CHAPTER

2. REVIEW OF LITERATURE
2.1 INTRODUCTION

Literature review can be presented in number of ways (the writing center, 2007). Chronological (according to when the literature was published), by trend (by noting the main trends), methodological (depending on the method used by the researcher), and thematic. The literature review in this case is presented chronologically.

The journals that contributed the most are as follows,

1. International Journal of Retail and Management.
10. Journal of services marketing.
17. Journal of corporate Real Estate.
20. Forrester research reports and surveys.

The literature review focuses on the importance of retailer to a cellular service provider and how they help in customer retention and customer loyalty. Moreover it also focuses on the importance of motivating a retailer as the retailer is the
single most important link in the entire supply chain. The literature review showcases that as the retailer can influence customer decision making, promote customer loyalty, influence customer buying behavior and promote brand loyalty, hence it is very important for the cellular service provider to gain retailer loyalty. Cellular Service Provider’s need to know the factors that will motivate a retailer so that he will influence customer for repeat purchases and thereby help customer retention. Moreover it explores the different quantitative methods followed by different researchers to reach quantifiable factors under different conditions of study.

The focus of the literature review is to understand the factors that influence retailer loyalty and thus help customer retention. The literature review also identifies the gap in the present research and derives hypothesis to address those areas.

After doing literature review it has been observed that a lot of research studies have been carried out on churn management in the areas of predictive churn. Research studies have been carried out related to customer retention but only from perspective of requirements of a customer. The very important link, that of a retailer, who is a major influencer and can influence customer retention has not been considered for study.

2.2 LINKING RETAILER WITH CUSTOMER LOYALTY AND RETENTION

Cellular mobile industry has undergone rapid changes as a result of liberalization and globalization. In such an ever changing scenario, expansion and maintaining the loyal customer base seems to be a great challenge for the mobile service providers. As a result of increased competition, customer loyalty and retention have become important goals for mobile service operators. Reacting to the pressures, most of the cellular mobile service providers are trying to attract subscribers by not only reducing their tariff rates but also giving attention to the quality of services delivered.

Reichheld and Sasser (1990) showed that a 5 percent decrease in customer attrition translates to a 25 to 85 percent increase in profits, depending on the service industry. Various researchers (Reichheld and Sasser, 1990; Aaker,
emphasized that a loyal customer base generates more predictable sales, steady cash flow and an improved profit stream. Mobile operators have realized that consistently high levels of customer loyalty not only create long term relationships with customers but also lead to competitive advantage. Researchers also agree that customer loyalty is one of the major sources of sustainable competitive advantage for service firms (Bharadwaj et al., 1993).

Various researchers addressed the subject of customer loyalty from different perspectives. According to Dick and Basu (1994), it is the relationship between the relative attitude towards an entity (brand/service/store/vendor) and patronage behavior. According to them, customer loyalty is the term used when business relationships are continued in the latter way. In the past, the terms customer retention and customer loyalty have been used to describe the same phenomenon (Zeithaml et al., 1996).

Various researchers (Duffy, 1998; Griffin, 1995; Kandampully, 1998) also advocated that developing and maintaining customer loyalty is the key to the survival and growth of service firms. Further, loyal customer base not only serve as a marketing force by providing recommendations and spreading positive word-of-mouth, but also cost less as they require less information (Raman, 1999). For example, Oliver (1999) defined customer loyalty as a deeply held commitment to rebuy or re-patronize a preferred product or service consistently in the future, thereby causing repetitive same-brand or same brand-set purchases, despite situational influences and marketing efforts having the potential to cause switching behavior.

A better understanding of customer satisfaction, churn and win-back initiatives can reverse customer attrition. The role of customer loyalty and retention becomes critical in the mobile phone market, since operators lose about 30 per cent or more of their subscribers every year and have large customer acquisition expenditures (Lee et al. 2001). Lee and Cunningham (2001) state that it is the customers' intention to re-patronize their current service provider (or company) based on past experiences and future expectations.
Yankee Group (2001) \(^{38}\) and Evans, M. (2002) \(^{39}\) state that mobile operators estimate the cost of acquiring a new client at seven times more than the annual cost of retaining an existing subscriber on an average basis.

Thus, maintaining a loyal customer base seems to be a meaningful strategy for cellular mobile service providers (CMSP) in order to survive and succeed in this competitive telecom market. It is now realized by Cellular mobile service providers that customer loyalty and retention are important intermediate goals for them to achieve economic success in liberalized telecom markets. As a result, an increasing amount of attention is placed by researchers on the investigation into customer loyalty and retention.

### 2.3 Importance of Retailer to Cellular Mobile Service Provider

Following are excerpts from the book on Retail management by David Gilbert\(^ {40}\).

Retail is defined as any business that directs its marketing efforts towards satisfying the final consumer based upon the organization of selling goods and services as a means of distribution. The retail sector is increasingly being viewed as an important activity and its impact on society is readily acknowledged. The power of individual retail organizations is growing; they are now comparable with bigger manufacturers, which is an indication of the growing dominance of retailers within the supply chain.

