CUSTOMER RETENTION STRATEGIES OF TELECOM SERVICE PROVIDERS

Abstract:
In the 21st century, the new economy is becoming increasingly customer centric. Customer retention is considered one of the main relationship marketing concepts concerned with developing and maintaining a long-term customer-firm relationship. The importance of customer retention has increased since a majority of firms started to suffer a noticeable loss of customers, along with the complexity and high costs of acquiring new customers (Bird, 2005; Goyles and Gokey, 2005; Voss and Voss, 2008). Thus, the model of competition has shifted from acquiring new customers to retaining existing customers and luring customers away from rival companies.

Service sector is the fastest growing segment as compared to the other sectors of the Indian economy. A major stimulus in this shift is the movement to information age spurred by invention of computer and advancements in telecommunications. As countries continue to shift from agricultural base to service orientation, the demand for service further holds huge potential. Additional factors contributing to the growth of service sector are higher per capita income, increased time pressures, advances in product technology, spiraling competition, rise of industrialization, technological advances, globalization, competition, greater life expectancy, cost effectiveness drivers, growth of service chains networks and service quality movements. Thus, tremendous growth of service sector implies the role of marketing in terms of vast opportunities and implications, marketing opportunities arising from new technology, in franchising from fewer regulations and professional restrictions, in servicing physical goods and international markets.

The rapid change and reform of the market has increased the types of service offered on a subscription basis in different service sectors such as the mobile telecom service market, in which the customer retention issue is critical. As technology and mobile network penetration have both increased, attracting rival’s subscribers and maximizing customer retention have become urgent and timely concerns for mobile service providers in India.

Previous research in this area has mainly focused on studying the determinants of acquiring more subscribers rather than studying the determinants of retaining existing customers (Ahn et al., 2006). Also, the existing literature does not sufficiently explore the factors motivating individuals to be loyal subscribers; further investigation is required into why a customer repurchases from the same service provider. Therefore, this study aims to follow this route to
understand how retention drivers affect repurchase behaviour, which may provide a clear indication of how the service firm in general and telecom service provider in particular should manage in order to stimulate, attract, and reinforce customers to buy and continue buying in the long term.

Especially in the field of marketing strategies for telecommunication services, it is frequently pointed out that once customers have been acquired and connected to the telecommunications network of a particular operator, their long term links with the focal operator are of greater importance to the success of the company in competitive markets than they are in any other industry sector.

As mentioned above, customer retention has been advocated as an easier and more reliable source of superior performance, competitive advantage and a success factor for surviving in the emerging competitive market of telecommunications. To improve customer retention, firms initiate a variety of activities and surveys. By keeping this in mind, customer retention is critical in the mobile phone market, since operator lose about 30 per cent or more of their subscribers every year and have large customer acquisition expenditure. Needless to say, it is important for mobile operators to develop well-designed strategies to increase customer retention.

**OBJECTIVES OF THE STUDY**

The main objective of the research study is to analyze the customer retention strategies of telecom service providers in India. This research study attempts to identify various determinants of customer retention in mobile telecommunication services. The sub-objectives of the study are stated as follows:

1. To assess the level of perceived quality of services offered by selected mobile telecommunication service providers in India.
2. To analyze the key determinants of customer retention in mobile telecommunication services.
3. To examine the effect of switching barrier on customer retention in mobile telecommunication services.
4. To identify management practices associated with excelling at customer retention in mobile telecom sector.
HYPOTHESES OF THE STUDY

Hypotheses 1: There is no significant difference between service quality expectation levels and customers’ service quality perceptions for mobile telecommunication services.

Hypotheses 2: The perceived service quality in mobile telecom sector has a significant positive impact on customer retention.

Hypotheses 3: Customer satisfaction in mobile telecom sector has a significant positive impact on customer retention.

Hypotheses 4: Higher levels of the switching barriers are associated with higher levels of customer retention.

Hypotheses 5: Telecom operators that excel at customer retention have an explicit, documented customer retention plan.

