CHAPTER 1
INTRODUCTION TO RESEARCH WORK

1.1 PREVIEW OF INTRODUCTION CHAPTER

This chapter of Introduction to research work presents in brief, a basic logic to the reasons for choosing to conduct research in the field of ‘Consumer behavior with respect to service expectations and perceptions of service quality of Indian cellular services’, namely due to the importance of the Indian cellular mobile service sector, also the problems & issues plaguing it.

Having established a preliminary logic, the chapter delineates the aim and scope of the study, the research objectives, hypotheses, justification of the objectives and hypotheses chosen owing to gaps and limitations of researches to date leading to need for this study, as also the significance of this study to academicians and corporate alike.

1.2 THE INDIAN CELLULAR MOBILE SERVICE SECTOR IN BRIEF

The Indian Cellular Mobile Service Sector is today the world's most competitive and one of the fastest growing markets. It has grown from 5 million subscribers in 2001 to 846 million subscribers in 2011, by a factor of 160 times in just ten years.

It is also the world’s second largest telecommunication network in the world in terms of number of wireless connections after China. Furthermore, projections indicate that the total number of subscribers in India will exceed the total subscriber count in China in near future. Also the market is highly dynamic and competitive with 15 players at last count.

However, the churn rate of cellular mobile users (subscribers moving from one cellular operator to other cellular operators) in India is around 6% per month, which is one of the highest in the world. The high churn rate and overly
competitive market has led to constantly declining ARPU (Average Revenue Per User) for Indian cellular mobile service providers.

Also, though companies are trying harder to meet with the Telecom Authority of India (TRAI) benchmarks on service quality and customer satisfaction, they are still falling short on a number of Quality of Service (QOS) parameters laid down by the Telecom Authority Of India (TRAI), as is evident in the latest TRAI report (Apr –Jun 2013).

1.3 UNDERSTANDING ISSUES OF THE INDIAN CELLULAR MOBILE SERVICE SECTOR IN BRIEF

From the above, it can be seen that while the Indian cellular mobile service providers have a lot of opportunities and growth potential, they face a number of significant challenges.

Firstly, the highly dynamic nature of the industry in terms of increased competition require constant investments in technological advancements. Secondly, new customer acquisition is becoming more elusive than ever as potential customers have more options to choose from.

Thirdly, retaining existing customers has become more difficult and costly, as customers are constantly wooed by attractive competitive offers made by cellular mobile service operators to lure prospects. Retaining is even more difficult in a predominantly pre-paid market where it is easier to switch.

Fourthly, as cellular mobile service operators have had to incur additional expenses in keeping existing customers and acquiring new ones while also making investments in technology, their average revenue per user (ARPU) has declined over the years, leading to deterioration of their financial performance.

According to Voice and Data mobile user’s satisfaction survey 2008, major service providers could not meet the benchmark set by TRAI in terms of service
quality and customer satisfaction. Declining quality of service stemming from poor network availability and lack of customer care were the causes of customer dissatisfaction. Even the recent TRAI report (as of December 2013) indicates that the cellular mobile service providers are falling short on a number of service quality parameters. Though companies are trying harder to meet with TRAI benchmarks, the sector being highly dynamic, continuous efforts in improving service quality are necessary.

In light of these challenges, Indian cellular mobile service operators may want to make service quality and customer satisfaction a strategic priority, in the hope of retaining their customers and in the bargain, improve their financial performance.

Research evidence suggests that service business success has been associated with the ability to deliver superior service (Gale, 1990; Rudie & Wansley, 1984) by maintaining high service quality (Parasuraman et al., 1988). Delivering high quality service is closely linked to profits, cost savings, and market share in many industries (Lovelock, 1996) as satisfied customers have a higher propensity to stay with their existing service provider than the less satisfied ones (Cronin et al., 2000) and are more likely to recommend the service provider to others, leading to improved bottom line for the company (Reichheld and Sasser, 1990).

Therefore, it is imperative that Indian cellular mobile service operators gain a better understanding of the relationship between the service related factors, customer satisfaction, repurchase intentions and recommendation of services to others.

