपोर्ट प्रोग्राम में हमारा हमेशा यही प्रवास रहता है कि आपको ज्यादा से ज्यादा लाभ पहुंचा सकें, और आपकी शुभमय यात्रा को हर माइलस्टोन पर उपहार देते रहें। इस बार हम आपके लिए लेकर आए हैं एवाएचपीपी स्टार क्लब। इस अनूठे क्लब को उन्हीं सदस्यों के लिए पेश किया गया है, जो अधिकृत हीरो होंडा सर्विस सेंटर पर अपनी वाइक्स को नियमित रूप से सर्विस कराते हैं।

स्टार क्लब में आपकी न सिर्फ एक ब्रान्स एवाएचपीपी सदस्य के रूप में पहचान होती है, बल्कि आप कुछ अतिरिक्त फायदों का आनंद भी उठा सकते हैं :

- लेबर पर 3.0% छूट
- पासपोर्ट की वैधता अवधि तक स्पेयरस पर 7.5% की छूट

आप भी स्टार सदस्य बन सकते हैं, अगर

- आपके पासपोर्ट पर 5000 रिवॉईस पॉइंट्स हैं
- अपने 2 वर्षों में कम से कम 8 सर्विस ट्रांजैक्शंस किए हैं।

मौका न गंवाएं! बस अपने पासपोर्ट का नियमित रूप से इस्तेमाल करते रहें और एक स्टार सदस्य बनने का गौरव प्राप्त करें!

स्टार क्लब पर अधिक जानकारी के लिए 011-26294052 पर हमारे हेल्पडेस्क से संपर्क करें या passport@herohonda.com पर हमें ई-मेल करें।



क्या आपने अपने पासपोर्ट का इस्तेमाल नहीं किया है?



हमारे रिकॉर्ड से पता चलता है कि अभी तक आप में से कुछ सदस्य पासपोर्ट प्रोग्राम में सक्रिय नहीं हैं, और आपकी पॉइंट्स स्थिति शून्य है। इंजैक्शन की शुरुआत करने के लिए हम आपको विशेष रिवॉइस प्रदान कर रहे हैं। आप इस सुनहरे अवसर का फायदा उठाकर, अपने सुहाने सफ़र की शुरुआत कर सकते हैं। आज से ही!

अपने पासपोर्ट को इस्तेमाल करने के रिवॉईस आज ही इन्हें प्राप्त करें!



अपने सुहाने सफ़र की करें संगीतमय शुरुआत

एवाएचपीपी आपके लिए प्रस्तुत करते हैं एक अनोखा फ़ायदा, "पेश है - पहला ट्रांजैक्शन रिवॉईस"। पासपोर्ट प्रोग्राम के अंतर्गत अब आपको अपना पहला रिवॉईस पाने के लिए 500 पॉइंट्स अर्जित करने का इंतज़ार नहीं करना पड़ेगा।

अब पहली बार पासपोर्ट इस्तेमाल करने पर आपको "सुहाना सफ़र स्पेशल एडीशन ऑडियो कैसेट" मिलेगा, जो कि जीवन के सुहाने सफ़र की खुशियां मनाते हुए सदस्यद्वारा जानों का एक सुरीला संग्रह है। हिन्दी, मलयालम, तेलुगु, कन्नड़ और तमिल भाषाओं में संकलित यह "सुहाना सफ़र" कैसेट सभी संगीत प्रेमियों का दिल जीत लेगा।

इसलिए इस विशेष रिवॉईस को प्राप्त करने के सुनहरे अवसर को हाथ से न जाने दें। अपने पासपोर्ट को इस्तेमाल करना आरंभ करें, और अपने पहले ट्रांजैक्शन पर इस शानदार उपहार को प्राप्त करें, यहाँ तक कि पहली फ्री सर्विस कराने पर भी।

कृपया ध्यान रखें कि आप अस्थायी पासपोर्ट पर उपहार प्राप्त नहीं कर सकते।

एक 'प्रमाणित' हीरो होंडा मालिक बनें

आपका हीरो होंडा पासपोर्ट प्रोग्राम आपको एक और उत्कृष्ट रिवॉईस प्रदान करता है, जो कि खास आपके लिए ही है - एक विशेष "वाइक सर्विस प्रमाणपत्र"।

इस सुविधा का फ़ायदा उठाने के लिए आपको अपनी डीलरशिप से एक सर्विस रिकॉर्ड बुक प्राप्त करनी होगी, और उसे अपने पासपोर्ट के साथ संलग्न करना होगा।

इस पुस्तिका में आपकी फ्री एवं पेड सर्विसिंग को रिकॉर्ड करने के लिए पृष्ठ होंगे।

हर बार अपनी वाइक सर्विस कराने पर, आप अपनी सर्विस रिकॉर्ड बुक के फ्री/रेग्युलर सर्विस रिकॉर्ड पृष्ठ पर डीलर की मोहर जरूर लगवाएं।

इसी रिकॉर्ड के आधार पर आप अपना प्रमाणपत्र उस समय प्राप्त कर सकते हैं, जब आप अपनी वाइक बेचना चाहें। प्रमाणपत्र में अधिकृत सर्विस वर्कशॉप पर आपके द्वारा करायी गयी सर्विसिंग की संख्या लिखी होगी। ऐसे रिकॉर्ड के साथ आप अपनी वाइक की बेहतर कीमत प्राप्त कर सकते हैं।

तो फिर इंतज़ार कैसा, आज ही अपने डीलर से सर्विस रिकॉर्ड बुक प्राप्त करें और इस शानदार फ़ायदे का लाभ उठाएं।





HOW!
4 WINNERS
of the
MONTH
EVERY MONTH!



