CHAPTER

5. SUMMARY AND CONCLUSIONS
5.1 Background of the Research

The Indian telecommunication market is one of the most competitive and price sensitive markets in the world. With a large number of operators providing Global System for Mobile Communications (GSM) and Code Division Multiple Access (CDMA) services on their networks, the consumer is flooded with options of virtually unlimited plans and offers to choose from. Indian telecom companies have traditionally looked to tap the urban consumer base which has proven to be the major revenue earner for these companies. In the bid to cover the cities, especially the metros, the companies are going all out for acquiring and retaining the urban consumers.

To survive in such competition and to make business viable, 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 winning over the customer, developing products and services for complete customer satisfaction and segmenting customer for better one-to-one target marketing.

The Indian Telecom Industry has undergone a revolution in the recent years. User satisfaction and enhanced user experience is emerging as the major focus point for the service providers, wherein preventing customer attrition, called churn and acquiring new customers are the biggest challenges being faced currently by them.

According to Gartner, Indian cellular operators face the highest churn rates compared to their counterpart in Asia pacific Region (APAC). 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 of telecom industry worldwide is 2.2 per cent per month, that is about 27 per cent of given carrier’s customers are lost every year. Also, the cost of acquiring a new customer is usually much higher than that of retaining an existing one. Thus, it is essential to develop effective methods to retain the existing customers for any telecom operator.
The service providers are providing competitive offers to attract new customers and thereby penetrating deep into the growing segment, which essentially means how to maintain good relationship with existing customers and remain competitive in such a tough competitive environment, is equally an important task for these operators.

As per the estimation of market researchers, the average churn of wireless telecom industry is 2.2 per cent per month. That is, about 27 per cent of given carrier’s customers are lost each year. Thus, it is more essential to develop effective methods to retain the existing customers for these companies, because the cost of acquiring a new customer is usually much higher than that of retaining an existing one. Churn is the problem for all telecommunication providers around the world. The problem confronting wireless telecommunications’ management is that it is very difficult to determine which subscribers leave the company and why. It is therefore even more difficult to predict which customers are likely to leave the company, and more difficult still to devise cost-effective incentives that will convince likely “churners” to stay. Therefore, from the above description, we know the churn management is most critical issue in any telecom firm.

**Customer retention - Challenge in modern telecom industry**

In the modern day telecom industry, which has attained high penetration level, acquiring a customer is getting even costlier. Industry analysis states that only 25 per cent of the acquired customers stay with the company after a year’s time and on an average only 20 -30 per cent of the entire customer base is revenue earning/profitable customers. This dug a deep hole in the balance sheet of the telecom service providers. Due to the churning effect of the customers, there is a huge imbalance created in gross additions of the customers and net addition.

**Forward path - Customer retention Through Retailer Loyalty**

Retailers are an important link in the entire supply chain of prepaid mobile services like buying SIM card, recharge vouchers, value added services etc. They help manufacturers to communicate value propositions to the retail customer and for implementing target market strategies. At the same time retailer plays a very
important role for the customer in decision making. Past research provides considerable evidence that consumers rely extensively on recommendations provided by retail salespeople. As retailers can provide “on the spot” recommendations they are a primary in-store influence in a majority of consumer purchase decisions.

In marketing literature, it has been suggested that marketing is undergoing a paradigm shift from transaction oriented marketing towards relationship marketing (Webster 1992; Kotler 1991; Parvatiar, Sheth and Whittington 1992). In practice as well, companies are also regarding relationship marketing as critical for sustaining competitive advantage.

Retaining the profitable customers includes the following two steps, identifying the revenue earning customers from the entire customer base and managing the customer experience and customer value for the revenue earning customers

The role of retailers

According to Management Centre Europe (MCE) the largest provider of International Management Development Services in Europe and the Middle East, the Telecom Retail Store is still one of the first and main customer “touch point” for the Telecom Service industry. As some channels are managed directly and some are being managed indirectly, motivating the staff, get the right “look and feel”, selling to the retailers and make sure that the products attributes are making it to the end customer are difficult challenges. There is nothing worse than having retails stores that are not reflecting what the websites or the adverts have promised in the whole customer experience. There are a lot of factors that make the role of retailers very crucial for every service provider like depending upon the commissions offered by the different service providers, the retailer might push one particular brand and how the retailer manages various posters, danglers etc. displaying various schemes offered by the service providers, the quickness of services, efficiency and other facilities like recharging, registering complaints.

According to a major market research firm in USA, in the marketing of services involving high end technologies, along with the P’s of marketing there are 3 Q’s which play very important role, Quality, Quantity and Quickness.
Accordingly, in telecom industry, retailer plays a very significant role in determining the customer’s experience by ensuring solution to customer complaints, queries or requests or the new service orders for that matter are resolved and fulfilled respectively. In order to provide the desired experience to the customers, the service operators ought to have the excellent business processes and operational processes at the back end.