Despite the established advantages of improved service quality most of the cellular mobile service providers in India focus primarily on expanding their subscriber base and tend to overlook investing in service quality. In the context of an intensifying competition in this sector, service quality is even more important to achieve competitive advantage.
The proven positive relationship of service quality with customer satisfaction (Leisen and Vance, 2001), customer loyalty and retention (Ranaweera and Neely, 2003), profitability (Bloemer, Ruyter and Wetzels, 1999) and competitive advantage (Hampton, 1993) provides a base to this researcher to explore the subject in greater detail through this thesis in the Indian cellular mobile services context.

From the above understanding of the size, growth opportunities, importance of Indian cellular mobile service sector on one hand and also the problems plaguing the sector on the other, (namely, high churn rate, declining ARPU, Customers dissatisfied with service quality) this researcher felt that the Indian cellular mobile service sector is an extremely interesting sector to study and make practical suggestions.

Hence this researcher was enthused to conduct study for her thesis, in the area of service quality of cellular mobile services and behavioral consequences, as she felt that a study of this sector would be of great value to academicians and corporate alike due to the following strong reasons --

- Indian cellular mobile services sector is the world’s fastest growing mobile services industry
- Indian cellular mobile services sector is highly dynamic and competitive with fifteen players and many more expected to enter.
- Cellular mobile services have been recognized as a sector which will play a key role in shaping Indian economy.
- Indian customers are becoming increasingly demanding of better service quality and cutting edge services.
- TRAI reports in the past have indicated drop in customer satisfaction and an inability of the service providers to match up to customer expectations on many counts of service quality.
- The Indian cellular mobile services sector is facing very high churn rates.
Declining ARPs has made retaining customers strategically important, and a study which will look at factors enhancing chances of retaining customers will be very useful.

The above scenario buildup has led to the aim, scope, objectives, hypotheses for this study, justification in terms of the gaps and limitations of studies to date, leading to need for this study as also the significance of this study to academicians and corporate alike. The same is delineated below.

1.4 AIM OF THE RESEARCH STUDY

To find out the Service Quality (SQ) dimensions that are important in Overall Service Quality (OSQ) perceptions, and for positive Behavioral Intentions (BI) of customers.

1.5 SCOPE OF THE STUDY

This research study is limited in scope to the study of the Indian Cellular Mobile Services sector, from the angle of Service Quality dimensions, and its impact on Overall Service Quality (OSQ) perceptions and Behavioral Intentions, within the city of Mumbai, during the months of August 2010 to November 2010 only. Consequently since the angle of research is from Service Quality and its effect on Behavioral Intentions, and not from the point of view of what all factors explain Behavioral Intentions, the Behavioral Intentions may not be completely (to the extent of 100%) explainable by Service Quality dimensions only (as there may be many other factors, other than Service Quality, that may be explaining Behavioral Intentions). The other factors are beyond the scope of this research.
1.6 OBJECTIVES OF THE RESEARCH STUDY

1. To study dimensions of Service Quality (SQ) significantly contributing to Overall Service Quality (OSQ) perceptions.

2. To study dimensions of Service Quality (SQ), significantly contributing to each of the Behavioral Intentions dimensions (Word of Mouth (WOM), Repurchase Intentions (RI), Price Increase Tolerance (PIT), External Response to Complaints (ERC) and Internal Response to Complaints (IRC)).

3. To study effect of Overall Switching Costs (OSC) on Behavioral Intentions dimensions of Repurchase Intentions (RI) and Price Increase Tolerance (PIT).

4. To study effect of prior churn (number of service providers used/ subscribed to date), referrals, duration with current service provider on Behavioral Intentions dimensions of Word of Mouth (WOM), Repurchase Intentions (RI) and Price Increase tolerance (PIT).

5. To study effect of demographic differences on churn behavior and reasons for switching.

1.7 HYPOTHESES FORMULATED FOR THE PURPOSE OF THIS STUDY

Following are the hypotheses formulated for this thesis study.