हीरो होंडा मोटर्स एच डीकेए - मॉडल ऑफिसरों की उपस्थिति में 4 विजेताओं को बुलेट हुए बी डब्ल्यू लोको (एनबीएलईए डायरेक्टर - डिजिटल ऑफिसर)।

The Winners
of the Month
for September,
2004 are

- | | |
|--|--|
| 1
Jaswant Singh
Rewari
Dealer: M/s Virendra Automobiles | 2
Mandeep Kumar
Mukhtar
Dealer: M/s Arman Autos |
| 3
Vimal Kumar Babubhai Patel
Surat
Dealer: Dhru Agencies | 4
Panchal Bhavesh Narayanbhai
Himatnagar
Dealer: A U Bhurawala |

डिस्काउंट ऑफर्स

SINGER
AT HOME WORLDWIDE

सिंगर इंडिया लि. की ओर
से घरेलू उपकरणों पर
15% की खसदार छूट*

सिंगर SINGER इंडिया लि. के कम्पनी स्टोर्स
के जॉरिए 31 दिसंबर, 2004 तक लागू

*Discount available on the following products:
FOOD PROCESSOR: FP-450, FP-450 JAT, JMG Superchef with C-Jar & Seed collector;
MIXER GRINDERS: Wondermate Plus; TOASTERS: Suncook-4; OTG: Supercook 301,
Supercook - 301 M, Microcook - 101; RICE COOKERS: Cuisine CX; MICROWAVE OVEN:
Microwave - 20 L, Microwave - 23 L, Microwave - 25 L; ELECTRIC IRONS: Ultraline, Slimline;
SINGER TELEVISIONS COLOUR: CTV - 14 AVM 30, CTV - 20 AVM 30, CTV - 21 AVM 30,
VCD PLAYERS: VCD - SV 3000M, VCD - SV2100S; REFRIGERATORS: SRDC - 170 L,
SRDC - 170 P, SRDC - 215 P; SEWING MACHINES: Mani, Meg, Neptune, Classic Ultra,
Multipurpose, Companion, Superstar

Not available in conjunction with any other offer. Discounts applicable only on MRP.

IFB

INDIA'S NO.1 FULLY AUTOMATIC WASHING MACHINE

Buy a Senorita Plus Washing Machine worth Rs 16,195/-
and get a Microwave worth Rs 6,500/- absolutely free.

Get Rs 3,000/- off on every Microwave

(Except on 17PM1 model)

IFB Outlets: KOLKATA: 033-24428286/7/8/9, 24014917/24, 31087255,
31086934; AHMEDABAD: 079-26921957, 26925073, 31283764, 31035917;
BANGALORE: 080-28524211/13, 36706748, 36734235; CHANDIGARH: 0172-
387017/8/9, 3115663, 9855199549; CHENNAI: 044-28214217/8, 31128400,
31079435; COIMBATORE: 0422-2437174, 3149447, 3118093; GOA: 0832-2224832,
2224387, 3121963; HYDERABAD: 040-27844077/88, 31143804, 37354036; INDORE:
07480-233648, 233996, 3115741; JAIPUR: 0141-2427977, 3429236; KOCHI: 0484-
2339927/28, 3339928, 3253544; LUCKNOW: 0522-2206506, 3128100, 3227712;
MADURAI: 0452-2568900, 3103623; MUMBAI: 022-26594917, 26160263,
34246623/24; NEW DELHI: 011-51613166, 26372486, 9810078563; PUNE: 020-
4008291, 4334960, 31005966, 31072555

*Valid till December 31st '04. Not available in conjunction with
any other offer. Discounts applicable only on MRP.



Welcom Heritage
PALACES, HOUSES, RESORTS, HOMES
The Finest Heritage Hotels in India

15% discount
on holiday packages

Toll Free No. 1-1600-1111-333

*Valid till December 31st '04. Not available in conjunction with
any other offer. Discounts applicable only on MRP.

LA OPALA
Makes my day

20% discount
on the entire range.

