CHAPTER 1 – INTRODUCTION

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Chapter 1 Introduction

1.1 Customer Retention

Managing customers and retaining them has become one of the most important dimensions of enterprise strategy in this age of fiercely competitive environment. The present decade will go down in business history as the era of focused attention to customer expectation and to profitability through higher customer retention. Companies are today realizing that customer retention is a better litmus test of their accomplishment than profits.

Customer retention is a key to high business performance, as it impacts on profit, economies of scale and other variables that are considered important to provide competitive advantage (Ramakrishnan, 2005). However, many companies are not giving the attention due to it.

Many organizations today place emphasis on attempting new customer acquisitions and thereby, increasing their market share and revenue. However, many of them pay little or no attention to retain their existing customers. Organizations acquire new customers through major investment in marketing and competitive pricing. They lose many of them for reasons that however, remain largely unexplored. Some business analysts have indicated that recruiting a new customer cost five times more than retaining an existing customer (Mittal & Lasser, 1998). As competition and the costs of attracting new customers grow, companies are increasingly concentrating their strategies on customer retention (Jones et al., 2000). Stewart (1996) emphasized that “Unprecedented levels of competition and the need for sustained growth means that the retention of existing customers has to be the primary consideration for service managers.” In today’s competitive environment, researchers and service marketers advocate on developing customer loyalty in order to maintain a competitive edge and higher revenue. Effective customer retention helps to achieve these targets in most efficient and cost-effective manner.
In rapidly changing market, companies can no longer rely on a revenue strategy based primarily on growing market share. To sustain profitability, companies must change to a business model that concentrates on retaining existing customers, and having an excellent relationship with them.

Today’s customer has more choices and expectations than ever before. It has therefore, become essential for providers of services to understand their service requirement and deliver them high quality service in order to retain them. A lack of such an approach, thus, leads to their dissatisfaction and hence, their defection. According to Kotler (2001), “It is not enough to be skilful in attracting new customers; the organization must keep them. It is like constantly adding water to a leaking pot. Today, many organizations suffer from high customer churn—namely, they gain new customers only to lose many of them. Cellular carriers for example, lose 25 percent of their subscribers each year at a cost estimated at $2 billion to $4 billion.”

Reichheld and Sasser, 1990, were the first to quantify the significance of customer retention. They established a high correlation between customer retention and company profitability in the services industry. They found that profits in service industries increased in direct proportion to the length of a customer’s relationship. During their study at one of the leading credit insurance companies, they found out that a 5 per cent improvement in customer retention increased average customer value by 125 per cent. Thereby, Reichheld and Sasser concluded that cutting defections in half could more than double the growth rate of the average company.

According to Kotler (2001) there are two ways to strengthen customer retention. First, is to erect high switching barriers. Customers are less inclined to switch to another provider, when this would involve high capital costs, high search costs or the loss of loyalty discounts. Second, and the better approach, is to deliver high customer satisfaction, thus making it harder for the competitors to succeed in luring the customers.

1 In this study the words customer/s, subscriber/s and service user/s have been used interchangeably.
Customers tend to keep current service as long as the level of their satisfaction is high (Jones, Mothersbaugh & Beatty, 2002). Customer satisfaction is directly related to high quality of service delivery (Cronin & Taylor, 1992). Thus, service organizations can only achieve a high degree of customer retention only through sustained delivery of superior service quality at all the points of service encounters with the customer. Effective and efficient service quality delivery is a critical driver for customer satisfaction, which in turn leads to higher customer retention.

Satisfying and retaining customers is the new mantra, through which companies are learning to earn the loyalty of their customers. The advantage of loyal customers is that they are less influenced by competitors and it is much easier for companies to cross-sell/up-sell new products and services to them, thereby increasing their profitability. Defecting customers, on the other hand account not only for revenue loss but also damage the brand value.

Today’s customers have higher awareness and maturity. They are smarter, more price-conscious, more demanding, less forgiving and are approached by more competitors with equal or better offers, thereby making them harder to please. The challenge, according to Gitomer (1998), “is not in producing satisfied customers; several competitors can do this. The challenge is to produce loyal customers.” Loyalty enables organizations to build lasting and profitable relationships with its customers, resulting in higher productivity and reducing churn by optimising the use of resources to satisfy each and every customer.

