CHAPTER 1.

INTRODUCTION

1.1 INTRODUCTION TO CHURN

Customer churn is the rate of change (usually high), which generally occurs due to instability caused by frequent unplanned and hard to control changes. The word churn is a synonym for agitation or turnover. The Britannica Dictionary defines churn as a device for making butter. It originally referred to a vessel for making butter in which milk or cream was agitated in order to separate the oily granules from the watery medium.\(^1\) The term churn has evolved from its original meaning of agitation of milk and is also used for phenomena like changes in customer base for wireless telephone, changes in routing pattern between Internet Service Providers, changes in the membership of an e-mail discussion list and so on.

The American Heritage Dictionary of the English Language defines Churn as “The number of customers who switch from one supplier to another.”\(^2\) In a communications context, churn refers to the tendency of cell-phone and internet subscribers to switch from one service provider to another. The most common reasons for churn from existing service provider to another service provider are lower price offering for equivalent service from the competing service provider or the offering of better service for the same price from the competing service provider. Churn can also result from a change in the subscriber’s geographic location, the desire for increased speed and better connectivity or a need for different or enhanced cell phone coverage.\(^3\)

Customer churn is a basic unit of the telecommunication industry, which is used to describe customer loss, more precisely defined as the gross rate of customer attrition during a given period. It assesses a service providers customer retention efforts, provides an insight into the growth or decline of the subscriber base as well as the average length of participation in the specific service.\(^4\) In the telecommunication industry, customers are able to choose among multiple service providers, thus actively exercising their right to switch from one operator to another. There is a significant relationship between customer loyalty, customer
satisfaction, trust and switching costs in the mobile phone market. In this fiercely competitive arena, subscribers demand customized products and better services.
at lower prices, while service providers focus on customer acquisition as their prime business goal.

Churn is the gross rate of customer loss during a given period. It can be shown as follows,

\[
\text{Monthly churn} = \frac{C0 + A1 - C1}{C0}
\]

Where,

\(C0\) = Number of customers at the start of the month.

\(C1\) = Number of customers at the end of the month.

\(A1\) = Gross new customers during the month.

As an example, suppose a telecommunication service provider has 100 customers at the start of the month, acquires 20 new customers during the month, and has 110 customers at the end of the month. This would mean that the service provider must have lost 10 customers during the month, which would be 10 per cent of the customers it had at the start of the month. According to the formula,

\[
\text{Monthly churn} = \frac{100 + 20 - 110}{100} = 10 \text{ per cent}
\]

1.2 **Churn Rate**

Churn rate as applied to customer base, refers to the proportion of contractual customers or subscribers who leave a supplier during a given period of time. It is sometimes also called as the attrition rate. It is one of the two primary factors that determine the level of customers a business will support. Currently the approximate churn rate in telecom industry is 3.5 to 6 percent\(^6\).

1.3 **Classification of Churn**

Churn levels vary widely according to geographical markets and types of services offered,\(^7\) and may be broadly categorized as being of external or internal nature.\(^8\)

External churn is defined as the switching of customers from one service-providing company to another and consists of two main sub-types, involuntary
churn and voluntary churn. Involuntary churn refers to customers who are disconnected by the telecom operator. It is initiated by the telecom company and occurs due to unavoidable circumstances such as death of the subscriber or disconnection due to fraud, bad debt or under-utilization. Voluntary churn in the telecommunication industry deals with measurement of customer disconnects for personal reasons like switching to a competitor, canceling service, transferring from one place to another, etc. Voluntary churn is subscriber initiated and is further classified as deliberate churn or incidental churn. The deliberate churn may arise due to various reasons that include pricing, poor customer service or network problems while incidental churn might arise due to financial contingencies, location change or major life changes. Internal churn is defined as the switching of customers from one service to another within the same service provider company, for example, switching from post-paid service to pre-paid service within the same cellular service. Churn can also be classified as customer initiated or competitor initiated. In customer-initiated churn, the customer disconnects service, closes an account or ceases to use a given service while the company is unaware of the reasons. The major factors responsible for customer initiated churn could be unacceptable call quality, more favorable competitor’s pricing plan, unfulfilled customer expectation, billing problem, change of location, change in business, etc. In competitor-initiated churn, a competitor ‘steals’ the customer from an existing service provider. The reasons might be new technology, better service quality, pricing strategies or better network coverage offered by the competitor.