La Opala Outlets: DELHI: Zyva Marketing Pvt. Ltd., Tel. 29631813, 3012212; BANGALORE: PCH The
Mail, Tel. 080-22272744; CHENNAI: Punjab Glassware, Tel. 044-25358620, 25354732; COCHIN: JNB
Marketing (I) Pvt. Ltd., Tel. 0484-2360904; PORT BLAIR: Pasham Fancy Stores, Tel. 03190-233805;
GUWAHATI: Harunam Bus Stand Kumar Pvt. Ltd., Tel. 0361-2656291, 2517728; SILIGURI: Mahesh
Stores, Tel. 0353-2520263; CUTTACK: Singham Associates, Tel. 0671-2617972; RAIPUR: Plastic Marketing,
Tel. 0651-2206102; JAMSHEDPUR: Khana Sales Corporation, Tel. 0657-2424561; KOLKATA: Shrut
Marketing Pvt. Ltd., Tel. 033-2326844; ULHASNAGAR: Jas Enterprises, Tel. 0251-2700702; VIRAR: Shree
Kishore Distributors, Tel. 022-24479921; PUNE: Channay Pharmacy, Tel. 020-4479921; Vijaynagar Marketing
Agencies Ltd., Tel. 020-24470789; MUMBAI: Anmol Marketing, Tel. 022-25271757; Shree Enterprises, Tel. 022-
26018888; Janta Sales Agency, Tel. 022-26715999; SURAT: DAP Center, Tel. 0261-2681935, 26996637;
JHANSI: Kasa Store, Tel. 0517-2470162; BANGALORE: Aranya Agencies, Tel. 0233-2333014; KATNI: Gauri Renuka
Enterprises, Tel. 0763-2225779; BHOPAL: JCC Appliances, Tel. 0773-3959555; BHOPAL: Pankaj Agencies, Tel.
0755-2784118; RAIPUR: Shanta Sona, Tel. 0771-530354; GOA: Sri Laxmi Trading Co., Tel. 0832-2511126;
NAGPUR: Jan Corporation, Tel. 0712-2733671; AHMEDABAD: Kamla Agencies (Micko Engineering), Tel.
079-2210933; HARIYANA: Mahaveer Enterprises, Tel. 0129-2428493; AMBALA CITY: Manoj Agencies, Tel.
0171-2621618/5460; UDHAM SINGH NAGAR: Jan Sales Corporation, Tel. 0581-2317537; LUCKNOW: L.M.
Glass Agencies, Tel. 0522-2437223; MEERUT: Sures Distributors, Tel. 0121-2525928; KANPUR: Shree
Enterprises, Tel. 0512-2320222; JAIPUR: Janson Enterprises, Tel. 0141-26176701; ALLAHABAD: Khanna
Bhai, Tel. 0532-2561348; NODA: Agrawal Confectionery & Gift Centre, Tel. 0522-2524289; GORAKHPUR: Pina
Chackery House, Tel. 0551-2334385; Kanak Agency, Tel. 2404888; JAMMU: Sona Polypore Pvt. Ltd., Tel. 0191-
2544855








*Valid till December 31st '04. Not available in conjunction with
any other offer. Discounts applicable only on MRP.

Hero Honda Motors Limited holds no responsibility for the offers mentioned above.

संपादक : श्री प्रदीप राय राखेला, डिप्टी जी.एम. • प्रकाशित व छपाई : नई दिल्ली में, हीरो होंडा मोटर्स लिमिटेड 3-4, सी.सी. बसले लोक, बसले विहार, नई दिल्ली-110057 की ओर से
श्री प्रदीप राय राखेला द्वारा. फोन 011-26144121, 011-26142451 • छपाई : अर्जुन ऑफसेट एंड प्रेसिजियस लिमिटेड, 95 बी, वजीरपुर इंडस्ट्रियल एरिया, नई दिल्ली-110052 पर

A2.2

‘QUICK REWARDS’ OF BPCL’S ‘PETROBONUS’ PROGRAM

	<p>PetroBonus Cap - [Code : 6101]</p> <p>1,121 Petromiles Type of reward : Quick Reward</p>
	<p>MAK 2T 250 ml - [Code : 6307]</p> <p>1,733 Petromiles Type of reward : Quick reward</p>
	<p>PetroBonus Leather Bike Gloves - [Code : 6104]</p> <p>1,861 Petromiles Type of reward : Quick Reward</p>
	<p>Parker Beta Ball pen - [Code : 6108]</p> <p>2,750 Petromiles Type of reward : Quick Reward</p>
	<p>In&Out Rs 50 voucher - [Code : 1001]</p> <p>3,167 Petromiles Type of reward : Quick Reward</p>
	<p>MAK 2T 500 ml - [Code : 6306]</p> <p>3,400 Petromiles Type of reward : Quick reward</p>
	<p>PetroBonus Leather Wallet - [Code : 6111]</p> <p>4,574 Petromiles Type of reward : Quick Reward</p>

	<p>MAK Gold 1 Ltr - [Code : 6302]</p> <p>6,067 Petromiles Type of reward : Quick reward</p>
---	--

	<p>MAK 4 T Plus 1 Ltr - [Code : 6308]</p> <p>6,867 Petromiles Type of reward : Quick reward</p>
---	--


	<p>MAK Elite 1 Ltr - [Code : 6305]</p> <p>7,200 Petromiles Type of reward : Quick reward</p>
---	---

	<p>PetroBonus Windcheater - [Code : 6120]</p> <p>7,829 Petromiles Type of reward : Quick Reward</p>
--	--

	<p>PetroBonus Wrist Watch - [Code : 6124]</p> <p>8,270 Petromiles Type of reward : Quick Reward</p>
---	--

A2.3

‘CHERISHED REWARDS’ OF BPCL’S ‘PETROBONUS’ PROGRAM

	<p>PetroBonus Tote bag - [Code : 6203]</p> <p>21,932 Petromiles Type of reward : Cherished Reward</p>
---	--



Orpat Hair Dryer - [Code : 6234]

26,883 Petromiles

Type of reward : [Cherished Reward](#)



Adidas - Rs. 500 Voucher - [Code : 6293]

30,816 Petromiles

Type of reward : [Cherished Reward](#)



Jagdamba Crystal Stone Pearl Set - [Code : 6238]

30,830 Petromiles

Type of reward : [Cherished Reward](#)



Casio International Digital Diary - [Code : 6241]

30,874 Petromiles

Type of reward : [Cherished Reward](#)



Crossword - Rs. 500 Voucher - [Code : 6291]

32,550 Petromiles

Type of reward : [Cherished Reward](#)



Jaipan Dosa Tawa & Frying Pan Gift Set - [Code : 6271]


37,219 Petromiles


Type of reward : [Cherished Reward](#)



Klik Basic Camera - [Code : 6231]