For organizations to remain successful, service managers must understand the causes of customer defection and its subsequent effects. Improved awareness as to why customers defect helps in framing effective customer retention strategies. Effective customer retention strategies provide a unifying framework that enables service marketers to adopt corporate strategy and operating practices in ways that will help them to serve their customer better and deliver high customer satisfaction.
Customer retention is a key area of focus in service industries and its importance has also been realized in the cellular service industry globally. In India, cellular service was introduced in 1995, and since then it has seen exponential growth. However, the service industry has also seen a rise in switching behaviour of cellular users. Increasing competition, decreasing average revenues, falling prices and introduction of new technologies has made customer retention a very important issue for the Indian cellular industry.

This study aims to explore the current customer retention practices in the Indian cellular industry with a view to suggest, how they can be further improved. The sections, that follow next, present a detailed background about the cellular service industry, and the growing significance of churn management, and customer retention both, in the global and Indian context. Based on this backdrop, the research issues and objectives of this study have been discussed.

### 1.2 Cellular Industry: An Overview

Communication is the most significant element required for human existence and social behaviour. It brings meaning to our lives. As societies grew the need to communicate efficiently from anywhere and at any time gave rise to telecommunication industry. The telecommunication industry has redefined the way we live and do business. It has become so pervasive and crucial to the survival of the world economy that the International Telecommunications Union (ITU) declared ‘Access to Telecommunication as a basic human right’ as its theme for its 1999 conference held in Switzerland.

The telecommunication industry itself has seen a sea change in the past few decades. There has been a constant revolution and commissioning of new technologies and equipments. From fixed-line phones to pagers to cellular telephony to satellite phones, these technologies have made communication easier and better quality. Among all these technologies, cellular telephony has made the most explosive growth.
In the very short period, it has become the most popular communication method worldwide. Globally, this technology has seen rapid expansion due to its ease of adaptability, reach, and cost as compared to fixed-line services. The need for mobility, in the workplace as well as in our everyday lives, has driven rapid growth in the cellular services industry. Besides providing voice communication, today cellular telephony is redefining our lives. Cellular services today offer information and utilities at our fingertips. Combined with Internet, it has added new imaginative ways in its utilization, enabling seamless connectivity, and increasing productivity and efficiency.

1.2.1 Global Cellular Industry

The growth of cellular subscribers all over the world has been unprecedented. The year 1987 saw the cellular subscription reaching the first ‘million’ mark (TRAI, 2005a). By the end of 1991 there were just 16 million cellular subscribers worldwide; 11 years later (in 2002), that figure had jumped to an astounding 1.32 billion subscribers. In the same period, fixed-line subscribers rose from 546 million to just 1.2 billion (Fig. 1-1).

The year 2002 was special for cellular telephony in many ways. The global cellular subscriber base not only crossed the ‘billion’ mark, but also overtook the total number of fixed-line subscribers worldwide (Fig. 1-1). This establishes the global popularity of cellular telephony, as the universal choice of the masses.
It is estimated that the world cellular figures will grow to about 2.2 billion by 2006 at a Compound Annual Growth Rate (CAGR) of about 20 per cent. At regional level, the fastest-growing region in the world is Africa with a CAGR of 39 per cent, and the Western European region will grow relatively slowly at a CAGR of 13.5 per cent (refer Appendix 1: Table A-2 World Cellular Projected Growth).

This high growth is due to the fact that cellular telephony has several inherent advantages, facilitating faster and more economic rollout. Cellular telephony has been recognized not only as a means to facilitate communication, but also as a driver for economic growth. A study in February 2005 by Leonard Waverman of the London Business School provided the most detailed analysis of the relationship between mobile phones\(^2\) and economic growth (Economist, 2005). Though the focus was on Africa, the lessons are equally relevant globally. The study found that in a typical developing country, mobile telephony has a significant positive impact on economic growth. In quantified terms, an increase of 10 mobile phones per 100 people boosts GDP growth by 0.6 percentage points. Thus, today, cellular telephony is recognized as a key service industry as it not only facilitates mobile communication but also induces economic growth.

1.2.2 The Indian Cellular Industry

Over the last decade, India has been keeping pace with the fast-changing global telecom scenario, and is today one of the fastest growing telecom markets worldwide.

India currently ranks amongst the top ten telecom networks in the world and the second largest in Asia. The current worth of the industry is estimated at US$9 billion, and is projected to cross US$100 billion by 2020 (Ramachandran, 2004). New and innovative use by a varied customer base has made cellular services the key plank for India's economic development.