**Retail and distribution network of the service provider**

The Indian telecom industry is going through the phase of hyper-competition with almost 12 to 14 players in most of the circles. In such a case every player tries to eat upon the other’s market share. Ensuring the availability of the company’s products and services with all the retailers all the time is very important to gain new customers as well as retain customers. The distribution network and the expansion of the network in new territories become very critical in such a scenario.

The 3 D’s of the customer experience are majorly quoted as, Firstly, “Design”: Designing the right offers and experiences for the right customers. A company cannot turn its customers into satisfied, loyal advocates unless it takes their experiences at all these touch points into account. Secondly, “Deliver”: Retailers deliver these propositions by focusing on them with an emphasis on cross-functional collaboration and finally “Develop”; they develop their capabilities to please customers again and again. According to a paper, published in College of Business Administration, University of Detroit Mercy, Detroit, Michigan, United States of America, anticipating and fulfilling customer needs and wants better than the competitor is one of the most important factors in gaining the loyalty of the customer.

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, and Retailers can influence customer buying behavior. In building loyalty, everyone has a role starting from vendors and operators to the end retailers. How retailer and customer interaction can help operators is what we try to understand here.
Retailers play an important role in influencing customer choice and purchase decisions thus representing a vital link to the manufacturers in communicating value propositions to implement marketing strategies. A survey by Creative Channel services reveals that retailers are a prime influence in a majority of consumer purchase decisions made inside a retail store (Mueller 2000). A survey of consumer shoppers by Campaigners reveals that sales people recommendations are most important in forming purchase decisions for 15 percent of respondents, very important for 44 percent respondents and somewhat important for 15 percent. (Wolf 2006). A study of Tire shoppers by JD Power and Associates (2009) reveals that shoppers expect and follow recommendations from salespeople and concludes that increasing recommendation rate is critical for manufacturers to improve their market share. Finally a study of more than 1200 major electronics retail locations reveal that both brand recommendations (example Samsung, Sony or Panasonic) and technology platform locations (LCD, Plasma televisions) largely left up and dictated by the personal choice of retail salespeople rather than governed by store edict or policies (JD Power and Associates 2009).

The advantage of developing mutually beneficial inter firm relationships between manufacturers and retailers have been well documented (Ganeshan1994). For manufacturer the advantage is better retailer cooperation, better display and promotional arrangements, source of competitive advantage and ultimately better profits (Boles, Barksdale, and Johnson 1997; Ganeshan 1994; Ishida et Al 2006). Thus a major challenge for the manufacturer is to develop a good relationship with the retailers so that they become advocates for their brands. As Hughes and Ahearne (2010) note, it is imperative for the manufacturers to focus on influencing channel members resource allocation behavior in order to make sure that they are more focused. Now a retailer would pitch for a particular brand because of the attractive business proposition thrown by the operators like, extra rewards for loyalty and proactive and prompt resolving of issues. So gradually, such a mutual understanding between the operators and retailers can take the form of undisclosed alliances or tie-ups which will entail win-win relationship for both the operator as well as the retailer. The operators can leverage on retailer’s
efforts to build customer loyalty and on the other hand, Retailers can benefit from more attractive business propositions from the operators side.

So the aim of this research is, to identify factors for improving retailer loyalty for a Cellular Service Provider and thereby ensure customer retention for their service. It also aims at identifying factors that motivate a retailer to actively promote a specific brand of Cellular Service Provider. It will help a Cellular Service Provider to design / explore strategies to enhance retailer loyalty leading to customer retention. It also aims at finding out key drivers behind customer purchase decision of a particular brand.

### 5.2 REVIEW OF LITERATURE AND IDENTIFICATION OF GAP

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 link in the entire supply chain. The literature review showcases that 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 operators 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 factors 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.

Research has been carried out on churn management in the areas of predictive churn. Research has 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.


- 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 CMSP 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 is higher in the evoked set of customer decision making process. Strong retailer loyalty programs can prevent loss of customers. 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/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 FMCG sector have indicated that Collaborative Customer Relationship Management (CCRM) has resulted in not only increase of sales but resulted in higher customer retention rate. The Collaborative Customer Relationship Management (CCRM) 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 improving 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 / explore strategies to enhance retailer loyalty leading to customer retention.

5.3 FORMATION OF HYPOTHESIS

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 Provider. 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/stocking of prepaid services.

**H2** Margin is not the only important factor to gain retailer loyalty for a Cellular Service Provider.

**H2:** Brand recognition of Cellular Service Provider is an important factor to gain retailer loyalty for a Cellular Service Provider.