	38,506 Petromiles	Type of reward : Cherished Reward
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	Beetel Speaker Phone with Caller ID - [Code : 6272]
44,171 Petromiles	Type of reward : Cherished Reward


	PetroBonus Strolley - 20" - [Code : 6215]
56,385 Petromiles	Type of reward : Cherished Reward



	Hidesign - Rs. 1000 Voucher - [Code : 6296]	
	60,016 Petromiles	Type of reward : Cherished Reward

	Wills Lifestyle - Rs. 1000 Voucher - [Code : 6295]
60,016 Petromiles	Type of reward : Cherished Reward

	Pantaloon Trendsetter - Rs. 1000 Voucher - [Code : 6294]
60,016 Petromiles	Type of reward : Cherished Reward

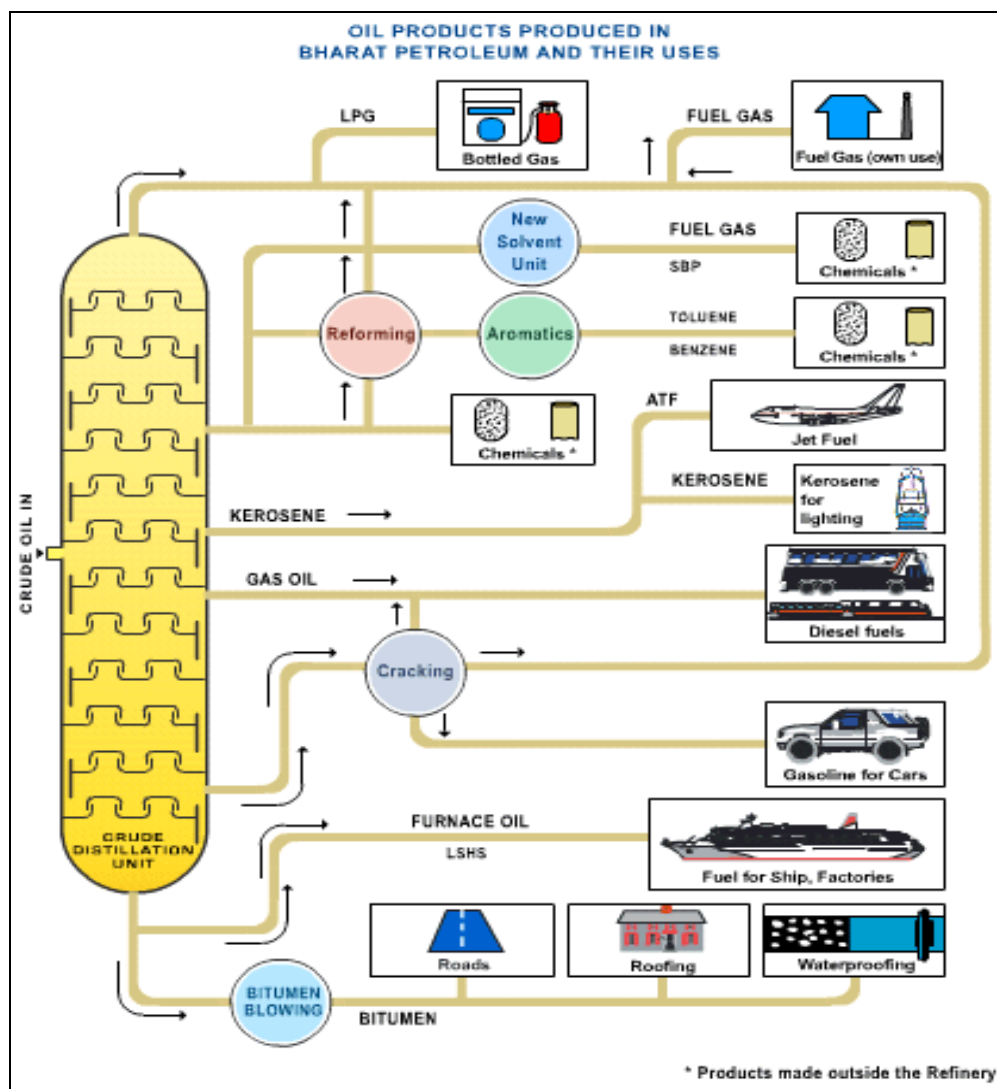
	Jagdamba Single Line Pearl Set with matching tops - [Code : 6246]
61,661 Petromiles	Type of reward : Cherished Reward

	Titan Gents Watch - [Code : 6249]	
	62,445 Petromiles	Type of reward : Cherished Reward

	<p>Jaipan Pressure Cooker - 5 ltrs - [Code : 6275] (More...)</p> <p>62,756 Petromiles Type of reward : Cherished Reward</p>
	<p>Titan Ladies Watch - [Code : 6258] (More...)</p> <p>66,969 Petromiles Type of reward : Cherished Reward</p>