\(^2\) In this study the words cellular, and mobile has been used inter-changeably.
The government policies pursued over the years, beginning with the early 1990s’ have been able to transform the telecom sector from a purely state monopoly to a competitive regime with multiple players. This has resulted in an impressive growth in teledensity, and an equally significant reduction in the price of telecom services. According to the study paper published by TRAI (TRAI, 2005a), the teledensity in India has grown from under 2 per cent in the year 1998 to over 9 per cent in 2005. The cellular tariffs today are almost 1/10th of what they were about five years ago. The handset prices too have dipped by more than 70 per cent in the last five years, greatly adding to the popularity of cellular service.

The cellular phone today has become an integral part of the Indian masses and is acting as a driver for improving their socio-economic condition. In India, cellular telephony is fast becoming the dominant technology for voice communication. Today there are over 104 state-of-the-art networks (GSM plus CDMA) on the air, serving over 2,000 cities and towns in India (Ramachandran, 2004).

The saga of the Indian cellular industry started in 1994, when private companies were invited to bid. Finally, licences were awarded in 1995. Until then, India was a pure fixed-line market and the scope for expansion was limited. Limited availability of fixed-line connections and demand for mobile communication quickly boosted new subscription of cellular phones.

In May 2005, Indian telecom reached the historic landmark of 100 million telecom subscribers (TRAI, 2005b). The cellular telephony has been a strong contributor to this, accounting for over 50 per cent of all telecom subscribers in the country. The growth and achievement of cellular services in India has been commendable, maintaining a CAGR of 85 per cent per annum during the last six years. It has grown from a mere 0.88 million subscribers in 1998 to

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3 TRAI - Telecom Regulatory Authority of India.
4 GSM Technology: GSM (Global System for Mobile Communication) is the first and the dominant global standard used for cellular telephony with global reach and connectivity.
5 CDMA Technology: CDMA (Code Division Multiple Access) cellular technology, is a cheaper alternative and with limited capabilities as compared to GSM technology.
a staggering 52.2 million in financial year 2005 (Fig. 1-2). In comparison, during the same period, the fixed-line subscriber base just grew from 17.8 million to 46.9 million. The fixed-mobile crossover took place in October 2004, establishing the superiority of the latter. Growing at rate of 85 per cent since 1999, the cellular subscriber base is expected to make a quantum jump to a total of 180 million subscribers by 2008 (Fig. 1-2).

![Telecom Growth in India](image)

The key growth drivers responsible for the phenomenal growth have been highly improved affordability and high potential for connectivity. The real Indian mobile revolution has come from the continuous growth of the middle and low-income group market. The Indian mobile market has moved fast from a class service to a mass service for the common man. This has happened because of de-regularization policy adopted by TRAI. It has also been responsible for building competitive and conducive environment for growth. These liberalized policies in turn enabled the service providers to pass on the benefits to the Indian customer and lowering the cellular service affordability factor. Even though, initially, cellular services were an expensive commodity, but with the increasing demand the price started to fall down, and soon even common man on street could afford it. Along with these initiatives, market growth has been fuelled by demand, availability of affordable handsets, increased coverage, availability of alternate technology, and customized service offerings.
In India, currently, cellular service is being offered as prepaid or post-paid service, using two different types of technologies, (GSM/CDMA). There are in total eight GSM and six CDMA service providers covering the entire length and breadth of the nation, who are offering these services (refer Appendix 1: Table A-1 Indian Service Providers and their Subscriber Base).

Looking at cellular growth, particularly in the last financial year (2004-05), the industry has moved from a total subscription base 34.42 million to 52.35 million subscribers, witnessing a net growth of around 52 per cent. During this period the GSM subscriber base grew by 57 per cent and the CDMA expanded by 38 per cent (Table 1-1).

Table 1-1 Indian Cellular Growth: GSM vs. CDMA

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<tbody>
<tr>
<td>GSM</td>
<td>1.2</td>
<td>1.9</td>
<td>3.6</td>
<td>5.64</td>
<td>13.1</td>
<td>26.21</td>
<td>41.04</td>
</tr>
<tr>
<td>CDMA</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.76</td>
<td>1.6</td>
<td>8.21</td>
<td>11.31</td>
</tr>
<tr>
<td>Total</td>
<td>1.2</td>
<td>1.9</td>
<td>3.6</td>
<td>6.40</td>
<td>14.67</td>
<td>34.42</td>
<td>52.35</td>
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(*Figures in millions)


India is predominantly a GSM market, with current market share of 78.4 per cent, and 21.6 per cent for CDMA (Table 1-1). From a mere 1.2 million subscribers in March 1999 the GSM subscriber base reached a towering figure of 41.04 million in March 2005. CDMA service was introduced in India in March 2002 as a low-cost, cellular solution for the masses. The CDMA, since then, has grown exponentially because of its affordability factor and mass appeal from 0.76 million subscribers to 11.31 million in March 2005.