Retailers are becoming increasingly important in their role as gatekeepers within the channel of distribution. In the past, when suppliers were dominant, retailers supplied the merchandise that was an offer and consumers selected from this. However, as retailers have become significantly more powerful they are able to exert their power over suppliers and stock only the brands they wish to sell depending on their overall retail strategy and supplier relationships. The effect of this is, consumers are able to purchase only what is selected and offered to them by the retailers as opposed to manufacturers and so retailers may be considered to be shaping consumer demand. Retailing is an important field to study because of its impact on the economy, its functions in distribution, and its relationship with firms selling goods and services to retailers for their resale or use.
Retail functions in Distribution

Retailing is the last stage in the distribution channel. A typical distribution channel is as follows,

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**FIGURE 2.1 DISTRIBUTION CHANNEL**

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Important functions performed by Retailer

- **As middlemen**, they play an important role as conduit between manufacturers, suppliers and consumers.
- **As communication channel**, they act as channels of communication and facilitate exchange of information between suppliers and consumers.
- **As merchandising function**, they help to increase awareness about the product among consumers. Attractive displays attract customer attention. Merchandising efforts act as silent salesman at the retail outlet thus complementing company selling efforts.
- **As market intelligence**, they can sense the market environment and provide useful feedback to the principals.
- **As demand generation**, sometimes they go beyond the conventional function and contribute as change facilitators among consumers and generate demand for a product.
- They can provide assistance to suppliers like transportation, storage, marking, advertising, and prepaying for products.
- They also complete transactions with customers.

2.4 Relationship between Retailers and the Cellular Service Provider

Relationship between the Retailer and the Cellular Mobile service provider can be complex. Because retailers are part of the distribution channel, the Cellular
service provider must be concerned about the retailer’s reliability as business partner. Thus Retailer is a very important link in the supply chain of prepaid services for the Cellular Mobile Service Provider.

Kulkarni Abhijit S (2009), 44 states that in the present competitive world, retailers have gained more attention from producers. External parties such as market intermediaries and supplying partners are becoming increasingly powerful. Hence manufacturers cannot undermine the needs and motivations of their partners in the marketing channel.

2.5 Customer Retention through Retailer Loyalty

Though many service industries are affected by the churn phenomenon, the problem is extremely acute in the telecom industry, with customers joining and quitting in short periods. According to research firm Gartner, India’s churn rate is approximately 3.5 percent to 6 percent per month, one of the highest churn rates in the Asia-Pacific region. Considering that the cost of acquiring a new customer is as high as Rs. 3,000, the losses are immense. The cost of acquiring a new customer is more than seven times that of retaining an existing customer. Even if one calculates a churn of 2 per cent a month, an operator is losing 24 per cent of his customers every year. Irrespective of the numbers, the fact remains that the telecom industry’s bottom line is getting affected significantly as a result of the high churn rate.

The churn problem is more prevalent in the prepaid segment, which today accounts for the vast majority of Indian cellular users. The prepaid customer is more price-sensitive than the post-paid one. With rentals as low as Rs. 300, customers with low usage prefer prepaid cards. Also, students and those who like to experiment with different networks prefer the prepaid offering. Customer retention has become the key business issue for telecom companies towards the end of the 1990s. Bairsto, A. (2001) 45 Yankee group (2001) 46 indicated that mobile operators estimate the cost of acquiring a new client at seven times more than the annual cost of retaining an existing subscriber on an average basis. The emergence of the digital economy has intensified the problem of churn.
management. *Lejeune (2001)* states that, company initiatives to handle churn and profitability issues have been directed to more customer-oriented strategies. Research has indicated that customer-initiated churn is far more common and complicated, so companies need tracking indicators to predict such actions. *(Ultsch, A. (2002) A)* A logical approach to churn management might include following steps such **Capture of customer information, Segmentation of the total market, Identification of characteristics of various segments, Location of the most flickering /floating segments and Identification of specific reasons for churn.**

**Chowdhari, Wagh and Kamath (2006).**

The mobile service market in India is crowded. There are more than five Cellular Mobile service providers in each circle and metropolitan cities. They are facing intense competition and working hard to gain and maintain their market share. Along with the increase in supply of mobile services, there is an improvement in quality, which has resulted in mobile service being treated as commodity like Fast Moving Consumer Good (FMCG). The tariff of Pre-paid service is normally more as compared to Post-paid services. The Indian mobile service market is very price sensitive. The Cellular Mobile service providers are inventing price models to attract all segments of customers. The Cellular mobile service providers are offering activation and deposit waiver and free handsets to postpaid customers and free validity and talk time to prepaid customers. The Cellular mobile service providers have a well-woven network for retailing the mobile services through - Company branded shops, Distributors, Dealers, Retailers and Direct Sales Agents (DSA). The mobile services are retailed along with Fast moving consumer goods in the market. The Cellular mobile service providers have appointed distributors and retailers for selling their services.

**C Bhattacharjee (2007)**

It is the retailers who are common for all dealers who are calling the shots and driving prices. Now, the prices of mobile services can be compared at the click of mouse. Customers are well educated today and take conscious decisions. They are vocal about the deficiencies and are asking for more freebies. The facility to activate the new mobile connections and provisioning is available with distributors. The runner collects Customer Agreement Forms (CAF) and submits it to
distributor for activation of mobile connections. The second sales channel are Company branded shops, which are owned by Cellular mobile service providers. These are manned by employees of the company. The Cellular mobile service providers have made provision in the budget for promoting the mobile services. They have not left any media unexploited to advertise and market their products.

2.6 ROLE OF RETAILERS IN PROMOTING BRAND LOYALTY

Retailers play an important role in promoting brand loyalty. According to Jacoby and Chestnut (1978, p. 80)\(^\text{51}\) 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 (M Mellens, M G Delampe 1996).\(^\text{52}\) Retailers are the only touch point with the end customer. Retailers can very well influence the customer about a particular brand. (Laurie Sullivan 2009)\(^\text{53}\) The relation between retailer and customer is a trustworthy relation. And this trust is an important driver of loyalty behavior of customers. As the retail industry is growing, rules of retail are also changing.