A2.4

PETROLEUM REFINING PROCESS AT BPCL



A2.5

MAIN CONVERSIONS USED IN PETROLEUM INDUSTRY

ITEM		CONVERSION FACTOR
<u>CRUDE OIL</u>	1 Tonne	= 7.33 Barrel = 1.165 Cubic Metres (kilolitres)
	1 Barrel	= 0.136 Tonnes = 0.159 Cubic Metres (Kilolitres)
	1 Cubic Metre	= 0.858 Tonnes = 6.289 Barrels
	1 Million Tonne	= 1.111 Billion Cubic Metres Natural Gas = 39.2 Billion Cubic Feet Natural Gas = 0.805 Million Tonnes LNG = 40.4 Trillion British Thermal Units
<u>NATURAL GAS</u>	1 Billion Cubic Metre	= 35.3 Billion Cubic Feet Natural Gas = 0.90 Million Tonnes Crude Oil = 0.73 Million Tonnes LNG = 36 Trillion British Thermal Units = 6.29 Million Barrels of Oil Equiv.
<u>LNG</u>	1 Million Tonne	= 1.38 Billion Cubic Metres Natural Gas = 48.7 Billion Cubic Feet Natural Gas = 1.23 Million Tonnes Crude Oil = 52 Trillion British thermal Units = 8.68 Million Barrels of Oil Equiv.
<u>CNG</u>	1 Kilogram	= 1.244 Standard Cubic Metres Natural Gas = 1.391 Litres of Petrol = 1.399 Litres of HSDO

Source: 1) BP Amoco Alive Statistical Review of World Energy
2) OPEC Annual Statistical Bulletin

A2.6

APPLICATION FORMAT FOR BPCL'S PETROBONUS PROGRAM

Form
No.

Dealer CC Number :

APPLICATION FORM - INDIVIDUAL (Please fill in capital letters in English only)

1. Name of the Applicant : *

Name of the Applicant :
(As desired on the Card)

Sex : ☐ Male ☐ Female *

2. Date of Birth : *

3. Mailing Address 1 : * (All statements will be mailed here)

Mailing Address 2 :

City : **Pincode :** *

Telephone : **Mobile :** **Service Provider :**

4. E-mail address:

5. Occupation : ☐ Service ☐ Business ☐ Professional ☐ Other (Please specify)

6. Name of Company:

Designation:

7. Details of Vehicle owned :

Type	No. of Vehicles owned	Vehicle Brands	Lubricant used
Two Wheeler	<input type="text"/>	<input type="text"/>	<input type="text"/>
Four Wheeler	<input type="text"/>	<input type="text"/>	<input type="text"/>

8. Credit Cards Owned : ☐ Citibank Express ☐ Standard Chartered ☐ Hongkong Bank ☐ American ☐ Others (Please specify)

9. Personal Identification Number (PIN) requirements for Petro Card : ☐ Yes ☐ No *

10. Unique Identifiers for Petro Card :

- a) Place of Birth : *
- b) Mother's maiden name : *

11. ☐ Yes, I would like to receive future communications/Offer from PetroBonus and its Partners through E-mail.

12. ☐ Yes, I would like to receive future communications/Offer from PetroBonus and its Partners through SMS.

I declare that I have read the terms and conditions mentioned and I agree that by using the Petro Card I accept the same. The information provided on the application is correct and true to the best of my knowledge and any misrepresentation of facts will amount to termination of the card.

*** MANDATORY FIELDS** *(This application is liable for rejection if mandatory fields are not filled in)*

Place:

Date :

Signature :

A2.7

CUSTOMER REGISTRATION FORM OF IDEA CELLULAR LTD.

Name :

Mobile Number :

Account Number :

Date of Birth :

Email Address :

I want the Login ID & Password to be sent to: ☐ Email Address (Mentioned Above) ☐ Registered Address (Primary Address registered with IDEA Cellular)

1. Idea Cellular Limited will make every effort to ensure that the services offered through the company website, more so through the section "mycare" are uninterrupted and error-free, although the company does not warrant the same. There may be delays, omissions, interruptions and inaccuracies in the services offered. Idea Cellular Limited is not liable for malfunctions in communications facilities not under its control that may affect the accuracy or timeliness of communication and actions based on it.
2. While every care has been taken to ensure accuracy of the information contained in the company website, such information is provided to you without warranty of any kind either express or implied. In particular, no warranty regarding non-infringement, security, accuracy, freedom from computer virus or fitness for a particular purpose is given in conjunction with the services offered or information given.
3. These terms and conditions are in addition and not in derogation of the applicable terms and conditions relating to the services that you may obtain otherwise. These terms and conditions may be withdrawn/superseded at any time whatsoever, by IDEA Cellular Limited without any prior notice.
4. The courts of respective circles alone shall have exclusive jurisdiction as regards any claims or matters arising out of dealings with us, and all disputes will be governed by the laws of India.
5. Individual and Corporate customers who are responsible for making payments for bill sent by us are eligible to register for mycare. Subordinate a/c. holders and Prepaid mobile holders are not eligible for access to mycare.

I have read and understood the "Terms and Conditions" given above. I accept and agree to be bound by the said terms and conditions and to any changes made therein from time to time. I also accept that the company may change the terms and conditions without giving any prior notice to me and that it is my responsibility to update myself on the same from time to time. I hereby authorize IDEA Cellular Limited to take action related to my mobile number/account on the basis of request received through mycare and agree to be responsible for any rentals/charges applicable as a result of the same. I hereby take all responsibility to ensure the safety and confidentiality of the Login ID and Password that will be provided to me by IDEA Cellular Limited and agree not to hold the company liable for any action/omission committed due to the misuse of the Login ID and Password due to hacking or any other mode of tampering, electronic or otherwise. I undertake that I shall be responsible for the privacy and secrecy of my Login ID and Password and shall not hold IDEA Cellular Limited liable for any breach, damage, or penalty of any kind regarding the same.