The most useful approach of classifying churn is to categorize by the reasons for the churn.
1.3.1 **IN VOLUNTARY CHURN**

The easiest types of churners to identify are the involuntary churners. They are the customers that the telecommunication service provider decides should be removed from the subscribers list. Involuntary churn has turned out to be the biggest kind of churn problem for some service providers and an almost non-existent category for others. This category includes people that are churned for fraud, non-payment, and under-utilization.

Involuntary Churn can further be subdivided in the following way

![Involuntary Churn Diagram]

- **Fraud** (customers who cheat)

  A few years ago fraud was the biggest single problem that wireless companies faced. Some customers discovered the method of stealing the identification code from passing cell phones and place them into other phones. This process, known as cloning, meant that a customer’s phone number could be stolen and used by other non-customers to make phone calls for free. This problem reached a level wherein the wireless service providers needed to build all sorts of safeguards into the sales and activation process to identify these situations at the earliest. Today, fraud cases are usually associated with tracking down the theft of actual handsets or with customers violating the terms of their contracts.
• **Non-payment churners (customers with credit problems)**

A problem that is growing in importance for many carriers is non-payment, or credit churn. This situation occurs when subscribers fail to pay their bills, usually for several months in a row. Credit churn is a particularly interesting form of churn. It is completely up to the carrier if or when to cut off the customer and terminate the contract. There are customers who will continue to use the phone for as long as they possibly can, with no intention ever to pay. Then again, there are also customers who intend to, or will at least try to, pay when offered some assistance. This makes credit churn a challenge for the provider. If service providers are too abrupt or offensive with the customers, they run the risk of angering the customers and encouraging them to go to a competitor (who might get paid on time every month). On the other hand, if service providers are not firm enough they run the risk of donating a lot of airtime to a customer who will never be any good.

• **Underutilization churners (customers who do not use the phone)**

Another new category of involuntary churn that some telecommunication service providers are beginning to pay attention to is underutilization. For some telecommunication service providers, the fact that customers have a phone and a number but are not making good use of it is reason enough to disconnect them. These telecommunication service providers keep track of how much a phone is being used and cancel subscribers after a certain period of time. (Underutilization is only an issue for the prepaid customers or those who pay no fixed monthly fees.)

**Managing involuntary churn**

The positive thing about involuntary customer churn is that the company has a great degree of latitude in how this kind of churn is managed. The company also has a great deal of control over the amount of involuntary churn risk exposure that the company can take. Fraud, credit, and underutilization are all problems that can be anticipated ahead of time. By tightening up the customer screening efforts, the cellular operators can prevent many of these situations. On the other hand, cellular operators can loosen up the criteria, allowing more customers into the firm, thereby increasing their potential revenues but also increasing the risk of
having to deal with these kinds of churn more often. Ultimately, it is simply a trade-off decision based on a number of factors. Some companies need to have a high headcount (for reasons of investor confidence or marketplace image). In these cases, allowing the obviously higher risk customers to sign up can be one of the best ways to address the issue. The downside, of course, is that the cellular operator will have to deal with these people at a later time.

### 1.3.2 Voluntary Churn

Although the involuntary churn category defines a large part of the customer attrition problems, when people think about telecommunication churn, it is usually the voluntary kind that comes to mind. Voluntary churn occurs when the customer initiates termination of the service contract.
• **Deliberate churn**

Deliberate churn happens for reasons like better technology (customers wanting newer or better technology), economics (price sensitivity), quality factors, social or psychological factors, and/or convenience reasons.

**Technology based churn**

In a technology-based society, with the ever changing technology and new and improved profile that wireless telephones offer, the wireless customers have become sensitive to technology issues and will switch carriers in response. Technology-based churn can be divided into three major categories, handset churn, feature or function churn, and network churn.

**Economic churn**

The most easily understood of the churn types is the churn for economic reasons. Despite the best efforts of service providers to make their companies and products unique and interesting, the resounding number-one reason for churn mentioned by consumers generally is the price that they pay for using the telecom services. Since customers are sensitive to price, the telecommunication companies have to respond to price pressure from their competitors.

**Quality**

Although price is the generic, number-one reason people churn; quality is the second most common reason. The wireless industry is a service industry, and the quality of the service is what people are paying for. When it comes to churn for quality, social or psychological, and convenience factors, however, the job of churn manager becomes much more difficult because these areas are no longer quite so objective. For the consumer, decisions about quality, convenience, and social or psychological values are very personal and subjective and as such are extremely difficult to measure, assess, and act upon.