2.7 ROLE OF RETAILER IN CUSTOMER RETENTION

Many studies have shown that retailer is a major entity in promoting customer loyalty. Loyalty is the cause and effect of value (Reichheld, 1993).\(^\text{54}\) The importance of customer loyalty is proved by this statistic; Compared to the revenue a somewhat-loyal customer generates, a loyal customer contributes 260 per cent the annual revenue. For cellular service companies, in order to be profitable, it is not just sufficient to satisfy the customers. They also need to retain old customers and attract new and potential customers. Various researchers (Bitner, 1990; Zeithaml, 2000)\(^\text{55}\) contend that service quality affects customer loyalty and service quality has been shown to assist in both the retention and expansion of the existing customer base.
Ranaweera and Neely (2003), in their empirical study reported that service quality is an important driver of customer retention. David, Joan and Jean (2004) have studied customer retailer loyalty in the context of multiple channel retailing strategies. Results show that multiple channel retail strategies enhance the portfolio of service outputs provided to the customer, thus enhancing customer satisfaction and ultimately customer retailer loyalty. These results suggest that multiple channel retailing can be a useful strategy for building customer retailer loyalty.

2.8 Retailers Influence on Consumers Purchase Decision

Ronald P. LeBlanc, L.W. Turley (1994)

This paper investigates retailers' relative influence on consumers' sequential decision-making process of forming evoked sets and then making purchase decisions from the evoked sets. The findings indicate that the influence of the retailer is higher in evoked set development of consumer decision making and that the influence of the retailer on product choice varies significantly across different categories of durable products.

“70 per cent of purchase decisions are made in the store.”

As it turns out, the most often-cited support for the 70 per cent rule is a 1995 study initiated by the Point-of-Purchase Advertising Institute. This study was large in scope; encompassing data from a nationwide field intercept study of 4,200 consumers across 14 cities. In addition to its conclusion that, “more than 70 per cent of brand decisions are made in-store a majority of in-store purchases are made in-store, and “in-store advertising heavily influences consumers in their purchases,” the premise was born that there was a strong correlation between the two.

Another research, sponsored by Bazaarvoice and Richrelevance (2004) and based on the Jupiter Research Consumer study, identifies, how multiple channels change online shopping, and how retailers can improve the relevance of products and services throughout the purchase process. The research suggests that
retailers have an opportunity to influence purchase decisions. The number of online shoppers who said they bought items not on their list when presented with an appealing offer or promotion rose since 2004, supporting the idea that consumers are more open to influence.

### 2.9 Gaining Competitive Advantage Through Retailers’ Loyalty

**Gerrard Macintosh and Lawrence (1997)**

An important factor in retail store loyalty is interpersonal relationships between retail salespeople and customers. However, relationships can also exist at the person-to-store level. This paper examines the linkages between trust in a salesperson, trust in the store, and repeat purchase intention. The findings reveal that for those with an interpersonal relationship, trust and commitment to the salesperson are directly linked with purchase intention as well as indirectly through store attitude. The research adds to our understanding of the complexity of relationship retailing, while providing further evidence of the value of generating and maintaining interpersonal relationships as a retail strategy.

**David Bell and Rajiv Lal (2002).**

Loyalty programs are everywhere in the retail industry. Customers interact with them multiple times almost every day—whether shopping at a grocery store, buying a cup of coffee, or purchasing a new DVD. In other words, retailers have become convinced that it is possible to buy customers’ loyalty. Several recent business trends drive the need for loyalty programs. “Big box” retailers have conditioned consumers to shop on price alone, so consumers will jump to the retailer offering the lowest price. Eighty percent of casual apparel shoppers and 70 percent of grocery shoppers are always seeking alternatives to their current retailers of choice.

**Sewell and Michael (2003).**

A strong loyalty program can help prevent the loss of high-end customers. This paper suggests retailers to shift their marketing strategies to gain customer
loyalty. Cost of customer retention is far less than that of customer acquisition; retaining just a small percent more of a company’s more valuable customers will significantly improve profit. Most retailers derive a majority of sales from a small percentage of their customer bases. A Strong loyalty marketing program can help prevent the loss of high-end customers or turn things around if it is already occurring. The competitive advantage of a successful loyalty program goes beyond customer retention by providing the retailer with necessary customer data for execution of the traditional strategies of the retail growth paradigm.

Bruce Temkin, William Chu, Steven Geller (2009)  

This paper examined the correlation between customer experience and loyalty across twelve industries airlines, banks, cell phone service providers, credit card providers, hotels, insurance firms, internet service providers, investment firms, medical insurance companies, Personal Computers, manufacturers, retailers, and Television service providers. They found that meeting customer needs links the most with repurchasing and enjoyability links the most with the likelihood to recommend. It also turns out that industries have different loyalty profiles. For instance, retailers and health insurers can influence loyalty the most by meeting customer needs while banks and hotels can affect customer repurchase plans from all elements of customer experience.

2.10 ROLE OF RETAILER IN BRAND COMMUNICATION

Peter Bretts (1994)  

The research paper by Peter Betts on Brand Development, Commodity Markets and Manufacturer-Retailer Relationships attempted to analyze the factors which affected the decision-buying process for the consumer. They also indicate the importance of any branding policy being consistently communicated to the consumer and integrated across the manufacturer and retailer spectrum. The paper considers the need for alternative management styles in creating and establishing a successful branding strategy.
2.11 Retailer can affect consumer attitude and behavior

Wen-Hung Wang, (2008) conducted a study on “The interrelationship of retailer’s relationship efforts and consumers’ attitude and behavior”. Results indicate that retailers undertaking relationship efforts to loyal consumers can positively affect these consumers’ attitudes and behavior.