Hypotheses 6: Telecom operators that excel at customer retention have a budget dedicated to customer retention activities.

Hypotheses 7: Telecom operators that excel at customer retention have nominated a particular person or group to be responsible for customer retention.

Hypotheses 8: Telecom operators that excel at customer retention have a documented process for handling customer complaints.

RESEARCH METHODOLOGY

Research Problem

The research problem of this thesis is to study “Customer Retention Strategies of Telecom Service Providers”

Type of Research

This research study is descriptive and exploratory in nature and an effort to analyze the determinants of customer retention in mobile telecom services

Selection of the Service

While selecting services for the study, a number of factors are taken into account. Both pre-paid and post-paid mobile services are selected for this purpose. The preliminary study showed that the ratio between prepaid and post-paid subscriber base is 80: 20. Since, Average Revenue per user is 4 times more in case of post paid users as compared to the prepaid subscribers.

Universe and survey population
The universe of the research study entitled “Customer Retention Strategies of Telecom Service Providers” is aggregate of mobile telecom customers of selected telecom companies selected.

**Sample Design and Sample Size**

Four major telecom service providers are selected i.e. Bharti Airtel Ltd., Reliance Communications, Vodafone Essar Company and Bharat Sanchar Nigam Limited (BSNL). Primary data was collected from a sample of 740 mobile telecom customers and 80 executives of selected telecom companies.

In order to collect the necessary data, the researcher administered the questionnaire personally to the respondents. The respondents are requested to provide the relevant information after sufficiently explaining the nature and purpose of the study. They are assured that the information provided by them would be kept strictly confidential and would be used only for academic purpose.

**Scope of the Study**

The study covers various districts, towns and villages of Haryana state. Basis of the selection of this area is:

- More Tele-density and subscriber base.
- Socio-demographic features of the area.
- More per capita income of the state.

**Developing Questionnaire**

The data was collected by means of a self administered questionnaire, which was developed in the following stages:-

(i) Identifying variables and developing first draft.
(ii) Pilot survey
(iii) Finalising the questionnaire
(iv) Reliability check

**Data Collection Method**

(a) **Primary data:** The primary data for the present study has been collected from the mobile telecom customers and executives of selected telecom companies operating in Haryana state.

(b) **Secondary Data:** Secondary data was collected from various journals, magazines, Govt. Reports, Internet and newspapers. The libraries of Delhi University, Punjab University, MDI Gurgaon and IIT Roorke were visited to collect the secondary data. The indexing service of IIM Ahmedabad was also used to search for relevant literature and the relevant articles were procured from Vikram Sarabhai Library, Indian Institute of Management, Ahmedabad.
Pilot testing

Actual data collection was preceded by a pilot survey. The pilot survey was carried out with a sample size of 50 mobile telecom customers and 10 executives spread across with a view to clarify questionnaire structure holistically and avoid any interpretation problems.

Reliability Check

The reliability of the questionnaire was measured of different stages to ensure that data collected is reliable and data can be analysed further. Cronbach alpha values were computed of three stages, firstly after collecting data from 100 customers and subsequently after the collecting data from 300 and 500 respondents.

Software Used: MS Excel, AMOS 20 and SPSS 20 are used for the purpose of data analysis.

FINDINGS, SUGGESTIONS AND CONCLUSIONS

The Indian telecom sector has grown enormously in last few years. The number of players as well as the level of competition is continuously increasing. The regulators are frequently coming up with new regulations and policies. Hence, now it has become necessary to understand the expectations of customers and provide the best of the services to them. This is not important for attracting new customers but also helps in retaining them. The players are required to understand the customer retention strategies for Indian mobile telecommunication sector. The mobile telecommunication industry being a service oriented industry has to sustain on the quality of customer service. The survival and growth of a mobile service provider not only depend upon its ability to provide qualitative services to its customers on a sustained basis, but in building a long-term mutually beneficial and trust-worthy relationship with its customers. The operational and service aspects of the mobile telecommunication service providers have witnessed significant changing owing to the innovations of science and technology and computer revolution. Today the mobile telecommunication industry is facing a dramatically aggressive competition in a new deregulated environment. Competition will undoubtedly continue to be a more significant factor. The winds of economic transformation are blowing across the globe. Therefore, it becomes necessary for every telecom operator to analyze the fundamental redefinition of its business and its relationship with its customers in terms of customer retention.