**Social or psychological**

As stated above, technology, price, and quality are by far the biggest reasons for churn. There are some other, more subtle factors, which by themselves will
probably not cause churn to happen, but can contribute individually or combined to the consumer’s churn decision. Human beings are social animals, and friends, family, and many other social influences can influence them. Social pressures can even cause a person to leave one service provider and switch to another service provider that is more socially acceptable.

Convenience

The category of convenience churn includes all those types of activities that make it very easy for the customer to make a churn decision. Customers often name these convenience events as their churn reasons.

• Incidental Churn

Incidental churn occurs, not because the customers planned on it but because something happened in their lives, and the termination of the service is a side effect of that very incident.

Change in financial condition churn

Change in financial condition churn is attributed to the customer losing a job, going bankrupt, ending up with large bills, or any other kind of financial calamity. Obviously, under such conditions the customer will be forced to discontinue service.

Change in Location Churn

The other incidental churn occurs when the customer moves outside of service area of a particular cellular service provider. This happens more often in countries such as the United States of America or China where people can easily move between telecommunication carrier boundaries without leaving the country. In countries that are less geographically dispersed, change in location churn is much less likely to occur.
Change in Life Situation Churn

Finally, the change in life situation churn covers most other reasons that might cause customers to terminate service when it isn’t their idea. Customers die; their parents take away their phones, or any other of a variety of causes.

1.4 CHURN MANAGEMENT

Churn management can be defined as the process of finding potential customers who are considering leaving and then preventing them from churning. The purpose of churn management is to minimize the loss due to subscribers and to maximize profits by retaining a stable and profitable customer base. Effective churn management is a set of strategies that allows an operator to stay ahead of the competition, increase profitability and improve investor confidence. Key strategies include incentives and tariff bundles that target the most profitable customers, loyalty schemes that are appropriate to the value of the business, acquisition strategies that attract the right type of customer, reduction of fraud and bad debt, proactive customer service and a commitment to quality in all aspects of the business.

Inferences from above definitions,

Thus it can be inferred from the above mentioned definitions that Churn management involves,

- Customer retention.
- Customer loyalty.
- Reduction in customer switching.
- Proactive customer service so that churn is avoided proactively.

1.5 CHURN MANAGEMENT TECHNIQUES

Telecommunication operators have different methods of doing churn management. We can separate how a telecom operator responds to churn into two major categories.
1.5.1 **Pre-emptive Churn Management**

This category includes all the churn management actions that attempt to prevent the churn through proactive satisfaction of customer churn reasons.

From the telecom service provider’s perspective, there are two ways that the rate of churn can be affected. The first way is to eliminate or minimize customers’ dissatisfaction. If the customers are already receiving the best price, the best service, the desired call quality, coverage, and these customers are associated with a firm whose brand image is appealing to them; in that case, churn will not occur. A company’s attempts to prevent churn through the proactive satisfaction of customer churn reasons, is the pre-emptive churn management technique. This method of trying to prevent churn from occurring is very valid as the telecom service providers will not have to worry about customers switching from their services despite all efforts of the competitor to try and lure the customers away.

1.5.2 **Reactive Churn Management**

This category includes all those actions that attempt to correct or compensate for the churn that has begun to occur, or churn events that are already underway.

While it should certainly be the goal of every company to develop as much proactive and pre-emptive churn management activity as it can, this is not always possible. There are several reasons a company might find itself in a position where large numbers of its customers begin leaving with little or no advance warning. When this occurs, the company's only alternative is to react and to try to stop or slow the churn.
1.6 **CUSTOMER RETENTION**

Customer Retention is the activity that a selling organization undertakes in order to reduce customer defections. Successful customer retention starts with the first contact an organization has with a customer and continues throughout the entire lifetime of a relationship. A company’s ability to attract and retain new customers, is not only related to its product or services, but strongly related to the way it serves its existing customers and the reputation it creates within and across the marketplace.

Customer retention is more than giving the customer what they expect. It is about exceeding their expectations so that they become loyal advocates for the company brand. Creating customer loyalty puts ‘customer value’ at the center of business strategy rather than keeping maximizing profits and shareholder value at the center of business strategy. The key differentiator in a competitive environment is more often than not the delivery of a consistently high standard of customer service.