2.12 Literature review to identify the attributes

![Figure 2.2: Tri-component model of consumer attitudes](image)

**FIGURE 2.2 TRI-COMPONENT MODEL OF CONSUMER ATTITUDES**

The tri-component model of attitudes has been popular in the psychology and consumer behavior literature since the decade of 1940 (Breckler, 1984). The underlying thesis of this model is that attitudes are evaluative statements formed through the interaction of cognitive, affective and behavioral components.

**Cognitive Component**

This component represents the beliefs and knowledge one holds about a product or service based on personal experiences with the product or information from other sources like opinion of others, advertisements, articles etc.

**Affective Component**

This component represents consumer’s emotions or feelings about a particular product or brand. It is generally a reaction to the cognitive aspect of the attitude. These feelings can be positive, negative etc.
Conative Component

Also called as behavioral component, this component represents how a consumer reacts or behaves in a particular way towards a brand, product etc. It can also be considered as the consumer’s intention to buy a particular product or brand.

The tri-component model will be used,

- At the cognitive level with information about the product, price and place through promotions and advertisements
- At the affective level with emotionally toned messages
- At the behavioral level with incentives (samples, coupons, rebates)

2.13 Literature Review for the Attribute Finalization

Peter Betts, (1994) 67

This paper focuses on the case example of one of the leading wall covering manufacturers in the United Kingdom. It explores issues surrounding the development of brands within a commodity-type market. The research attempted to analyze the factors which affected the decision-buying process for the consumer, together with the role that the major factors played in creating and communicating an effective brand identity. The results of the initial research uncover a major deficiency in brand policy within this sector. They also indicate the importance of any branding policy being consistently communicated to the consumer and integrated across the manufacturer and retailer spectrum. This paper suggests the need for alternative management styles in creating and establishing a successful branding strategy.

A CRM Guru survey in November 2004 states that out of the respondents who said they had stopped using a product or service, 74 per cent blamed customer service as a major factor in their decision. The second-most frequently cited problem-poor quality-was selected by 32 percent of respondents, and 25 percent said they defected because of price issues. The functionality of the product or service was selected as a major factor by only 14 percent of respondents. In the December 2004 CRM Guru survey, 64 percent defined loyalty as repeat buying
behavior; 58 percent as a customer who makes referrals to friends and colleagues and 54 percent as a customer's emotional commitment to the relationship. Only 32 percent of the respondents defined loyalty as a customer spending more over time. Following attributes were used and it was found that loyal customers were primarily driven by a) Attitudes-about brand, quality and customer focus; b) Brand Images-as an industry leader, trustworthy company and innovative supplier; c) Customer Experiences-with product quality, purchase process, technical support and consulting.

**Whitepaper by Bob Thompson (2005)**

In this white paper, author has reviewed why customer loyalty is so crucial to business success. But more importantly, he discusses four steps to improve loyalty and retention which, if focused on appropriate customers, will improve profitability.

- Understand drivers of loyalty and defection, from the customers' point of view.
- Develop a loyalty strategy focused on the "right" customers.
- Systematically deliver what the customers value, and fix it quickly.
- Implement measurement and reward systems to encourage customer-centric behavior.

**Martenson, Rita (2007)**

This paper was focused on studying the impact of the corporate store image on customer satisfaction and store loyalty in grocery retailing. Corporate (store) image is defined as the combined effect of how the retailer as a brand, manufacturer brands, and store brands are perceived. The reason for including store brands and manufacturer brands in this definition is that the image and equity of retailer brands depends on the product brands they carry and the equity of those product brands. A mail survey was done on 1000 consumers. The test of the proposed model was based on a simple path model that related the latent variables to the dependent manifest variable store loyalty. The findings stated that - the store as a brand is the most important factor for customer satisfaction. Retailers must be good at retailing. Customers are satisfied when the store is neat and pleasant and when they feel that the store understands their needs. Satisfied
customers are loyal. Research limitations and implications of this study was the way store loyalty was measured, that is as an estimate of how much the respondent's household spent in the main store. Another limitation was the fact that the study is based on "manufacturer brands" and "store brands," rather than specifically mentioned real brands. Practical implications - The growth rate for store brands in grocery retailing is twice as high as for manufacturer brands. Wisely launched, store brands may be profitable to retailers. However, although gross margins are much higher for store brands than for manufacturer brands, net margins are equal. It is therefore important to find out how important store brands are in a customer perspective. After all, retailers prosper when they have satisfied and loyal customers. Originality/value - The paper is based on a more holistic definition of corporate store image than prior studies, which should give a more accurate picture of the relative importance of the store as a brand, and manufacturer as well as store brands.