5.4 METHODOLOGY OF RESEARCH

The research started by reading a lot of literature on customer retention and loyalty, and the important role of retailer in influencing customer retention. If the service provider can motivate the retailer to be loyal to him it will automatically help in customer retention as retailer can influence customer in many ways as already stated in the literature review section. The literature review helped in formation of hypothesis for the study.
As the hypothesis was on factors that will affect retailer loyalty, it necessitated finding out attributes that affect retailer loyalty towards a service provider. On the basis of other studies and the tri component model of consumer attitude formation, twenty three attributes were identified and the same were discussed with subject experts for finalization. Questionnaire was developed on the identified attributes and the data was collected for pilot survey. The pilot survey could clearly identify the factors. On basis of pilot survey minor modifications were made to the questionnaire and subsequently data was collected from 558 retailers for analysis. SPSS was used to analyze the data. The tools used were factor analysis to identify the factors. Regression analysis was then used to confirm the relationship of the important factors identified with retailer loyalty. The findings were then presented and discussed with subject experts. The data was subjected to factor analysis to create constructs that represent a number of attributes as factors. Factor scores were created for individual respondent from factor analysis. The findings from the research were compared with the hypothesis to draw relevant conclusions. Regression analysis was further done to further reconfirm the Hypothesis 2 and 3, to find out whether the attributes Monetary factor and Brand recognition factors have a strong relationship with retailer loyalty and to identify which predictors ( out of the six factors in this study ) are significant contributors to retailer loyalty.

5.4.1 SECONDARY RESEARCH

The secondary research helped in identifying unaddressed areas in managing churn and retention of customers. One of the challenges in conducting factor analysis was to identify the attributes that affect retailer loyalty. The data required for factor analysis had to be collected from retailers in terms of their response to different attributes that matter to them when it comes to being loyal towards a particular service provider. To understand these attributes, exploratory survey was done with 150 retailers. The view of these 150 retailers was collated as Key Attributes.
5.4.2 EXPLORATORY SURVEY

The main objective of the exploratory survey was to understand the different attributes that will motivate a retailer to be more loyal towards a particular service provider. The attributes were derived from literature survey and with the help of Tri component model consumer behavior. The same were crosschecked with 150 retailers in an exploratory survey. The attributes are Brand awareness, Brand preference, Persuasive power, Higher margins, Feel valued by maximum profitable brand, Retailers loyalty towards CSP, Customer care service, Clarity of schemes, Polite behavior, Market Push, Information on latest schemes, CSP relationship, Incentives on achieving targets, Incentives other than achieving targets, Freebies/Gifts, Company responsiveness, Ease of selling, Tariff plans, Visibility of merchandising schemes, Innovativeness of schemes, Market pull, Network coverage, Quality Of Service.

5.4.3 PRIMARY RESEARCH

The primary research was conducted on retailers in Pune. The primary research was conducted over 150 retailers on a pilot basis to validate the questionnaire and the methodology, followed by which the actual primary research was conducted over 558 retailers. In this case the unit of analysis was the “Retailer” the important link from whom the customer buys the prepaid services.

All retailers in any city can make the population for the research where the sampling unit is the retailer. The scope of the research was limited to multi-brand retail outlets in Pune city selling Prepaid GSM services. It was quite difficult to identify the sampling frame. Unlike other researches where a telephone directory or a map can be the sampling frame, in this case the sampling frame was a little blurred as retail outlets can be spaced across the entire city. So the city of Pune was divided into different areas (East, west, north, south) and sample was taken from each area/zone. It is difficult to undertake probability sampling design as the retailers are scattered. So Convenience sampling with quotas based on areas was preferred over probability sampling.
5.4.4 Determination of Sample Size

For factor analysis, studies have revealed that adequate sample size is partly determined by the nature of the data (Fabrigar et al., 1999; MacCallun, Widaman, Zhang & Hong, 1999). In general, the stronger the data, the smaller the sample size can be for an accurate analysis. “Strong Data” in factor analysis means uniformly high communalities without cross loadings, plus several variables loading strongly on each factor.

The best method of determining the sample size for Factor analysis is subject to item ratio (Costello, Osborne 2005). As per Ostello and Osborne, “a large percentage of researchers report factor analysis using relatively small samples. In a majority of the studies in our survey (62.9 percent) researchers performed analyses with subject to item ratio of 10:1 or less, which is an early and still prevalent rule of thumb many researchers use for determining a priori sample size. A surprisingly high proportion (almost one sixth) reported factor analyses based on subject to item ratios of 2:1 or less”.

As per the statistical method, we can refer to the sample table (Table 6.5.2 in annexure), As per the above table if the size of the population in > 1,00,000 then the sample size should be 400 with a precision of ±5 per cent Precision Levels Where Confidence Level is 95 per cent and P=.5.

In the present study, data is collected from 575 retailers decided a priori sample size out of which 558 were considered for final analysis. Rest 17 were rejected because of inconsistency. At a subject size of 556 for 23 attributes under investigation, the subject to item ratio stands at 24:1. So this falls under 20:1 to 100:1 as per the table (Table 6.5.1 in appendix) justifying approximately 78.6 per cent of the factor analysis is done with this or lower subject to item ratio. As per the statistical method, in the present study the sample taken was 558 retailers so as per the table (Table 6.5.2 in appendix )wherein the population is > 1,00,000 then a sample size of even 400 is justified hence the sample size of 558 considered for this study stands justified.

5.4.5 Questionnaire Development
The questionnaire was developed on the basis of the 23 key identified attributes during the exploratory survey. For each attribute there was one question in the questionnaire and the retailers were asked to choose between one to five for every question (one being less important and five being extremely important to them).