Place

For Office Use Only

Forwarded On :

Name and Place:

Document Ref Code : _____ Form Verified By : _____

For Central Processing Only

Accepted: ☐ Yes ☐ No Reason for Rejection: _____
(Tick the appropriate option)

Login ID Sent On:

6	Individual Single Premium	26.30	376.99	16,727.60	150.43	3.01	26,774	2,113,003	1,62,809	80.27	1.24	14,471	1,12,132	68,437			
	Individual Non-Single Premium	3,245.79	26,728.71	427.38			10	2	177			15,427	3,59,431	1,34,022			
	Group Single Premium	266.43	1,684.78	3,222.51			29,152	2,21,943	1,23,118			30,271	1,00,364	1,32,412	-24.20		0.88
	Group Non-Single Premium	443.68	4,843.80				3,864	64,656	32,223								
7	Individual Single Premium	10,772.67	59,869.97	5,480.82			25,279	1,57,196	90,765	40.76	2.76	30,248	86,224	105,689			
	Individual Non-Single Premium	1,015.41	7,610.14	1,677.47			9	73	110			23	14,140	26,723			
	Group Single Premium	9,404.51	46,311.30	995.61			99,740	4,92,423	3,49,823			40,217	2,89,329	53,340	442.22		2.53
	Group Non-Single Premium	24,967.06	1,42,955.20	82,761.77	72.73	7.19	2,111	22,989	5,763								
8	Individual Single Premium	22,348.17	5,386.19	8,896.15			88,401	4,69,233	3,43,994	33.51	0.84	19,553	1,93,438	10,464			
	Individual Non-Single Premium	684.68	2,422.37	73.87			5	105	54			20,664	95,891	42,896			
	Group Single Premium	717.20	11,523.94	7,346.80			24,071	1,50,199	1,12,504			2,231	11,935	55,091	-78.34		0.10
	Group Non-Single Premium	5,779.05	36,732.76	38,732.76	-6.31	1.82	8,148	45,433	31,425			568	4,607	2,995			
9	Individual Single Premium	257.19	1,438.78	912.44			15,918	1,04,744	81,021	63.69	0.49	11,034	1,34,614	1,19,632	12.52		1.18
	Individual Non-Single Premium	4,969.92	32,744.40	31,420.67			5	32	58			1,663	7,328	52,096			
	Group Single Premium	102.82	659.48	346.48			12,831	88,179	53,869								
	Group Non-Single Premium	449.11	1,446.13	6,053.18			12,705	85,964	53,200			69	612	423			
10	Individual Single Premium	114.74	636.00	315.12			3	12	23			10,965	1,34,002	1,19,209			
	Individual Non-Single Premium	2,742.47	20,589.03	10,737.19			8,597	53,831	36,356	48.10	0.30	21,163	79,312	55,549	42.78		0.69
	Group Single Premium	114.3	95.18	51.27			8,219	51,451	35,123								
	Group Non-Single Premium	3,159.76	14,869.72	10,109.27	47.22	0.75	7	59	41			1,403	9,650	55,549			
11	Individual Single Premium	360.72	1,711.79	1,817.88			51,746	2,98,289	1,54,064	93.61	1.67	19,560	69,662	58,857	-48.82		0.76
	Individual Non-Single Premium	2,688.65	12,462.45	7,430.24			43	194	191			2,867	30,125	58,857			
	Group Single Premium	26.14	149.00				51,729	2,98,032	1,53,792								
	Group Non-Single Premium	75.25	546.48	852.34			14	63	81			2,867	30,125	58,857			
12	Individual Single Premium	6,416.42	28,331.44	15,379.82	84.21	1.42	11,129	64,385	27,835	131.31	0.36	20,885	2,22,650	1,37,964	61.38		1.95
	Individual Non-Single Premium	31.56	134.19	195.45			10,978	63,295	27,383			20,885	2,22,650	1,37,964			
	Group Single Premium	6,374.74	28,104.18				16	142	90								
	Group Non-Single Premium	10.52	93.06	445.04			1,248	16,497	95	172.65	0.09	103	729		-		0.01
13	Individual Single Premium	1,613.23	8,257.53	3,458.10	138.79	0.42	1,335	948	352								
	Individual Non-Single Premium	48.91	398.69	1,131.11			545	2,120									
	Group Single Premium	1,479.66	7,252.20	2,906.76			701	14,367	95								
	Group Non-Single Premium	84.66	606.64	438.23			2	10									
14	Individual Single Premium	231.85	1,180.26	2,614,512.81	91.16	27.27	3,04,759	22,22,775	13,51,942	64.41	12.46	3,71,547	23,56,404	16,84,160	39.58		28.64
	Individual Non-Single Premium	2,19,823.62	14,46,927.89	10,31,565.59	40.27	72.73	25,76,392	1,56,09,594	1,24,39,317	23.50	87.54	4,72,693	90,61,053	29,34,395	288.79		79.26
	Group Single Premium	79,875.33	5,25,706.24	1,88,299.47			1,95,191	14,10,304	4,41,941								
	Group Non-Single Premium	1,12,382.67	6,80,895.31	6,52,892.76			23,79,524	1,41,88,072	1,21,86,971								
Grand Total	Individual Single Premium	27,565.62	2,40,326.34	1,90,373.30			1,677	11,128	10,405			4,72,693	90,61,053	29,34,395			
	Individual Non-Single Premium																
	Group Single Premium																
	Group Non-Single Premium																

Note: Cumulative premium up to the month is net of cancellations which may occur during the free look period.

A3.1

TEST OF HYPOTHESIS FOR SELECT PARAMETERS

(SURVEY OF HERO HONDA CUSTOMERS)

Chi-square Contingency Table Test for Independence

Q1. Do you buy original spare parts of Hero Honda?