**Jyh-Shen Chiou, Lei-Yu WuMin-Chieh Chuang (April 2010)**

This study includes information technology (IT) related industries as the focus and examines the antecedents of retailer loyalty toward brand owners by simultaneously investigating push and pull effects in the channel system. The study interviews 274 independent retailers who sell IT related products to end consumers. The results show that the retailer perceived value of selling the brand owner's products plays a pivotal role in promoting their loyalty toward the brand owners. Retailer loyalty toward brand owners comes directly from brand owners' push efforts, and indirectly from pull effects. Additionally, the specific asset invested by each party (brand owners, retailers, and customers) strengthens the relationship within each other in the channel system

**Huang, Li-Ting, Leu, Jun-Der, Pam, Cheng-Kiang, (2010)**

Application service providers are trying their best to enhance existing customers' loyalty because of the prosperous and competitive market. Customers switch suppliers based on economic evaluation. Other suppliers easily imitate the competitive edge derived from price and cost factors. From social exchange theory and relationship management, psychological factors are important for
industrial customer loyalty formation in addition to economic considerations. The comparative importance of psychological and economic considerations in variant context is further explored based on relational exchange theory and relationship development process. Results show that both psychological and economic factors influence customers' loyalty to Application Service Providers, yet affective commitment is more important than continuous commitment. Paying more attention to psychological considerations may be good in Business to Business relationships. Value-added service and service quality deepen affective commitment in turn promoting loyalty. Improving service quality is a necessary criterion for loyalty. Increasing investment size and reducing attractiveness of alternatives enhance continuous commitment. An important finding is that relationship age and frequency moderate the association among continuous commitment, affective commitment and loyalty. In the case of high relationship age or frequency, affective commitment is the major contributor, while continuous commitment primarily contributes to loyalty in the case of low relationship, age or frequency. Implications and limitations are discussed.

Jiun-Sheng Chris Lin, Yun-Chi Chang, (2012) 72

Given the increasing number of new products competing for limited shelf space, retailer acceptance of new products is crucial to both retailers and suppliers. However, limited empirical research has investigated what drives retailers to accept or decline a new product offering. Extant research on retailers' new product acceptance focuses mainly on product and market factors. Despite the growing importance of buyer-supplier relationships in new product marketing, few studies have addressed their influence on retailers' acceptance of new products. This study aims to fill the research gap by proposing a model of retailers' new product acceptance that incorporates the buyer-supplier relationship perspective.

Design/methodology/approach – This study develops an integrated research framework assessing the determinants of retailers' acceptance of new products. Four constructs were derived from the literature on buyer-supplier relationship marketing and new products literature to investigate their influence on the retailer's decision to adopt a new product. The constructs include buyer-seller relationship factors (relationship intensity and channel motivation) and non-
relationship factors (product advantage and market competitiveness). Hypotheses were developed and tested with a sample of retailers.

Findings – Owing to the lack of appropriate existing scales for the four constructs that influence retailers’ adoption of new products, this study developed and validated multiple-item scales through psychometric scale development procedures. Hypotheses were then tested with ordinary least squares regression analysis, and all factors were found to have a positive relationship with the retailer’s acceptance of new products. Results further show that buyer-supplier relationship factors are stronger predictors of retailer new product adoption than traditional non-relationship factors.

Practical implications – The willingness of a retailer to stock a new product does not depend solely on product and market factors. In an age of intense competition and seemingly limitless product choices, suppliers must also consider the implications of the buyer-supplier relationship before entering negotiations with retailers regarding the stocking of a new product.

2.14 IDENTIFICATION OF GAP

When the customer, in any industrial market, transitions from rapid development to near saturation and intense competition, that industry faces severe churn problems. Examples of this scenario include telecom industries, internet services industries, banking industries, and even the cultural and education industries (Ahn et al., 2006; Buckinx et al., 2005; Keaveney, 1995; Kim et al., 2004; Kim et al., 2004). Numerous enterprises have entered the telecom industry to acquire a portion of the emerging telecom market ever since the government fully liberalized the mobile phone industry. Initially, there was a massive demand for emerging telecom services because mobile phone service users were uncommon. As a result, the mobile telecom industry developed rapidly.

However, since the demand for mobile telecom services has grown, telecom companies have grown intensely competitive. Compounding this situation is the introduction of mobile number portability allowing users to switch mobile phone carriers without changing their mobile phone numbers. Users can easily switch
their mobile phone service carriers to maximize their benefits, meaning, telecom companies could face serious churn problems. (Ahn et al. 2006; Kim et al., 2004; Kim et al., 2004; Matterson, 2001). Nowadays, mobile telecom services have become an indispensable communication channel. Since everyone requires mobile telecom services, customers lost by company ‘A’ will inevitably become customers of company “B” or company “C”. Previous studies indicate that to gain a new customer, a company must spend five to seven times the amount needed to retain a customer. Therefore, retaining long-term loyal customers is more profitable than gaining new short-term customers. To maintain market share and profitability, telecom companies have used various approaches or management mechanisms to retain customers and prevent serious churn problems. Maintaining existing customers, locating potentially lost customers in advance, and effectively implementing customer retention strategies, are all serious concerns faced by telecom companies (Matterson, 2001).

A common churn management process involves constructing a churn prediction model using past churn data, and determining key factors affecting churn. This churn model is then used to locate a list of potentially lost customers from existing customer data to perform customer retention activities. (Berson et al. 2000; Chu et al. 2007; Hung et al., 2007; Lariviere et al., 2004; Mozer et al., 2000; Ngai et al., 2009). The success of a company’s churn management is determined by whether it effectively decreases churn rate, and not by whether it can locate a list of potentially lost customers. The critical element of churn management is successful retention of potentially lost customers. However, most telecom companies underestimate the importance of effective customer retention strategies. The study conducted by Chiang et al., 1999; Chiang et al., 2000) utilizes fuzzy correlation analysis to analyze the results of marketing activities to extract the key factors of telecom churn management.