The first task in the data collection was to list down the retailers from where the data was to be collected. The study involved a field survey conducted across different retailers in the city of Pune, Maharashtra. The respondents, that is, the retail owners were approached at the retail shop during afternoon time as usually that time they are relatively free and were willing to answer questions. The respondents were administered a structured questionnaire. The responses were recorded using a set of 23 statements measured on an importance scale in addition to other relevant information. While selecting the outlets, in order to cover the entire Pune region, the city was divided into 4 zones east, west, north and South.

5.4.6 Scope and Limitations

In Pune city there are more than one lakh retail outlets so for the purpose of study; specific areas within the city were chosen. Care was taken that the areas covered east, west, north and southern parts of the city.

- This study limits only GSM service providers.
- The study limits only to prepaid services. Postpaid services/products are not considered for this study.
- Only multi-brand outlets were considered.
- The primary data collection will be limited to retailers in Pune city only.

5.5 Analysis

The analysis of the data revolves around two types of statistical analysis, that is, Factor analysis and regression analysis. Factor analysis tries identifying the underlining constructs that influence the responses on a number of measured variables. Factor analysis has been used to group different items or attributes into
common factors that affect retailer loyalty towards a specific Cellular Service Provider. The data collected from the respondents. On the 23 key identified attributes (on a scale of one to five), was converted into “factors” or “constructs” that influence retailer loyalty. So attributes or items that are close to each other in terms of respondent’s opinion tend to group together into a common factor.

Furthermore, “factor scores” were created for each respondent from factor analysis. Factor scores represent the cumulative response of a respondent for all attributes that group into a factor. Then regression analysis was done to understand the relationship between the 23 factors/constructs identified and their relationship on the variable under study, that is, retailer loyalty. Regression analysis would also determine the factors that affect retailer loyalty the most.

Regression analysis is a statistical tool for the investigation of relationships between variables. Usually, the investigator seeks to ascertain the causal effect of one variable upon another—in this case the effect of 22 attributes on retailer loyalty. To explore these issues, the investigator assembles data on the underlying variables of interest and employs regression to estimate the quantitative effect of the causal variables upon the variable that they influence. The investigator also typically assesses the “statistical significance” of the estimated relationships, that is, the degree of confidence that the true relationship is close to the estimated relationship.

The outcomes of factor analysis and regression analysis helped to test the proposed hypothesis and draw relevant conclusions.

5.5.1 FACTOR ANALYSIS

The data collected from 558 respondents was subjected to factor analysis using SPSS. The initial challenge was to determine the number of factors. “Kaiser Criterion” and “Scree Test” were used to understand the underlying constructs and determine the number of factors. The principal component analysis resulted in six factors explaining 89.62 per cent of the total variation.

The summary of the principal component analysis can be as follows,

- Factor - 1 has an eigenvalue of 6.106 explaining 26.54 per cent of variance.
Factor - 2 has an eigenvalue of 4.260 explaining 18.52 per cent of variance.
Factor - 3 has an eigenvalue of 3.128 explaining 13.59 per cent of variance.
Factor - 4 has eigenvalue of 2.853 explaining 12.40 per cent of variance.
Factor - 5 has eigenvalue of 2.573 explaining 11.18 percent of variance.
Factor – 6 has eigenvalue of 1.694 explaining 7.36 per cent of variance.

To simplify the interpretations, the initial extracted factors went through an orthogonal rotation (varimax rotation). After the varimax rotation, the factors were identified with their attributes. The Exploratory Factor Analysis extracted six factors out of the 23 attributes on which data was collected from the respondents (retailers in this study). These six factors are referred as constructs. These factors or constructs describe what all attributes have grouped into these constructs.

Factor 1: (Communication Factor), consists of attributes like clarity of schemes, Information on latest schemes, tariff plans, and visibility of merchandizing schemes. This factor comes out as the most important factor explaining more than 26 per cent of variance and groups 4 attributes. The factor loadings (Correlation between the factor and the attributes) are very high and indicate high degree of correlation. The implication of this finding is that cellular service providers must manage their communication strategy as Communication with retailers has come out to be the most important factor influencing retailer loyalty.

Factor 2: Brand Recall Factors, consists of attributes like brand preference, Ease of selling, Innovativeness and market pull. This factor explains more than 18 per cent of variance and groups 4 attributes. The factor loadings (Correlation between the factor and the attributes) are very high and indicate high degree of correlation.

Factor 3: “Brand Recognition factor”, consists of attributes like brand awareness, persuasive power, network coverage, quality of service and market push. This factor explains more than 13 per cent of variance and groups 5 attributes. The factor loadings (Correlation between the factor and the attributes) are very high and indicate high degree of correlation.

Factor 4 “Monetary Factor”, consists of attributes like higher margins, target achievement incentives and freebies or gifts. This factor explains more than 12
per cent of variance and groups 3 attributes. The factor loadings (Correlation between the factor and the attributes) are very high and indicate high degree of correlation.