H10 None of the Service Quality (SQ) dimensions significantly explains the variance in Overall Service Quality (OSQ) perceptions

H1A At least one of the Service Quality (SQ) dimensions significantly explains the variance in Overall Service Quality(OSQ) perceptions
**H20** None of the Service Quality (SQ) dimensions significantly explains the variance in each of the Behavioral Intention (BI) dimensions

**H2A** At least one of the Service Quality (SQ) dimensions significantly explains the variance in each of the Behavioral Intention (BI) dimensions

**H30** There is no association between Overall Switching Costs (OSC) on one hand and Repurchase Intentions (RI) and Price Increase Tolerance (PIT) on the other

**H3A** There is positive association between Overall Switching Costs (OSC) on one hand and Repurchase Intentions (RI) and Price Increase Tolerance (PIT) on the other.

**H40** There are no significant mean customer type differences in Behavioral Intentions (BI)

**H4A** There are significant mean customer type differences in Behavioral Intentions (BI)

**H50** There is no relationship between demographics on one hand and churn behavior and reasons for switching on the other.

**H5A** There is a relationship between demographics on one hand and churn behavior and reasons for switching on the other.
1.8 JUSTIFICATION FOR THE OBJECTIVES AND HYPOTHESES OF THE STUDY

The objectives and hypotheses of this study emanated from the gaps and limitations of service quality studies in cellular mobile services. These gaps & limitations observed till the primary research stage, are delineated next.

1.9 GAPS AND LIMITATIONS OF SERVICE QUALITY STUDIES IN CELLULAR MOBILE SERVICES

1. There are very few studies in Service Quality of Cellular Mobile Services (38 research papers only). There have been only 8 papers in the Indian context. The sample size in all papers except one (Rahman, 2006;) is very small (<250 respondents).

2. While most research papers in Service Quality of Cellular Mobile Services used the original SERVQUAL (Parasuraman, Zeithaml and Berry, 1988), other studies adapted the SERVQUAL and added dimensions. However, each study added its own additional dimensions. There is no study in India or abroad, that has all the ten dimensions that have been used in this thesis study, to evaluate the Service Quality of cellular mobile services.

3. There has been no study on the impact of the ten Service Quality dimensions together, applicable to the Cellular Mobile Service sector (Modified SERVQUAL), on Overall Service Quality (OSQ) Perceptions and on all dimensions of Behavioral Intentions(BI) (Word of Mouth (WOM), Repurchase Intentions (RI), Price Increase Tolerance (PIT), External Response to Complaints (ERC) and Internal Response to Complaints (IRC)). Some studies have looked at links between Service Quality (SQ) and only some dimensions of Behavioral Intentions (namely Repurchase Intentions (RI) and Word of Mouth (WOM)).
4. The effect of Overall Switching Costs (OSC) on Behavioral Intentions (BI)
dimensions has not been studied in the Indian context.

5. There is no study in Cellular Mobile Services on impact of churn (number of
service providers used/subscribed to date), source of information (references
vs. others), duration of relationship with current service provider, on
behavioral intentions.

6. The effect of demographic variables on churn behavior and reasons for
switching has not been studied in India (except by Ganguli, 2008 who
studied demographic analysis of customer satisfaction and not churn, that too
with sample size of 250 respondents).

7. The literature review reveals the culture specificity of various studies. Hence
it is felt that the studies that have been conducted in other countries need to be
validated through studies in the Indian context.

1.10 NEED FOR THIS THESIS STUDY

Owing to these gaps and limitations, a need was felt by this researcher to conduct
a comprehensive study involving Service Quality (SQ) dimensions, and its impact
on dependent variables of Overall Service Quality (OSQ) perceptions, and on all
dimensions of Behavioral Intentions (BI) (Word of Mouth (WOM), Repurchase
Intentions (RI), Price Increase Tolerance (PIT), External Response to Complaints
(ERC) and Internal Response to Complaints (IRC)) as also the effect of Overall
Switching Costs (OSC) on some of the Behavioral Intentions (BI) dimensions.
Besides this, the researcher felt interested to study impact of churn (number of
service providers used/subscribed to date), information sources (references vs.
others) and duration of relationship on some of the Behavioral Intentions (BI)
dimensions. This study was especially important since the studies that were
conducted in other countries need to be validated through studies in the Indian
context.
1.11 SIGNIFICANCE OF THIS STUDY

This study helps both academicians and corporate alike.