Most studies related to the telecom churn problem focus on constructing an effective churn prediction model to locate lists of potentially lost customers in advance. However, identifying potentially lost customers does not mean those potentially lost customers can be retained. An effective customer retention strategy must be employed to effectively reduce churn rates. Previous studies utilized various data mining technologies to assist telecom companies in resolving
churn problems (Coussement et al., 2008; Hung et al. 2006; Kim et al., 2004; Kim et al., 2004; Mozer et al., 2000; Tsai et al., 2010; Tsai et al., 2009; Wei et al., 2002; Xia et al. 2008).

Data mining refers to using automatic or semi-automatic methods to extract latent, unknown, meaningful, and useful information or models from large datasets (Berry et al., 2004; Dunham, 2003; Fayyad et al., 1996; Han et al., 2001; Kantardzic, 2003; Tan et al., 2006). Data mining is an integrated technique that involves analysis, filtering, extraction, and statistical analysis for large amounts of data; it has numerous applications in addressing business problems (Au et al., 2003; Berson et al., 2000; Chu et al., 2007; Coussement et al., 2008; Lariviere et al., 2004; Lejeune, 2001; Luo et al., 2007; Ngai et al., 2009). Wei et al. (2002) constructed a churn prediction model that identifies churners from subscriber contractual information, call pattern changes and call details. This study proposes a multi-classifier class-combiner approach to address the challenge of a highly skewed class distribution between churners and non-churners.

Hung et al. (2006) proposed the use of customer demography data, bill payment information, call detail records, customer care/service status, and service change logs to identify potentially lost customers, using data mining techniques. This study compares various data mining techniques capable of assigning a churn score to each mobile subscriber. Results indicate that both the decision tree and neural network methods can deliver accurate churn prediction models. Xia et al. (2008) proposed a SVM-based customer churn prediction model to improve prediction abilities by applying structural risk minimization. This study compares the proposed method with artificial neural network, decision tree, logistic regression, and naive Bayesian classifier methods, demonstrating that the proposed method outperforms other methods regarding accuracy rate, hit rate, covering rate, and lift coefficient. Coussement et al. (2008) established a decision support system for telecom churn prediction. This study evaluates the benefits of adding the voice of the customers through call center e-mails (textual information) to a conventional churn prediction system using only traditional marketing information. The purpose of the studies reviewed is constructing an effective churn predictive model to determine a list of potentially lost customers,
providing telecom companies with a reference for implementing customer retention activities. However, for telecom customers, locating potentially lost customers does not equate to retaining customers and effectively reducing churn rates

Michael T Ewing (2000) \textsuperscript{98}

Brand loyalty is investigated by examining actual past behavior and its impact on future behavioral intentions, in terms of expectation to purchase the same or another brand from the same or another retailer, as well as willingness to recommend the purchased brand and retailer from which it was purchased. Findings indicate that while not without its flaws, purchase expectations or intentions data remain a valid research metric. Furthermore, it would appear as if the brand or consumer interface offers greater predictive ability than the retail/ or consumer interface. Lastly, willingness to recommend does not seem to be influenced by past behavior, but the higher the respondent's expectation to purchase a brand, the higher will be their willingness to recommend that brand. The same applies to retailer recommendation.

Alexander Kracklaver. (2001) \textsuperscript{99}

Collaborative customer relationship management (CCRM) is a new emerging strategic approach in the consumer goods sector. In the past, collaboration between a supplier and retailer started with category management and soon proved to generate a mutual benefit for both parties and for the consumers as well ( creating a win-win situation) Now, Collaborative Customer Relationship Management represents quantum leap in the joint efforts of both partners to meet and actually exceed customer expectations. First movers in implementing the strategic concept, like Procter and Gamble, report increased sales and a significant higher customer retention rate. Besides enhanced sales, it also helps to exploit cost saving potentials in the value chain. The concept supports target oriented marketing efforts and makes marketing investments of suppliers and retailers more efficient.
Customer loyalty is increasingly seen to be crucial to the success of business organizations, with the growing realization that attracting new customers is far more expensive than retaining existing ones. It has been suggested that a way of increasing customer retention is through secure relationships between buyers and sellers. Surprisingly, however, and despite the growing body of literature on relationship marketing issues, little empirical research has been conducted on the link between relationship marketing and customer loyalty in a retailing context. This paper attempts to address this gap by presenting and testing a conceptual model of the process by which the implementation of relationship marketing can enhance such loyalty. A dyadic exploratory study of clothing store managers and their customers was conducted. Findings reveal that customers' perceptions of clothing stores' relationship marketing efforts are crucial to enhanced commitment and loyalty.

Quan Tran, Carmen Cox (2009),

In the literature on product branding, significant attention is given to brand equity in the consumer context, but relatively little attention is paid to the application of the concept in the business-to-business (B2B) context. Even less research exists on the role of brand equity in the retailing context. Retailers are often seen as irrelevant to the source of brand value, resulting in manufacturers not targeting retailers to help them build stronger brands. Potential occurs, therefore, for some channel conflict to exist between manufacturers and retailers. On the one hand, retailers tend to focus on building their own, private brands to differentiate themselves from other retail competitors and to increase their power in relation to manufacturer brands. At the same time, most retailers still need to create a good image in the consumer marketplace by selling famous, manufacturer-branded products. In other words, retailers often have to sell famous brands even if they would prefer to sell other brands including their own. Manufacturers tend to focus their brand-building efforts on the consumer market to entice consumers to insist that retailers stock their brands, rather than placing any real emphasis on building a strong and positive brand relationship with the retailer directly.
Work done in Telecommunication

Customer loyalty is defined by Oliver (1999)\textsuperscript{102} as a deeply held commitment to re-buy or re-patronize a preferred product or service in the future despite the fact that there are situational influence and marketing efforts having the potential to cause switching behavior. In simple words, we may say that loyalty is an act or tendency to repurchase or reengage.