Factor 5 named “Responsiveness Factor”, consists of attributes like customer care service, CSP relationship and Company responsiveness. This factor explains more than 11 per cent of variance and groups 3 attributes. The factor loadings (Correlation between the factor and the attributes) are very high and indicate high degree of correlation.

Factor 6 named “Behavioral Factor”, consists of attributes like feel valued, retailers loyalty towards CSP, polite behavior and other incentives.

This indicates all the 6 statistically significant factors together explain 89.62 per cent of the total variation. This indicates that 89.62 per cent of the retailers loyalty behavior can be explained by these six factors where Communication factor is the most critical followed by Brand recall factor, Brand recognition factor, monetary factor, responsiveness factor and lastly behavioral factor.

5.5.2 Hypothesis Testing using Factor Analysis

Factor analysis, in this research has addressed all the 3 Hypothesis stated in this research. The output of the factor analysis mentioned six underlying constructs (referred as Factors) as Communication factor, Brand recall factor, Brand recognition factor, monetary factor, Responsiveness factor and lastly Behavioral factor. This indicates that there are six basic constructs that retailers evaluate while selecting the cellular service provider for purchasing prepaid services signifying the acceptance of the 1st Hypothesis. The hypothesized factor “Monetary factor” came out as the fourth important factor explaining 12.40 per cent of the total variance and grouping 3 different attributes justifying the acceptance of the 2nd Hypothesis. The Hypothesized factor, “Brand recognition factor”, came out as the third most critical or important factor explaining 13.59 per cent of the total variance and grouping 5 attributes justifying acceptance of the third Hypothesis.
Though Factor analysis justifies the Hypothesis, before accepting the Hypothesis the reliability of the factors were verified by Cronbach’s alpha. The value of Cronbach’s alpha more than 0.7 is considered as strong enough to justify the association among the attributes converted to a factor. Cronbach’s alpha indicates a very high level of reliability for the constructs, Communication factor (0.879), Brand Recall factor (0.787), Brand recognition factor (0.841), Monetary (0.778), Responsiveness (0.8300), and Behavioral (0.842). Moreover, the extracted six factors explain more than 89 per cent of the variance cumulatively.

Total variance explained and the Reliability test support the six constructs emphasizing that retailers evaluate a service provider of prepaid services based on six constructs while making purchase decision. This explains the acceptance of the 1st Hypothesis that “Retailers go through a complex evaluation process before selecting a service provider for purchase/stocking of prepaid services.”

Out of the six constructs or factors extracted in factor analysis, Monetary factors came out as the fourth most important factor after Communication factor (Factor 1), Brand recall factor (Factor 2) and Brand recognition factor (Factor 3), explaining 12.40 per cent of the variance and having a Cronbach’s alpha of 0.778. This supports the 2nd Hypothesis that, “Margin is not the only important factor influences retailer loyalty for a Cellular Service Provider.”

Out of the six constructs or factors extracted in factor analysis, Brand Recognition is the third most critical factors explaining 13.59 per cent of the variance and having a Cronbach’s alpha of 0.841 supports the acceptance of the 3rd Hypothesis that, Brand Recognition of Cellular Service Provider is an important factor which influences retailer loyalty for a Cellular Service Provider.”

**5.5.3 Regression Analysis**

In this research study, the researcher wishes to identify the factors that determine retailer loyalty towards a cellular service provider. On the basis of literature review 23 key attributes or factors were identified which have an
association with retailers loyalty towards a service provider by doing factor analysis.

In order to strengthen the Hypothesis testing for the 2\textsuperscript{nd} and 3\textsuperscript{rd} Hypothesis, regression analysis was further carried out to find out the influence of the Brand Recognition factors and the Monetary factors on Retailer Loyalty. The P value in regression analysis will decide if Retailer loyalty is dependent on monetary factors and Branding factors.

In regression analysis, the variable whose value is influenced is called the ‘dependent variable’ and the variable which influences the value is called ‘independent variable’. In regression analysis, the dependent variable is also known as regressor or predictor while the dependent variable is also known as regressee or explained variable. In this research study, retailer loyalty is identified as the dependent variable and the 23 identified attributes are called as independent variables.