To Academicians

1. The study helps understand current level of performance of Indian Cellular Mobile Service Providers on the Service Quality (SQ) dimensions and Overall Service Quality (OSQ) perceptions.

2. The study identifies which dimensions of Service quality (SQ) contribute to Overall Service Quality (OSQ) perceptions of Indian Cellular Mobile Services.

3. The study understands the actual Behavioral Intentions on all five dimensions of Word of Mouth (WOM), Repurchase Intentions (RI), Price Increase Tolerance (PIT), External Response to Complaints (ERC) and Internal Response to Complaints (IRC) with respect to Indian Cellular Mobile Services.

4. The study identifies which Service Quality dimensions (SQ), contribute to each of the five dimensions of Behavioral Intentions.

5. The study identifies the effect of Overall Switching Costs (OSC) on Behavioral Intentions dimensions of Repurchase Intentions (RI) and Price Increase Tolerance (PIT).

6. The study also looks at factors such as churn (switching), sources of information (referral switchers versus others), years (duration of relationship) with current service provider, and its impact on Behavioral Intentions dimensions of Word of Mouth (WOM), Repurchase Intentions (RI) and Price Increase Tolerance (PIT).

7. The study contributes to an understanding on how demographics can affect churn (switching) behavior and reasons for switching.
To Corporate

1. This study can be used by Indian Cellular Mobile Service Providers to understand where do they stand today as far as their performance on Service Quality (SQ) dimensions and Overall Service Quality (OSQ) is concerned, as also the standing of the sector on the Behavioral Intentions (BI) dimensions.

2. This study helps Indian Cellular Mobile Service Providers to understand which Service Quality (SQ) dimensions to focus on, so as to get higher Overall Service Quality (OSQ) perception ratings.

3. Indian Cellular service providers will know what Service Quality (SQ) factors should be concentrated on for favorable Behavioral Intentions depending on which dimension of Behavioral Intentions (Word of Mouth, Repurchase Intentions, Price Increase Tolerance etc.) is the goal desired.

4. Demographic analysis of and reasons for switching will help formulate differentiated strategies and/or taking corrective action.

1.12 CHAPTER SCHEME

This first chapter of introduction to research work, established a basic logic to the reasons for choosing to conduct research in the field of ‘Consumer behavior with respect to service expectations and perceptions of service quality of Indian cellular services’, namely due to the importance of the Indian cellular mobile service sector as also the problems and issues plaguing it, and also delineated the aim and scope of the study, the research objectives, hypotheses, justification of the objectives and hypotheses chosen, owing to gaps and limitations of researches to date, leading to need for this study as also the significance of this study to academicians and corporate alike.
The content in the remaining chapters is as follows:-

- **The second chapter on Overview of Indian cellular mobile service sector** gives a detailed picture of the sector in terms of its strategic importance, problems, environmental factors, facts, competitive dynamics, SWOT, technological advancements, regulatory framework, investments and areas for growth.

- **The third chapter on Literature review** presents the logic of concepts and papers chosen, sources used, past literature reviewed in detail leading to gist of findings as also the theoretical framework and model of inter-relationships between variables.

- **The fourth chapter on Research methodology** presents the logic of research design for primary data collection and delineates the sampling design, operational definitions, tools, scales, questionnaire design, pretesting method, data analytic techniques used.

- **The fifth chapter on Data analysis** presents the actual data analysis results, both the descriptive statistics and the data analytic results forming the basis for acceptance or rejection hypotheses.

- **The sixth chapter on Interpretation and discussion of results** links the findings of this research study to past researches.

- **The seventh concluding chapter on Conclusions and recommendations** presents interesting conclusions which then forms the basis for making recommendations to Indian Cellular Mobile Service Providers. This chapter also presents again the limitations of this thesis as also the scope for future research potential possibilities.

- The concluding seventh chapter is followed by References & Appendices.