For cellular service companies, in order to be profitable, it is not just sufficient to satisfy the customers, but also to retain old customers and attract new and potential customers. Lee et al. (2001)\textsuperscript{103} stressed that increased customer loyalty is an important driver of long term financial gain. Thus it is important for cellular mobile service providers to retain their customers in order to achieve competitive advantage in the market place. Some of the major contributions done by various researchers in this area are,

Gerpott et al 2001\textsuperscript{104} “Target customers, residential customers in Germany”

The relationship addressed in this paper was Customer satisfaction, Loyalty and retention. The findings indicated the three constructs, customer satisfaction, customer loyalty and customer retention are different. Customer satisfaction drives customer loyalty which in turn has impact on customer retention.

Lee et Al 2001, “Residential customers in France”.

The relationship addressed in this paper was customer satisfaction and loyalty. The findings segmented the customers into economy standards and mobile lovers on the basis of calling time. Switching costs played a significant role on the satisfaction-loyalty link for economy and standard groups.

Kim et al 2004, \textsuperscript{105} “Residential customers in Korea”.

The relationship addressed in this paper was customer satisfaction and switching barriers on customer loyalty. The findings indicated that service quality positively affects customer satisfaction. Call quality is the most important issue and impacts customer satisfaction for mobile services. Customer satisfaction and switching barriers have positive impact on customer loyalty.
Retail was the clear winner in the Forrester customer experience report, but its author sees a lot of room for improvement. Although the retail industry performed the highest out of 12 categories in using customer experience to stimulate loyalty, Forrester Senior Analyst Bruce Temkin said cross-channel touch points could make retailers better at loyalty marketing, if the customer experience was made a higher priority. As per Temkin, Retailers have been operating with customer needs in mind for longer than any other business, but no one is really doing well across channels. The Forrester report “Customer Experience and Loyalty” examined the correlation between customer experience and loyalty across twelve industries, airlines, banks, cell phone service providers, credit card providers, hotels, insurance firms, Internet service providers, investment firms, medical insurance companies, Personal Computer manufacturers, retailers, and Television service providers. It looked at how three elements of customer experience (meeting needs, being easy to work with, and enjoyability) correlate with three components of loyalty (repurchase plans, reluctance to switch, and likelihood to recommend).

The report found the most direct connections between repurchasing and enjoyability as well as a clear link the most with the likelihood to recommend. It also turns out that industries have different loyalty profiles. For instance, retailers and health insurers can influence loyalty the most by meeting customer needs while banks and hotels can affect customer repurchase plans from all elements of customer experience.

Retailers scored the highest correlation between customer experience and loyalty in almost every category. Meeting customer needs were found to be the strongest link to repurchasing. For every industry except airlines, meeting needs had the highest correlation with consumers’ plans to make another purchase. The “easy to work with” category also has a strong link to repurchasing and recommendations. According to Temkin, one of the things retail as a category has always done well is set customer expectations, and expectations have a lot to do with customer experience and loyalty. When a customer visits a store he expects a huge parking lot, pounds of beef and pallets of soap products. Temkin’s report urges retailers to continue to tie experience to loyalty.
Thus, from the above literature review, it is clear that Retailers are important to the Cellular Mobile Service Provider due to the following reasons:

1. Retailers are an important link in the supply chain.
2. They aid in the communication function.
3. They help in the merchandising function.
4. They help gather market intelligence.
5. They help in demand generation.
6. They play an important role in promoting brand loyalty and can influence customer about a particular brand.
7. Retailer is a major entity in promoting customer loyalty.
8. Retailers can influence customer decision making.
9. Competitive advantage can be gained through effective retailer loyalty programs.
10. Retailers can help in brand communication.
11. They affect consumer attitude and behavior.

A Cellular service provider basically has two customers namely the Retailer and the End consumer. A lot of research has been done on customer end as is clear from the literature review. In the present competitive world retailers have gained more attention from producers and external parties such as market intermediaries and supplying partners are becoming increasingly powerful. Hence manufacturers cannot undermine the needs and motivations of their partners in the marketing channel. Very little research has been done in the telecommunication services especially related to the prepaid services sector from the perspective of retailer as the major link and the factors that affect retailer’s loyalty towards a particular brand of prepaid service provider.

**Summary**

In today’s highly competitive and globalized markets, customer loyalty emerges as the most important driver for an organization’s long term financial performance, which can lead to increased sales and lower costs. In relation to telecommunication in India, in present situations, loyalty is becoming the most difficult and the most important task, given the facts that
• Rising churn rate which stands to be at approximately 3 to 6 per cent per month as of now
• Almost 12 – 14 telecom operators competing in every circle.
• Reduced margins and standardization of services and costs to customers
• Introduction of Mobile Number Portability.

Hence generating loyalty would help operators to reduce churn. This would in turn lead to recovery of the initial high acquisition cost and be profitable per customer. This would also lead to generating large customer base which in turn has the advantages of large spread of capital expenditure and hence providing leverage to offer competitive prices and increase brand strength

In building loyalty, everyone has a role starting from vendors and operators to the end retailers. What the researcher is trying to understand from this study is how telecommunication providers can gain retailers loyalty as retailer loyalty can help telecommunication operators in gaining customer retention. Both the buyers and sellers have inclinations to engage into or shy away from relationships. Following are the areas where a retailer needs to focus primarily in order to build customer loyalty. Gaining trust, relationship commitment, communication, satisfaction, bonding, shared values, empathy and sometimes being the only one, are the factors that would compel the customers to “go for the extra mile” to come to the same shop.