In regression analysis, for interpretation of results researcher needs to focus on three types of information produced by SPSS and shown by the SPSS viewer, the Model Summary, the Anova output and the Coefficient table. There are two essential pieces of information in the Model Summary table, R and R2. The multiple correlation coefficient (R) is a measure of the strength of the relationship between Y (retailer loyalty) and the six predictor factors or variables selected for inclusion in the equation. By squaring R, we identify the value of the coefficient of multiple determination (R2). This statistic enables us to determine the amount of explained variation (variance) in Y from the six factors or predictors on a range from 0-100 percent. The second important value to note is the F statistic as stated in the Anova output. Because R2 is not a test of statistical significance (it only measures explained variation in Y from the predictor X's), the F-ratio is used to test whether or not R2 could have occurred by chance alone. In short, the F-ratio found in the ANOVA table measures the probability of chance departure from a straight line. Sig.-F measures or indicates whether the model as a whole is significant. It tests whether R-square is significantly different from zero. In regression analysis, if the F statistic is significant at less than the criterion alpha level that is if p is below .01 then it signifies 99 per cent confidence in the ability of
the model to explain the dependent variable; below .05 for 95 per cent confidence in the ability of the model to explain the dependent variable; below 0.1 for 90% confidence in the ability of the model to explain the dependent variable. Finally, the third most important information in regression analysis is found under SPSS output heading Coefficients. This section of the output shows which variables are statistically significant predictors of the dependent or criterion variable. The table "Coefficients" provides information on the confidence with which we can support the estimate for each such estimate (see the columns "T" and "Sig."). T-Ratios, measures or indicates the reliability of our estimate of the individual beta. Critical values that we need to look at are the p-value (in the column "Sig."). If the value in "Sig." p < .01 then it signifies 99 per cent confidence in the value of the estimated coefficient; - below .05 for 95 per cent confidence in the value of the estimated coefficient - below 0.1 for 90 per cent confidence in the value of the estimated coefficient.

5.5.4 HYPOTHESIS TESTING USING REGRESSION ANALYSIS

The regression analysis was done to further reconfirm the Hypothesis 2 and 3, to find out whether the attributes in the above factors, Monetary factor (Margins being one of the attributes of this factor) and Brand recognition factors have a strong relationship with retailer loyalty and to identify which predictors (out of the six factors in this study) are significant contributors to retailer loyalty and which factors are not significant contributors to retailer loyalty.

The multiple correlation coefficient $R= 0.871$ which tells us there’s a strong relationship between retailer loyalty and the 6 factors. The coefficient of multiple determination R Square (R2) value is 0.759 which indicates that 75 per cent of the variation in retailer loyalty is accounted for through the combined linear effects of the six predictor or variables. The F statistic is 0.000 which is significant at less than the criterion alpha level ($p = 0.01$) which signifies 99 per cent confidence in the ability of the model to explain the dependent variable; hence we can conclude that the regression equation as computed is statistically significant. Finally, the fourth most important information in regression analysis is found under SPSS output heading Coefficients which helps us to identify which predictors (out of the
six factors in this study) are significant contributors to the percentage of explained variance (75.9 per cent in this study) in the dependent variable Y, (In this study dependent variable is retailer loyalty).

Factor 2 (Brand Recall), Factor 3 (Brand Recognition), Factor 4 (Monetary), Factor 5 (Responsiveness), and factor 6 (Behavioral), are having P value below 0.01. So when the p value (in the column "Sig." ) is below .01 we can say that there is 99 per cent confidence in the value of the estimated coefficient and that these five factors are significant contributors to the percentage of explained variance (75.9 per cent in this study) in the dependent variable Y, (Retailer loyalty).

Thus the 2\textsuperscript{nd} Hypothesis is accepted which states that, “Margin is not the only important factor to gain retailer loyalty for a Cellular Service Provider.” and the third Hypothesis is also accepted which says that, “Brand recognition of Cellular Service Provider is an important factor to gain retailer loyalty for a Cellular Service Provider.

5.6 MANAGERIAL IMPLICATIONS

The research findings can be used by Cellular service providers for while formulating their churn management and customer retention strategies. It will also help the service providers to decide on their distribution strategy as well as to formulate their marketing strategy.

The findings of this research convey a strong message to service providers that since retailer is the important link between the service provider and the customer and since it is proven that he can influence customers purchase decision, it is very important that they should gain retailers loyalty towards their organization. Earlier research and literature review has proven the importance of a retailer to a service provider,

- Retailers are an important link in the supply chain.
- They aid in the communication function.
- They help in the merchandising function.
- They help gather market intelligence.
• They help in demand generation.
• They play an important role in promoting brand loyalty and can influence customer about a particular brand.
• Retailer is a major entity in promoting customer loyalty.
• Retailers can influence customer decision making.
• Competitive advantage can be gained through effective retailer loyalty programs.
• Retailers can help in brand communication.
• They affect consumer attitude and behavior.

If a retailer is loyal to a particular service provider then he can influence the customer to buy services from that service provider. They will also aid in increasing customer loyalty towards that service provider. They will act as the communication link between the service provider and the customer thus helping them communicate effectively about new plans, schemes effectively to the customer. This will definitely help in customer retention.

A manager must understand that the retailer can aid market intelligence function. As they interact with the customer on an ongoing basis they can communicate the customer requirements to the service provider which in turn will help them in formulating their marketing strategy. A well formulated marketing strategy suited to satisfy the customer will lead to customer retention.

