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Competitive Strategy and Brand Image: A Case study of Indian Telecom Sector

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ABSTRACT

This paper attempts to present a comprehensive study on competitive strategies and brand image. The paper alsostudies the impact of competitive strategies used by the telecommunication firms on brand image. The results suggest that adopting a competitive strategy has a positive and significant impact on brand image. Further this study has used Michael porter's typology to operationalize business level strategy.

Keywords: Competitive strategy, brand image, telecommunications

INTRODUCTION

Telecommunications industry is considered to be one of the most important and fast growing industries globally, influencing daily the lives of millions of people. It is worth mentioning that the penetration rate of telecommunications services has increased steadily over the past five years. With a subscriber base of nearly 1.189 billion as on February 2017 (TRAI, 2017) India accounted for the second-largest telecom network in the world. The invention of second generation technology (2G), third generation systems (3G) and fourth generation technology (4G) introduced a new era in the history of telecommunications. 4G systems combine the traditional voice communications functions with high capacity data transfer and mobile access to the Internet. In addition, 4G technology allows full multimedia content such as TV, music, video and music on mobile phones and devices. These modern communication technologies have not only transformed the way we communicate, but also affected and reshaped the world's telecommunications markets. Mobile phones and services have become a common consumer electronic product and a necessity in people's everyday life. With 342.65 million internet subscriptions, as of March 2016, India stood third-highest in terms of total internet users in 2016 (TRAI, 2017). India is expected to become the second largest country in terms of internet subscribers, with around 402 million internet users by December 2016. Telecom penetration in the nation's rural market is expected to increase to 70 percent by 2017 from 51.37 percent, as of March 2016. The government of India has introduced Digital India program under which all the sectors such as healthcare, retail, etc. will be connected through the internet. In addition, internet penetration in India has affected consumer's buying behaviour. The widespread recognition that telecommunications play a major role in making a nation economically competitive in an increasingly data-driven global economy has made the technology driven organizations more important than ever before in both developed and developing countries. The success of any telecommunication organization and ability to outperform competitors lies in the pursuit and execution of an appropriate business strategy (Yoo, Lemak& Choi, 2006). The highly competitive market in the telecommunication industry is now making organizations to utilize competitive strategies that will make them grasp surprising opportunities, respond to threats and outmanoeuvre their rivals in order to endure and succeed. These have resulted in greater attention to analyzing competitive strategies under different environmental conditions. The growing competition between the providers as each of them pursues strategies that are directed to enable them to have their own share of the market in order to be profitable and to survive. The extents to which the uses of different competitive strategies by the selected telecommunication companies have led to improved performance and to what extent customers have responded to the operator's strategies has not been sufficiently examined. It is necessary to find out the extent to which competitive strategy could lead to improved performance, customer satisfaction, loyalty and building company image in the telecommunication industry.

2. LITERATURE REVIEW

The "term strategy has been defined in a variety of ways, but always with a common theme, that of a deliberate conscious set of guidelines that determines decisions into the future" (Mintzberg 1978, p. 935).Corporate level strategy is considered too aggregated and thus inappropriate for understanding environment and the strategic responses needed to environmental influences such as technological changes, competitive moves, entry and exit of competitors (Venkatraman 1989). The business level strategy thus provides most relevance to this study, as it is the business level strategy that is concerned with how an organization competes within it's chosen industry segment in combination with how competitive decisions are made.

According to Porter (1985), a business can maximize performance by choosing to be the low cost producer within an industry, or by differentiating its products or services from that of its competitors. The two types of competitive advantage namely cost leadership and differentiation can be combined in either a broad or narrow market scope. The combination of competitive advantage and market scope lead to three generic strategies, namely cost leadership strategy, differentiation strategy, and focus strategy (Porter 1980).

Strategicadvantage

Strategic advantage	**Distinctiveness perceived by the customer**	**Low-cost position**
Industry Wide (Broad target)	Differentiation	Cost Leadership
Particular Segment Only (Narrow target)	Focus	Focus

Source: adapted from Porter (1980).

Porter (1980) competes that firms attempting to combine cost leadership strategy and differentiation strategy will most likely be outperformed by those firms that are adopting only one of the three strategy types. Further it has been suggested that reaching a strong competitive position in either cost leadership or differentiation strategy may lead to the improvement in the other (Hill 1988; Miller 1992). Also there are a number of business practices that have the potential to develop both cost leadership and differentiation strategic positions (Miles &Covin 2000).Porters (1980) typology suggests that firms adopt three successful generic strategic approaches:

(1) Overall cost leadership strategy;

(2) Differentiation strategy; and

(3) Focus strategy for outperforming other firms in an industry.