The present study is focused to analyze different dimensions of customer retention strategies for Indian telecommunication sector and their effectiveness. This research study also
attempted to identify various determinants of customer retention in mobile telecommunication services. In this chapter findings are summarized and the concise results in the form of conclusions have been presented. This chapter gives a brief idea about the whole research work and results along with the suggestions obtained through the research study. The chapter will help the reader of this research thesis to get a clear-cut overview of the work done by the researcher. This chapter also discusses about the limitations of study and future research leads. The findings, conclusions and suggestions are summed up as under:

Customer retention is the future propensity of the customers to stay with their service provider. Customer retention is reflected from various behavior of customer like when customers encourage friends and relatives to do business with the same operator or the customer is loyal. In this research study customer retention is measured by the variables *my operator would be my first choice, plan to continue relationship, recommend the operator, encourage friends & relatives, loyal to my operator, said positive things about my operator, relationship is important for me and my operator is first choice*. It is found in this study that the customer retention is highly influenced by the variable “*My operator would be my first choice*”. This is due to the fact that in telecom services when a customer considers his telecom operator his first choice that shows his loyalty towards service provider. The next most influencing measured variable for the construct is “*Said positive things about my operator*”. The next influencing measured variable for the construct customer retention is “*Plan to continue relationship*”. If a customer decides to continue with the same service provider that means retention is there and telecom companies’ retention strategies are successful. The least influence (but statistically significant) of the construct is on the variable “*Relationship is important for me*”.

It is observed in the study that customer retention reflect in the telecom customers when they consider their telecom operator first choice, said positive things about operator and plan to continue relationship with the telecom service provider in future also. Hence it is suggested that mobile telecom operators should strengthen their relationship with the customers to retain them.

In the research study an effort is made to analyze the impact of perceived service quality in mobile telecom sector on customer retention. Seven dimensions of service quality namely *tangibility, reliability, responsiveness, assurance, empathy, network quality and convenience*
are considered in this research study and accordingly the impact of all these dimensions of service quality on customer retention has been checked. It is observed in the research study that the perceived quality of services in mobile telecom sector have a positive significant impact on customer retention. Hence it is suggested that mobile telecom operators should design their customer retention strategies by keeping in view the service quality aspect. Accordingly, it can be concluded that telecom operator can use service quality as a tool of customer retention strategies in mobile telecom services.

The switching barriers refer to the difficulty of switching to another provider that is encountered by a customer who is dissatisfied with the existing service, or to the financial, social and psychological burden felt by a customer when switching to a new service provider. The switching barriers in mobile telecom sector are supposed to have positive impact on customer retention. In this research study the effort is made to analyze the impact of switching barriers in mobile telecom sector on customer retention. It is found in the research study that switching barriers in mobile telecom sector has a positive significant impact on customer retention. The factors significantly affecting the switching cost, interpersonal relationship and attractiveness of alternatives. Hence telecom operators must develop customer reward programs, which timely compensate the customers. Moreover, interpersonal relationships between customers and telecom operator and the attractiveness of the services in the competitive market are factors that retain customers. In addition it would be better for mobile telecom operators to increase the cost of switching in order to increase customer life time value and customer retention, while developing retention strategies and also venture to make their services more attractive than their competitors.