A manager must understand that gaining the retailer loyalty is a very important factor in achieving customer retention. Factor analysis has indicated that communication factor is the most critical factor influencing retailer loyalty towards a service provider followed by brand recall factor, brand recognition factor, monetary factor, responsiveness factor and finally behavioral factors. A manager must understand that the retailer can aid market intelligence function. As they interact with the customer on an ongoing basis they can communicate the customers’ requirements to the service provider which in turn will help them in formulating their marketing strategy. A well formulated marketing strategy suited to satisfy the customer will lead to customer retention.
Regression analysis indicated that the 3 attributes of monetary factor (higher margins, incentives on target achievement, and freebies/gifts are very closely related and have a direct influence on retailer loyalty. It also indicated that margins alone do not influence retailer loyalty but brand recall factors, brand recognition factor, responsiveness factor as well as behavioral factor also have an influence on retailer loyalty. So, cellular service providers should provide monetary benefits equal to or more than that of the competitors. Brand recall and brand recognition came out as the second and third most important factor which indicates that higher monetary benefits alone will not motivate the retailers to remain loyal. A retailer will also be motivated to purchase services from those service providers which have a higher brand recall and brand recognition. Hence managers need to ensure that they must come up with a branding strategy that will make the service provider brand remain top of the mind recall and also create brand recognition so that retailers remain loyal to them. The output also suggested that behavioral factors such as feeling valued, polite behavior and sense of loyalty has a linear relationship with retailer loyalty. Hence managers must see to it that they make the retailers feel valued, by their polite behavior and create a sense of loyalty towards their brand.

Managers must also keeping mind that responsiveness factors like customer care service, Cellular Service Providers relationship and responsiveness towards retailer’s requirements will go a long way in creating loyalty.

5.7 Scope for Future Research

The present research is limited in its scope wherein it explores the factors that will create retailer loyalty towards a cellular service provider. It is a proven fact that retailer influences the customer’s purchase decision hence a retailer who is loyal to a particular service provider will help influence customer to keep buying prepaid services from the same service provider thereby helping customer retention for that service provider. As this research was limited only to prepaid service providers the same research can be extrapolated to other verticals of telecom industry such as equipment vendors, value added serviced providers, internet service providers, broadband service providers, Direct to Home service providers,
and other industries such as Personal computer industry, Automotive industry, Electronic goods industry, Fast Moving Consumer Goods industry etc. where again retailer is the most important link between the manufacturer/service provider and the customer.

The constructs identified in this research are Communication Factor, Brand Recall Factor, Brand Recognition Factor, Monetary Factor, Responsiveness Factor, and Behavioral Factor. The same constructs can be verified across geographical locations to understand what factors affect the retailer loyalty across regions and countries especially in countries where telecom market is in maturity phase.

The findings from this research can further be used to construct different models/programs

Model 1) Retailer loyalty Program: Research can be done by surveying the customer as well as the retailer as to what kind rewards will satisfy the customer in a loyalty program. Factors could be identified and factor analysis could be conducted to find out the factors that will motivate the customers in a loyalty program. Cluster analysis can further be conducted to identify geographic or area wise clusters of customers and their motivators. The outcome of this research would help Cellular service providers to come up with loyalty programs to reward loyal customers by using retailer as the link for the same for example, Prepaid service provider can have an exclusive agreement with the grocery stores in an area for points to be redeemed in the petrol tank in the area. Viability of this model can be researched further.

2) Model 2: Retailer loyalty is dependent on the performance of a service provider based on the six constructs and hence retailer experience index can be created for each retailer,

Retailer experience index = Wi * Ri

Ri : Retailer experience quantified for ith factor.
Wi : Weight attached to the ith Factor/Construct.

3) Model 3: Customer retention can be achieved through retailer loyalty as indicated by this research hence a research can be conducted to find out how
retailer can be used as an important link to create customer experience. The major motivation for this study will be to understand how better customer experience by the telecom operators through various touch points (retailer is one of them) will result in effectively managing the churn for that operator amidst the hyper competition in the Indian telecom market.

5.8 Conclusion

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 with the overall teledensity in the country registering an increase from 70.89 per cent at the end of March 2011 reaching to 79.28 per cent at the end of May 2012. The total telephone subscriber base in India increased to 929.37 Million at the end of May 2012. While the wireless subscription base increased by 227.27 million, the wire line subscriber base recorded decline of 2.23 million. The wireless segment continued to dominate with a total base of 811.59 million connections.

This present 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 the foray of different private multinationals 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 and, most importantly, satisfy and retain their valuable customers. In the infancy state, the newly competitive market focused only upon acquiring new customers. It overlooked the retention of existing customers that at times led the subscriber base to churn, but was more or less sustainable enough to be ignored.

Some of the factors contributing to increased churn are the decline in the price of handset, 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. Effective churn management allows an operator to stay ahead of competitors, increase profitability and improve investor confidence.

Customer Churn is the unit widely used to describe the customer movement or loss, which is defined as the gross rate of customer attrition to the competitors. Due to the current levels of competition in the Indian telecom industry, with around 15 telecom operators vying for the pie for customer share, the users get more option to choose amongst multiple service providers and have better authority to exercise their rights to switch from one service provider to another.

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.

Retailer plays an important in customer retention for a 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.