By adopting any one of these generic strategies firms can mitigate the threat from five competitive forces (Porter, 1980):

(1) Threat of new entrants;

(2) Bargaining power of suppliers

(3) Bargaining power of buyers;

(4) Availability of substitutes; and

(5) Rivalry among existing firms in the industry.

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3. OBJECTIVES OF THE STUDY

To study the relationship between competitive strategies and brand image.

4. DATA ANALYSIS

Table 1. Type of Competitive Strategies adopted (N=92)

Construct	*Mean Score (S.D) 1**	*Mean Score (S.D) 2*	*Mean Score (S.D) 3*	*Mean Score (S.D) 4*	*Mean Score (S.D) 5*	*Mean Score (S.D) 6*
Cost leadership	*1.26 (.832)*	*2.51 (.796)*	***4.14*** *(.341)*	***3.85*** *(.759)*	*1.79 (.629)*	*1.76 (.701)*
Differentiation	***3.55*** *(.654)*	*2.58 (.527)*	***3.67*** *(.489)*	*1.64 (.367)*	*2.43 (.745)*	*1.91 (.601)*
Focus	*1.47 (.385)*	*1.46 (.714)*	*2.23 (.615)*	*1.69 (.476)*	*1.93 (.547)*	***4.17*** *(.802)*

Note: *Scoring Scale: (ranging from 1→we do not use this strategy to 5→ being this strategy is very important for our organization)*
**1. Airtel; 2.BSNL; 3.Vodafone; 4.Aircel; 5. Reliance Communications; 6. Idea.*

From table 1 above it can be interpreted that Airtel, follows only one strategic type i.edifferentiation,*BSNL*is a "stuck in the middle" firm, *Vodafone* focuses on both cost leadership and differentiation strategy, *Aircel* adopts cost leadership strategy, *Reliance Communication* is a "stuck in the middle" firm and *Ideacellular* indicates adopts focus business strategy.

The overall perception of the customers of the sample organizations with respect to the brand image is recorded in the present study at a mean score of 3.15 which signifies presence of an above average level of positive brand image in the six companies under study.

Table2. Comparison of user perception regarding Brand Image

Company code	*Mean Score*	*ANOVA*	*Sig.**
Airtel	*3.31*	***0.411***	***.03****
BSNL	*2.70*		
Vodafone	*3.62*		
Reliance Communication	*2.96*		
Aircel	*3.03*		
Idea	*3.29*		
Total	***3.15***		

**p<.05;*

Among the six telecommunication companies under study, the customers of *Vodafone* have reported the highest mean score (3.62), followed by the customers of *Airtel* with a mean score of 3.31, *Idea* 3.29 and *Aircel* (3.03), whereas the customers of Reliance communications and *BSNL* have reported the lowest mean score of 2.96 and 2.70 respectively for company image. Therefore from the above data it can be implied that the customers of *Vodafone* have a positive image about their operator, followed by the customers of *Airtel*, *Idea* and *Aircel* respectively. The customers of BSNL and *Reliance communications* have reported the least favorable image about their telecommunication operators. A *one way Anovatest* was employed to examine whether the differences in the mean scores reported for the brand image by the users of the six respondent telecommunication companies are statistically significant or not. The results revealed that the difference is statistically significant (F value =.411 sig=.03), indicating that the perception of the users regarding the brand image in the respective telecommunication company not same.

5. RESULT AND CONCLUSION

Table 3.Competitive Strategy and Brand Image: Correlation

CORRELATION		
Construct		**BRAND IMAGE**
Cost Leadership	Pearson Correlation	**.610***[*]
Differentiation		**.511***
Focus		**.593***
	Sig. (2-tailed)	.000

** p<.01*

The present study is aimed to empirically evaluate the impact of existing competitive strategies (cost leadership, differentiation and focus) on the brand image of the six sample telecommunication service providers.

In the present study, the Pearson Product Moment Correlation (PPMC) was utilized to examine whether or not a linear relationship existed between the types of competitive strategies and brand image. As is indicated, the competitive strategy (Cost leadership, differentiation and focus) adopted by an organization is positively, strongly and significantly correlated with brand image. This indicates that a firm should adopt a competitive strategy in order to build a brand image.

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