**Need for Customer retention**

The subject of customer churn, customer retention and customer loyalty is receiving attention in many industries. This is important in the customer lifetime value context. Customer churn is closely related to customer retention and customer loyalty. Hwang et al\(^1\)\(^2\) defines customer defection as the most important issue in the highly competitive wireless telecom industry. Hwang suggests that churn rate of a customer has strong impact on the lifetime value because it affects the length of service and also the future revenue. Mobile operators estimate the cost of acquiring a new customer at seven times more than the annual cost of retaining an existing subscriber on an average basis.\(^1\)\(^3\) A better understanding of customer satisfaction, churn and win-back initiatives can reverse customer attrition.\(^1\)\(^4\)

1.7 **RETAILER LOYALTY**

Retailer Loyalty can be defined as the loyalty of a retailer towards a specific manufacturer or service provider. Loyalty is defined as the state or quality of
being loyal. It is a feeling or attitude of devoted attachment and affection.\textsuperscript{15} Thus, a retailer’s loyalty can be termed as a positive belief, generated over a course of multiple interactions in the value that a company and its products or services provide, which leads to continued interactions and purchase over time from the same service provider.

Loyalty in the retail environment is best defined as a state of mind or attitude in which the customer has a desire to purchase a specific company’s product offer in preference to a competitor’s alternative product offer. Loyalty in this sense is relative, rather than an absolute concept since the strength of the desire will vary from customer to customer. Research indicates that when a company can command such loyalty the benefits include and go beyond incremental revenue. Loyal customers go out of the way to use company services. With increased usage comes increased revenue. In an HBR study, Frederick Reichhield and W. Earl Sasser identified numerous bottom line benefits of customer retention.\textsuperscript{16} They found that loyal customers purchase more, they will pay higher prices, they are easier to service, and they help expand customer base by giving positive referrals. They established that a mere five percent increase in customer retention increases an organization’s profitability by twenty five percent. Acquiring a new customer can cost as much as seven times of keeping an existing one.

1.8 \textbf{Customer Retention through Retailer Loyalty}

Research studies (mentioned in literature review in detail) have proven that Retailer plays an important role for the Cellular service provider in the following ways,

- Retailers can promote brand loyalty.
- Retailers can influence customers brand preference.
- Retailers can promote customer loyalty.
- Retailers can influence customer buying behavior.
Role of retailers in promoting Brand loyalty

Retailers play an important role in promoting brand loyalty. According to Jacoby and Chestnut (1978, p. 80) brand loyalty means “The biased, behavioral response, expressed over time, by some decision-making unit, with respect to one or more alternative brands out of a set of such brands, and is a function of psychological (decision-making, evaluative) processes.” Selling to brand loyal customers is far less costly than converting new customers. Brand loyalty gives premium price advantage.

Retailers are the only touch point with the end customer. They can very well influence the customer about a particular brand. The relation between retailer and customer is a trustworthy relation. And this trust is an important driver of loyalty behavior of customers.

Role of retailer in promoting Customer loyalty

Customer loyalty encapsulates both loyalty to the retailer and loyalty to the brand. And if a retailer is loyal to a particular brand then the job of promoting the brand becomes easier. Customer loyalty can occur in three phases. The first derives from location of the retailer. The next phase is meeting the needs of your customer profile. The third phase is retailer's loyalty program.

Every business must develop and deliver a consistently branded experience for its customers. The essence of the brand should be apparent in every interaction a customer has with the retailer, enabling customers to form an emotional attachment with the brand. This includes training and enabling front-line employees who interact with customers, developing high-impact marketing campaigns; defining the brand's "promise". A retailer spends time with customers, discussing the benefits of the product and responses about the same from other customers.

1.9 INDIAN TELECOM SCENARIO

India has emerged as one of the youngest and fastest growing economies in the world today. One of the sectors that has shown the signs of profitability and
contributed significantly to the Indian economy is the telecommunication industry. In fact, the Indian telecom market has gained recognition as one of the most lucrative markets globally. The Indian telecommunication market is one of the most competitive and price sensitive markets in the world. The cellular operators are providing Global System for Mobile Communications (GSM) and Code Division Multiple Access (CDMA) services on their networks. The customer can choose from multiple options of virtually unlimited plans and offers. Indian telecommunication companies have traditionally looked forward to increase the urban consumer base which has proven to be the major revenue earner for these companies. In an endeavor to cover the cities, especially the metropolitan cities of India, the telecommunication companies are trying to come up with strategies for acquiring and retaining the urban consumers.

To survive in such fierce competition and to make business viable, telecommunication operators have to understand the customer completely. The overall lifetime value of each customer is different and thus, having a churn management strategy is becoming vital for acquiring the customer, developing products and services for complete customer satisfaction and segmenting customers for better one-to-one target marketing.