So this research aims at identifying factors for improving retailer loyalty for a Cellular Service Provider and thereby ensure customer retention for their service. It also aims at identifying factors that motivate a retailer to actively promote a specific, brand of Cellular Service Provider. It will help a Cellular Service Provider to design / explore strategies to enhance retailer loyalty leading to customer retention. It also aims at finding out key drivers behind customer purchase decision of a particular brand.

Having stated the problem as above, this research has addressed a specific aspect of retention, that is, how to influence retailers loyalty towards a cellular service provider (for prepaid services). The analysis went around the 23 attributes which were finalized through review of literature and exploratory survey. Retailers response to those 23 attributes indicate six factors that influence retailer loyalty towards a service provider. These factors can be named as Communication factor, Brand recall factor, Brand recognition factor, monetary factor, Responsiveness factor and Behavioral factors. These six factors or constructs measure the influence of all 23 identified attributes or variables. These six factors are statistically significant and explain more than 89.62 per cent of the total variance. The six factors justify the acceptance of the three Hypotheses. The constructs explain that retailers look at six specific factors while evaluating a cellular service provider and making a decision to buy services from which service provider. This proves the first Hypothesis that Retailers go through a complex evaluation process before selecting a service provider for purchase/

stocking of prepaid services

Monetary factor which consists of three attributes higher margins, Incentive on target achievement, Freebies/gifts has come out as the fourth most important factor and explains 12.40 per cent of the variance. This proves the second Hypotheses that Margin is not the only important factor influences retailer loyalty for a Cellular Service Providers.

Brand Recognition comes out as the third most important factor which consists of attributes like Brand recommendation, persuasive power, and network coverage,
quality of service and market push. It explains 13.59 per cent of variance. This proves the third Hypothesis that **Brand Recognition of Cellular Service Provider is an important factor which influences retailer loyalty for a Cellular Service Provider.**

Regression analysis was done to reconfirm the second and third Hypothesis, to find out whether the attributes in the above factors, Monetary factor (Margins being one of the attributes of this factor) and Brand recognition factors have a strong relationship with retailer loyalty and to identify which predictors (out of the six factors in this study) are significant contributors to retailer loyalty and which factors are not significant contributors to retailer loyalty.

The multiple correlation coefficient $R= 0.871$ which tells us there’s a strong relationship between retailer loyalty and the 6 factors (which includes the monetary as well as the brand recognition factors) The coefficient of multiple determination $R$ Square $(R^2)$ value is 0.759 which indicates that 75 per cent of the variation in retailer loyalty is accounted for through the combined linear effects of the six predictor or variables. The $F$ statistic is 0.000 which is significant at less than the criterion alpha level ($p = 0.01$) which signifies 99 per cent confidence in the ability of the model to explain the dependent variable; hence we can conclude that the regression equation as computed is statistically significant. Finally, the fourth most important information in regression analysis is found under SPSS output heading Coefficients which helps us to identify which predictors ( out of the six factors in this study ) are significant contributors to the percentage of explained variance (75.9 per cent in this study) in the dependent variable $Y$, (In this study dependent variable is retailer loyalty).

Out of the six factors identified, five factors are having P value below 0.01. Factor 2 (Brand Recall), Factor 3 (Brand Recognition), Factor 4 (Monetary), Factor 5 (Responsiveness), and factor 6 (Behavioral), are having P value below 0.01. So when the p value (in the column "Sig.") is below .01 we can say that there is 99 per cent confidence in the value of the estimated coefficient and that these five factors are significant contributors to the percentage of explained variance ( 75.9 per cent in this study) in the dependent variable $Y$, (Retailer loyalty).Thus the $2^{nd}$ Hypothesis is accepted which states that, “Margin is not the only important factor
to gain retailer loyalty for a Cellular Service Provider.” and the third Hypothesis is also accepted which says that, “Brand recognition of Cellular Service Provider is an important factor to gain retailer loyalty for a Cellular Service Provider.

Finally we can say that on the basis of literature review and analysis of primary data it can be concluded that “Retailers go through a complex evaluation process before selecting a service provider for purchase/stocking of prepaid services”.

The evaluation process is influenced by six factors namely, Communication, Brand Recall, Brand Recognition, Monetary, Responsiveness and Behavioral factors. Out of these six factors, Communication factor comes out as the most important criterion grouping four attributes. Hence service providers must keep this in mind before formulating their distribution, supply chain and marketing strategies. They must also realize that margins alone cannot be a motivator for a retailer. It can be easily copied by competitors. Hence other factors like Branding (Which includes brand recall strategies and brand recognition strategies), constant and timely communication with the retailer, responsiveness towards their problems and maintaining a good relationship with retailer through behavioral factors will go a long way in making a retailer more loyal to a cellular service provider. Past research has already proven that a retailer can influence consumers purchase decision, and can also influence customer loyalty for specific brand. Thus a loyal retailer will help a service provider by influencing the customer decision in his favour and also influence customer’s loyalty towards the specific service provider’s brand. This will help cellular service provider in gaining customer retention through retailer loyalty.