Response Category	No. of Respondents (Passport Holders)	No. of Respondents (Non Passport Holders)	Total
Always	60	30	90
Frequently	0	7	7
Sometimes	0	13	13
Rarely	0	6	6
Total	60	56	116

Null Hypothesis, Ho: There is no significant difference in purchase of original spares between Passport Holders and Non Passport holders.

Alternate Hypothesis, H1: There is a significant difference in purchase of original spares between Passport Holders and Non Passport holders.

Level of significance, $\alpha=5\%$. The formula for chi square value is as follows:

$$\chi^2 = \sum_i \sum_j \frac{(O_{ij} - E_{ij})^2}{E_{ij}}$$

Where O is the observed frequency and E is the expected frequency.

Degrees of freedom (dof) = (r-1) (c-1); where r is the no. of rows, c is the no. of columns.

In this case r=2 and c=4, resulting in degrees of freedom equal to three.

Chi square value is calculated directly using 'Mega stat' package, which integrates with Microsoft excel spread sheet application.

Calculated value of Chi-square χ^2 is 35.9

At degrees of freedom equal to three and $\alpha=5\%$, Table value is 7.81

As the calculated value of chi square is greater than table value, null hypothesis is rejected.

Conclusion: There is a significant difference in purchase of original spares between Passport Holders and non Passport holders.

A3.2

TEST OF HYPOTHESIS FOR SELECT PARAMETERS

(SURVEY OF HERO HONDA CUSTOMERS)

Chi-square Contingency Table Test for Independence

Q2. Which service station do you prefer for your Hero Honda motor cycle?

Response Category	No. of Respondents (Passport Holders)	No. of Respondents (Non Passport Holders)	Total
Only Hero Honda authorized service station	54	20	74
Any other service station	6	36	42
Total	60	56	116

Null Hypothesis, Ho: There is no significant difference in preference of authorized service stations between Passport Holders and Non Passport holders.

Alternate Hypothesis, H1: There is a significant difference in preference of authorized service stations between Passport Holders and Non Passport holders.

Level of significance, $\alpha=5\%$. The formula for chi square value is as follows:

$$\chi^2 = \sum_i \sum_j \frac{(O_{ij} - E_{ij})^2}{E_{ij}}$$

Where O is the observed frequency and E is the expected frequency.

Degrees of freedom (dof) = (r-1) (c-1); where r is the no. of rows, c is the no. of columns.

In this case r=2 and c=2, resulting in degrees of freedom equal to one.

Chi square value is calculated directly using 'Mega stat' package, which integrates with Microsoft excel spread sheet application.

Calculated value of Chi-square χ^2 is 36.96

At degrees of freedom equal to one and $\alpha=5\%$, Table value is 3.84

As the calculated value of chi square is greater than table value, null hypothesis is rejected.

Conclusion: There is a significant difference in preference of authorized service stations between Passport Holders and Non Passport holders.

A3.3

TEST OF HYPOTHESIS FOR SELECT PARAMETERS

(SURVEY OF BPCL CUSTOMERS)

Chi-square Contingency Table Test for Independence

Q1. Do you always buy petrol at BPCL outlets?

Response Category	No. of Respondents (Petrocard holders)	No. of Respondents (Non Petrocard holders)	Total Respondents
Always	52	19	71
Not always	16	47	63
Total	68	66	134

Note: The use of the chi-square tests is considered inappropriate if any expected frequency is below 1 or if the expected frequency is less than 5 in more than 20% of the cells. The above table is framed after applying Yates correction i.e., in order to overcome the problem certain cells are merged with out affecting the integrity of data.

Null Hypothesis H_0 : There is no significant difference in preference of choosing BPCL outlets between Petro Card Holders and Non Petro Card holders.

Alternate Hypothesis H_1 : There is a significant difference in preference of choosing BPCL outlets between Petro Card Holders and Non Petro Card holders.

Level of significance, $\alpha=5\%$.

The formula for chi square value is as follows:

$$\chi^2 = \sum_i \sum_j \frac{(O_{ij} - E_{ij})^2}{E_{ij}}$$

Where O is the observed frequency and E is the expected frequency.

Degrees of freedom (dof) = (r-1) (c-1); where r is the no. of rows, c is the no. of columns.

In this case r=2 and c=2, resulting in degrees of freedom equal to one. Chi square value is calculated directly using 'Mega stat' package, which integrates with Microsoft excel spread sheet application.

Calculated value of Chi-square χ^2 is 30.6

At degrees of freedom equal to one and $\alpha=5\%$, Table value of χ^2 is 3.84

As the calculated value of chi square is greater than table value, null hypothesis is rejected.

Conclusion: There is a significant difference in preference of choosing BPCL outlets between Petro Card Holders and Non Petro Card holders.

A3.4

TEST OF HYPOTHESIS FOR SELECT PARAMETERS

(SURVEY OF BPCL CUSTOMERS)

Chi-square Contingency Table Test for Independence

Q2. Are you aware of IN & OUT stores at BPCL Outlets?

Response Category	No. of Respondents (Petrocard holders)	No. of Respondents (Non Petrocard holders)	Total Respondents
Yes	63	22	85
No	5	44	49
Total	68	66	134

Null Hypothesis, Ho: There is no significant difference in awareness about IN & OUT stores between Petro Card holders and non Petro Card holders.

Alternate Hypothesis, H1: There is a significant difference in awareness about IN & OUT stores between Petro Card holders and non Petro Card holders.

Level of significance, $\alpha=5\%$.