1.10 Current Overview of Indian Telecom Sector

Indian telecom industry went through the phase of market liberalization and growth since the decade of 1990 and now has become the world's most competitive market as well as one of the fastest growing telecom markets in the world. The total revenue of the Indian telecommunication sector grew by 7 per cent to ₹283207 crore for the financial year ending 2011. The Indian telecommunication industry is expected to reach a size of ₹344921 crore by the end of year 2012 at a growth rate of over 26 per cent, and generate employment opportunities for about 10 million people during the same period. According to analysts, the sector would create direct employment for 2.8 million people and indirect employment for 7.2 million people. Indian telecom operators added a staggering 227.27 million wireless subscribers in the 12 months between Mar 2010 and Mar 2011 averaging at 18.94 million subscribers every month. India
has the world's second-largest mobile phone user base with over 929.37 million users as of May 2012. The Indian mobile subscriber base has shown a year on year growth of 43.23 per cent. According to recent reports, India is predicted to overtake China to become the world's largest mobile telecommunications market by the year 2013. It is also predicted that by 2013, the teledensity will rise up to 75 per cent and the total mobile subscriber base would reach 1.159 billion.

**MOBILE TELEPHONY**

With a subscriber base of 929.37 million, the Mobile telecommunications system in India is the second largest in the world. In India, Global System for Mobile Communications (GSM) technology is the dominant mobile technology with 80 per cent of the mobile subscriber market, whereas the Code Division Multiple Access (CDMA) technology has a market share of 20 per cent. India as a country is divided into multiple zones, called circles (roughly along state boundaries). India is divided into 22 telecom circles.

In India, mobile telephony services are offered by the Government as well as several private sector companies. The dominant organizations in the telecommunications industry are Bharti Airtel Limited, Reliance Communications limited, Vodafone, Idea cellular Limited and Bharat Sanchar Nigam Limited (BSNL). There are many smaller telecommunication service providers but they are not as dominant as the above stated organizations as they have operations in only a few states. The Indian government has allowed Mobile number portability (MNP) in the Indian market which enables mobile telephone users to retain their mobile telephone numbers when changing from one mobile network operator to another.

The Indian Telecom landscape has today emerged as one of the most dynamic business segments in the country. The telecommunication services have made a rapid stride both in quality of service as well as the quantity of services. However the users at large are found dissatisfied with the quality of service made available to them. The process of technological sophistication has gained momentum but the users are yet to get the quality of service. The cellular industry has reached a
critical juncture. Deregulation and its effects on price, high customer churn and the increasing commoditization of services together with the economic slowdown and consequent budget cuts have affected the revenues of the telecom service providers. Companies are trying to face these challenges through reorganization, revision of management strategies, downsizing and consolidations.

Churn is the single greatest problem facing telecommunication companies today who are operating in a competitive environment. Telecom Operators have to take proactive action to minimize churn in order to achieve a stable customer database, to attain their revenue potential and ultimately stay ahead in the telecom revolution. As telecom markets mature and competition increases, it is no longer enough to simply acquire the ‘best’ customers. New customers will have to be won from competitors who are also in the process of increasing their market share. To remain profitable, telecommunication companies need to identify and retain their profitable customers. Whether the organization is a wireless provider or a long distance carrier, a competitive local exchange carrier or an incumbent, churn is or will very soon be the single most important issue when it comes to customer management, advertising or sales. For many telecommunication executives, dealing with churn will turn out to be the key to survival in the telecom industry.

Caruana\textsuperscript{26} investigates the dimensions of switching costs, which influence customer loyalty by working out a correlation analysis among the corporate customers of a mobile phone operator. The findings indicate that a better understanding of customer satisfaction, churn and win-back initiatives can reverse customer attrition, thus proving the adage, prevention is better than cure. According to Gartner,\textsuperscript{27} Indian cellular operators face the highest churn rates compared to their counterpart in Asia Pacific Region. The monthly churn rates for India range from 3.5 per cent to 6 per cent. As per the estimation of researchers, the average churn rate of telecom industry worldwide is 2.2 per cent which means that about 27 per cent of customers of a telecommunication service provider are lost every year.