Customer satisfaction refers to the assessment of all interactions with product or service from a provider, relative to expectations. It seems logical that a highly satisfied customer would be a retained customer. In this research study the effort is made to analyze the impact of customer satisfaction in mobile telecom sector on customer retention. It is found and concluded that the customer satisfaction in mobile telecom sector has positive significant impact on customer retention. Hence it is suggested that mobile telecom operators should strengthen their efforts to satisfy the customer and satisfied customers would lead to retained customers.
In order to retain customers more effectively, companies must understand its clients, as well as forces driving them to stay with the current provider and not to switch. Several studies have considered the impact of customer relationship management tools and metrics on retention rates, varying from measuring satisfaction levels to returns on loyalty programs. The construct of customer retention focuses on repeat patronage. It is different from, while still closely related to, purchasing behavior and brand loyalty. In retention the marketers is seen as having the more active role in the relationship. The trigger is some element in the relationship between the provider and the purchaser, causing customer retention. This extends beyond satisfaction, quality, and other constructs. There are a variety of motivators of customer retention such as customer satisfaction and switching costs, marketing strategies and customer acquisition. The key determinants of customer retention which are found in this research study are explained below with the help of a SEM model.

In this research study the effort is made to understand the determinants of customer retention in mobile telecommunication sector and impact of these determinants on customer retention. In the present research study three determinants for customer retention were suggested: Service quality, customer satisfaction and switching barriers.
It is revealed that customer satisfaction has the most significant and positive effect on customer retention and service quality comes next. Switching barriers also have a positive impact on customer retention in mobile telecom sector.

It is found in the research study that initially customers have higher expectation about the services but after using the service the customers found low level of perceived service quality provided by mobile telecom service providers. Hence, it can be concluded that the expected and perceived tangibility aspect of service quality in telecom sector are significantly different from each other. The reasons which are observed in this research study are such as physical facilities of mobile telecom operators are not visually appealing; telecom operators are not giving individual attention to customers; recharge facility is not easily available and not offering convenient business hours. It is also observed that customer don’t consider mobile telecom operator much reliable. Hence it is suggested that telecom operators should design physical facilities according to customer taste and needs, prove to be reliable, widely spread their recharge facility and offer convenient business hours to customers.

It is observed in the research study that customers’ expectations of network quality are fulfilled. The main reason of this may be that due to advancement of technology the telecom service providers are able to provide good network quality to customers. Hence mobile telecom companies can position their services in the minds of customer on the basis of good network quality and subsequently may be able to retain customers.

As for as retention management practices to excel in retention is concerned it is observed in this research study that excellence in customer retention is strongly associated with the presence of a well documented complaint handling process. It was also found that the standard management practices of planning, budgeting and assigning accountability for customer retention are not associated with excellent customer retention performance. Effective complaint handling mechanism in mobile telecom sector, can generate two benefits, first, when a customer complaints, as being given a chance to fix the particular customers’ problem, and to retain the customers’ current and future business.
Suggestion for Future Research

This study analyzed the structure and effect of the service quality, customer satisfaction and switching barriers on customer retention in mobile telecommunication industry with an aim to suggest appropriate customer retention strategies. There are also other factors influencing customer retention, apart from the factors suggested in this study, such as demographics characteristics of customers, their life cycle and their usage pattern of mobile telecommunication service. It is recommended that future studies may focus on this aspect of customer retention. Furthermore, customer retention strategies already in practice can be evaluated.

In addition, in order to identify more methodically the factors influencing customer retention, mobile telecommunication services must be compared with other communications services and with other industries.

Limitation of study

Like any other study, this one is also not without limitations. The following are limitations of this research study:

1. The sample is selected by using non probability sampling methods and in single phase so as the perception is influenced by time in which data was collected and the context in which the respondents were at the time of data collection.
2. The primary data and observational methods of research have its own limitations and the study is limited to Haryana state.
3. The study is limited to selected telecom companies and selected revenue centres of the state and therefore the findings may not be generalized to whole industry.
4. Personal bias and perceptions of the respondents might have influenced the primary data collected through the questionnaire. Lack of conceptual clarity on certain issues of some of the respondents might have caused error in their responses.
5. Although an effort has been made to cover almost all factors that affect customer retention, yet survey approach has its limitations in exploring human perceptions.
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