Research has proven that there exists a customer loyalty for a retailer. The mobile service operator can take benefit of this by persuading the retailer to pitch for its brand. And because of the established trust between the retailer and the customer, the customer decision to buy a particular brand of prepaid service provider is influenced by the retailer. 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.

2.15 Proposed Contribution of Thesis to Literature Review

After a thorough literature review and identification of gaps, the proposed research attempts to bridge the gaps to whatever extent possible under the scope of research. The research will add to the management knowledge of customer retention through retailer loyalty in the following ways,

1. The research outcome will specify the factors that motivate a retailer to stock products or services of specific brand of service providers and thereby help customer retention through repeat purchase.

2. Will help Cellular service providers to understand the factors other than margins which will help to motivate the retailer to buy their service offerings.

3. The research will help in understanding how customers can be retained.

4. Customer retention is a major part of churn management so it will help Cellular service providers to manage churn.

5. The research will add knowledge in identifying factors other than margins that will motivate a retailer to buy or stock products/services of specific service providers and aid in customer retention.

6. It will help Cellular service providers to create loyalty programs and run it through various retail outlets which, as of now, are not being done at all for prepaid mobile services and will prove to be an innovative strategy. It will help them to add value to the entire value chain to both the retailers as well as customers.

7. Researchers can create loyalty programs for Cellular service providers to be run through retail outlets. They can conduct a study of loyalty programs run through retailers in other industries such as electronic goods, apparel industry and create similar programs in telecom industry.

8. Moreover retailers can use this for customer retention.
2.16 FORMULATION OF HYPOTHESES

The review of literature gave deeper insights into the attributes affecting retailer loyalty and identifying gaps. Moreover, it helped develop hypothesis on the basis of understanding of importance of factors affecting motivation of retailer to the Cellular Mobile Service Providers. The following hypotheses were proposed on the basis of literature review.

H1: Retailers go through a complex evaluation process before selecting a service provider for purchase or stocking of prepaid services.

H2: Margin is not the only important factor influencing retailer loyalty for a Cellular Service Provider.

H3: Brand Recognition of Cellular Service Provider is an important factor which influences retailer loyalty for a Cellular Service Provider.

2.17 SUMMARY

Literature review for the proposed research focused on 20 journals that gave key insights into the topic of research.


- 5 per cent decrease in customer attrition translates into 25-85 per cent increase in profits.
- Loyal customer base generates more sales.
- Researchers agree and so do mobile operators that customer retention is one of the major sources of sustainable competitive advantage for service firms.
- Customer retention and loyalty have been used to describe the same phenomenon.
• Customer loyalty creates customer retention
• It is realized by Cellular Mobile Service Providers that customer loyalty and retention are the most important and immediate goals for them.

Lot of research has been done which stresses the importance of retailer loyalty to service providers and how retailer can create customer retention. Bairsto A (2001), Yankee group (2001), Chowdhari and Wagh and Kamath (2006), C Bhattacharya (2007) stress that the retailer is the most important link between the service provider and the customer.

Jacoby and Chestnut, advocate that retailer can very well influence the customer about a particular brand.

Studies by Ronald P Leblanc, Turley (1994), Peter Bretts (1994), David Bell and Rajiv Lal (2002), Sewell and Michael (2003), Bazaarvoice and Richrelevance (2004), Wen Hung Wang (2008), Bruce Tempkin, William Chu, Steven Geller (2009) suggest that, Retailers can influence customer purchase decision and retailer influence in higher in the evoked set of customer decision making process. They also suggest that strong retailer loyalty programs can prevent loss of customers and that retailer can influence loyalty and repurchase intention of customer. Retailers undertaking relationship efforts to loyal customers can positively affect customer attitude and behavior for repurchase of a product or service.

Forrester reports and Tempkin’s reports stress on the connection of 3 components of loyalty, (repurchase plans, reluctance to switch and likelihood to recommend). Retailers can influence customer loyalty. They can enhance customer experience and loyalty.

**What needs to be researched or Gaps**

Researchers have identified (Quan Tran, Camera Cox 2009), that very less research exists on the role of creating brand equity through retailer. They are seen as irrelevant to the source of brand value resulting in the manufacturers not targeting retailer to help them build strong brands. Research by Michael Ewing
says that retailer recommendation goes a long way in creating brand value and customer loyalty.

Alexander Cracleyer stresses on Collaborative Customer Relationship Management (CCRM) wherein both service provider and retailer can work together in collaboration and exceed customer expectations. Studies in Fast Moving Consumer Goods sector have indicated that Collaborative Customer Relationship Management has resulted in not only increase of sales but resulted in higher customer retention rate. The Collaborative Customer Relationship Management concept stresses on supplier and retailer working together wherein it is essential for a supplier to have retailer’s loyalty with them.

Ji-Sheng, Chris Lin, Yun-Chi Chang stress that limited empirical research has investigated what drives a retailer to accept or decline product or service offerings despite knowing that retailer-supplier relationship is very important.

So the proposed research will try to identify factors for influencing retailer loyalty for a Cellular Service Provider and thereby ensure customer retention for their service. It proposes to identify factors that motivate a retailer to actively promote a specific brand of Cellular Service Provider and to design or explore strategies to enhance retailer loyalty, leading to customer retention.