Hence churn management and customer retention has become a very important activity for telecommunication service providers.
1.11 Problem Statement

In the new millennium, the Indian telecom landscape has emerged as one of the most dynamic business sectors in the country where cell phones have become a household utility. The present telecommunication scenario is a battlefront for a large number of private telecommunication companies where the government’s decision to deregulate the telecom sector has paved the way for a number of entrants to provide cellular service. With a large number of private multinational telecommunication companies entering into the segment, the competition has intensified with each telecom operator fighting a battle for sustainability.

Rapid growth and cut-throat competition in the telecommunications sector is having a profound effect on how industry providers must now manage their strategies to attract, satisfy and most importantly retain their valuable customers. In the initial stage, in the newly competitive market, the telecommunication service providers focused only on acquiring new customers. They did not focus on the retention of existing customers which, at times, led the subscriber base to churn. Customer Churn has turned out to be one of the most pressing problems for telecommunication operators in today's competitive market.

Some of the factors contributing to increased churn are the decline in the price of handsets, complimentary packages of handsets and services, which have lowered the entry barriers for clients on the positive side, but have made changing operators less of a deterrent on the negative side. Controlling internal churn while at the same time, encouraging competitor’s clients to churn is a challenge. This situation is now being altered due to the maturity of the telecom markets and the resulting cut-throat competition, which has caused the churn rate to be examined with a focused and systematic approach. Effective churn management allows an operator to stay ahead of competitors, increase profitability and improve investor confidence. The telecommunication operators are faced with new customer acquisition costs higher than ever before. That is the reason why Churn management - identifying likely churners and taking the right action to retain the most valuable customers - has risen to the top of corporate agendas everywhere. Customer Retention is becoming one of the most important tasks for the telecom
operators in India, due to reasons like rising churn rates, intense competition, reduced margins, standardization of services and costs to customers and the advent of mobile number portability. Hence generating loyalty will help telecom operators to reduce churn and lead to customer retention.

In building customer loyalty and retention, everyone has a role starting from vendors and operators to the end retailers. Research studies (mentioned in literature review in detail) have proven that Retailer plays an important role for the Cellular service provider in the following ways,

- Retailers can promote brand loyalty.
- Retailers can influence customers about a specific brand.
- Retailers can promote customer loyalty.
- Retailers can influence customer buying behavior.

Research studies have also proven that there exists a customer loyalty for a retailer. The telecom operator can gain customer retention by motivating the retailer to pitch for their brand. Because of the established trust between the retailer and the customer, the retailer can influence or recommend a specific telecommunication brand to the customer. The motivation for a retailer to recommend a particular telecom operator or brand is because of the attractive business proposition presented by the telecommunication operators such as extra rewards for loyalty, prompt communication about new schemes and tariff plans, good relationship and excellent customer care service. In this case both the telecom operator and the retailer are mutually benefited. Retailers benefit by getting more attractive business propositions and telecom operators benefit by retailers recommending their brand to customers thereby leading to customer loyalty and retention for their brand.

Although service providers understand importance of retailer, there is a lack of studies that have focused on using retailer as a means of gaining customer retention. Most of the research done in this area is proprietary in nature and outside the public domain. Research has been done in industries other than telecom industry. It has been noted that almost all cellular service providers are giving same margins to the retailer (6-7 per cent.). Yet, it is seen that some
retailers are stocking more products of a particular service provider. So there is something more than margins that must be proving to be a motivator for the retailer to promote products of specific telecom operators.

So this research aims at understanding what influences or motivates a retailer to stock and sell more products of specific service providers given the fact that margins given by almost all Cellular Mobile Service Provider are same.

The primary research is limited to the multi-brand retail outlets in Pune. This study is limited to Global System for Mobile Communications (GSM) service providers of prepaid services in Pune city. The research first tries to find out what factors other than margins motivate a retailer to sell prepaid services of a specific cellular service provider. The understanding of attributes is developed based on existing literature on consumer behavior. Once the attributes were finalized, data was collected from the retailers on those attributes on an importance scale. The data is processed through SPSS software using factor analysis to create factors that motivate the retailer to sell prepaid services of a specific service provider. Subsequently factor scores were computed. Finally regression analysis was done to understand the relation of the identified factors to the retailer loyalty whether the identified factors have an influence on retailer loyalty.

1.12 AIMS AND OBJECTIVES

- To identify factors which influence retailer’s loyalty towards a Cellular Service Provider and thereby ensure customer retention for their service.
- To identify factors which motivate a retailer to actively promote a specific brand of cellular mobile service provider.
- To design and explore strategies to enhance retailer loyalty leading to customer retention.
- To find out key drivers behind retailers purchase decision of a particular brand.