The formula for chi square value is as follows:

$$\chi^2 = \sum_i \sum_j \frac{(O_{ij} - E_{ij})^2}{E_{ij}}$$

Where O is the observed frequency and E is the expected frequency.

Degrees of freedom (dof) = $(r-1)(c-1)$; where r is the no. of rows, c is the no. of columns.

In this case $r=2$ and $c=2$, resulting in degrees of freedom equal to one.

Chi square value is calculated directly using 'Mega stat' package, which integrates with Microsoft excel spread sheet application.

Calculated value of Chi-square χ^2 is 50.8

At 1df and $\alpha=5\%$, Table value is 3.84

As the calculated value of chi square is greater than table value, null hypothesis is rejected.

Conclusion: There is a significant difference in awareness about IN & OUT stores between Petro Card Holders and non PetroCard holders.

TEST OF HYPOTHESIS FOR SELECT PARAMETERS (SURVEY OF IDEA CELLULAR CUSTOMERS)

Q. 1 How do you rate the overall service given by Idea Cellular?

Response Category	No. of Respondents (Post Paid)	No. of Respondents (Prepaid)	Total Respondents
Highly Satisfying	24	10	34
Satisfying	28	42	70
Neither Satisfying nor Dissatisfying	8	16	24
Dissatisfying	0	6	6
Total	60	74	134

Null Hypothesis, Ho: There is no significant difference in satisfaction levels of pre paid and post paid customers.

Alternate Hypothesis, H1: There is a significant difference in satisfaction levels of pre paid and post paid customers.

Level of significance, $\alpha=5\%$. The formula for chi square value is as follows:

$$\chi^2 = \sum_i \sum_j \frac{(O_{ij} - E_{ij})^2}{E_{ij}}$$

Where O is the observed frequency and E is the expected frequency.

Degrees of freedom (dof) = (r-1) (c-1); where r is the no. of rows, c is the no. of columns.

In this case r=2 and c=4, resulting in degrees of freedom equal to three.

Chi square value is calculated directly using 'Mega stat' package, which integrates with Microsoft excel spread sheet application.

Calculated value of Chi-square χ^2 is 15.9

At 3 dof and $\alpha=5\%$, Table value is 7.81

As the calculated value of chi square is greater than table value, null hypothesis is rejected.

Conclusion: There is a significant difference in satisfaction levels of pre paid and post paid customers.

A3.6

**TEST OF HYPOTHESIS FOR SELECT PARAMETERS –
(SURVEY OF IDEA CELLULAR CUSTOMERS)**

Q 2. Would you continue with Idea Cellular for another one year?

Response Category	No. of Respondents (Post Paid)	No. of Respondents (Prepaid)	Total Respondents
Definitely Continue	32	22	54
May continue	16	22	38
Can't Say	10	20	30
May Discontinue	2	8	10
Definitely Discontinue	0	2	2
Total	60	74	134

Null Hypothesis, Ho: There is no significant difference in the opinion to continue with Idea among pre paid and post paid customers.

Alternate Hypothesis, H1: There is a significant difference in the opinion to continue with Idea among pre paid and post paid customers.

Level of significance, $\alpha=5\%$. The formula for chi square value is as follows:

$$\chi^2 = \sum_i \sum_j \frac{(O_{ij} - E_{ij})^2}{E_{ij}}$$

Where O is the observed frequency and E is the expected frequency.

Degrees of freedom (dof) = (r-1) (c-1); where r is the no. of rows, c is the no. of columns.

In this case r=2 and c=5, resulting in degrees of freedom equal to four.

Chi square value is calculated directly using 'Mega stat' package, which integrates with Microsoft excel spread sheet application.

Calculated value of Chi-square χ^2 is 10.38

At degrees of freedom equal to 3 and $\alpha=5\%$, Table value is 9.49

As the calculated value of chi square is greater than table value, null hypothesis is rejected.

Conclusion: There is a significant difference in the opinion to continue with Idea among pre paid and post paid customers.

A 3.7

TEST OF HYPOTHESIS FOR SELECT PARAMETERS – (SURVEY OF ‘LIC’ CUSTOMERS)

Kolmogorov-Smirnov One-Sample Test

Q 1 Are you satisfied with the services offered by LIC?

Response Category	Satisfied	Highly Satisfied	Neither Satisfied nor Dissatisfied
f= no. of respondents choosing that category	58	42	12
Fo(X)= theoretical cumulative distribution of choices under Ho	0.33	0.66	1
Sn(X)=cumulative distribution of observed choices	0.51	0.89	1
Fo(X)-Sn(X)	0.18	0.23	0

Null Hypothesis, Ho: There is no difference among the satisfaction levels of respondents with respect to the services offered by LIC.

Alternate Hypothesis, H1: There is a difference among the satisfaction levels of respondents with respect to the services offered by LIC.

Statistical Test Used: Kolmogorov-Smirnov, as the satisfaction levels are arranged on an order scale.

Level of Significance $\alpha=0.05$

Fo(X) = Theoretical cumulative distribution of choices under Ho

Sn(X) = Cumulative distribution of observed choices.

D = Maximum |Fo(X)-Sn(X)| Therefore D = 0.23

At $\alpha = .05$, critical value of D is given by the formula $1.36/\sqrt{n}$, where n is the sample size. n in the current case is equal to 112.

Here n=112; Critical D value=0.12

Since the calculated D value (0.23) exceeds the critical D value (0.12), the null hypothesis is rejected.

Conclusion: There is a difference among the satisfaction levels of respondents with respect to the services offered by LIC.