Service providers such as Reliance, BSNL and MTNL were the first initiators of CDMA technology. They changed the paradigm of cellular service by breaking the high-cost monopoly of private GSM service providers. They specifically targeted the middle and lower income group customers, thereby changing the rules of the game.

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6 Prepaid/Post-paid service: In case of prepaid subscription, the customers need to pay for the usage in advance. Alternatively in case of post-paid service, payment needs to be done after the usage of service on monthly basis.
1.3 The Need for Customer Retention in Cellular Industry

Globally, the environment in which the service providers have operated has been subject to seismic change. Earlier, they operated in a world with relatively scarce competition due to monopolistic practices, high barrier to entry, and supplying relatively stable products via well established channels to a relatively predictable customer base. However, all this has changed in the last decade.

Today's fiercely competitive and economically challenging market is driven by deregulation, availability of cheaper technology, convergence platforms and growing expectation of the customer. Customers these days exercise their choices. They switch providers quickly and easily in order to chase the latest fad or best deal. Globally, cellular service industry is suffering from high rate of customer defection. The following section looks at these global trends and also discusses the growing significance of this issue.

1.3.1 Churn in the Industry

The phenomenon of customers changing from their current service provider to a new service provider is known as churn\(^7\). In a global study conducted by Informa UK Ltd. (Informa, 2001), they discovered that customer churn was a global phenomenon. According to the report the annual churn rate varies a great deal across the cellular operators\(^8\) worldwide (refer Appendix 1: Table A-3 Churn Figures in World Cellular Market).

The research firm, McKinsey, in their industry-wide study concluded that the annual subscriber churn in the cellular industry has risen from 17 per cent, five years ago to 32 per cent (McKinsey, 2001). These churn figures are alarming for any business operation. A churn rate of 25\% means that, if no

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\(^7\) Churn is a generic term, used when a customer changes his service or service provider. For the purpose of this study, churn has been considered, only as a change of service provider.

\(^8\) In this study, the words cellular operator, cellular service operator and cellular service provider have been used interchangeably.
new subscribers are acquired at a given time, then the average lifetime of an existing subscriber is 4 years. This indicates the gravity of the situation, wherein such a service provider will lose almost half its subscribers in 2 years.

According to Blubaugh & Balaji, (2000), one of the key concerns of the cellular service providers today is how they can effectively control over this high attrition rate. Research firm Gartner, in their study of the Asia-Pacific region found that the monthly churn rate in the Indian cellular service industry to be in range of 3.5 to 6 per cent, which is one of the highest in this region (Cellular News, 2003). According to the study, other markets in the region like Indonesia (1–2%), Malaysia (2–2.5%), Singapore (1.7–2.1%) and Thailand (1.9–2.6%) had much a much lower rates.

According to Fiona Chau (2004), “Cellular operators across the Asian region have finally, started to take serious note about revenue leakage cause by customer churn and are now focusing on it as a key strategic issue.”

### 1.3.2 Growing Importance of Customer Retention in the Industry

Globally, cellular service operators are facing increasing competition, decreasing ARPU and rising revenue loss because of subscriber churn. This makes customer retention a key focus issue for the industry, as it directly affects its profitability. Accenture, one of the leading cellular telecom software consultants, estimates the combined annual loss to the US and European cellular service providers because of customer churn at around $4 billion (Informa UK, 2001).

Controlling churn is essential, because retaining an existing customer is far cheaper than acquiring a new one. According to Cahners In-Stat Group, cellular service operators pay as high as 300 USD per subscriber in acquisition costs (Hold, 2004). These costs include expenses such as dealer incentives, advertising, marketing and other sales-related operating costs.

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9 The average lifetime of a customer is equal to \(1/c\), where \(c\) is the annual churn rate.
10 ARPU – Average Revenue Per User
After acquiring the new customers, the cellular service providers also need to spend a high cost in supporting and servicing their customer. Each subscriber, thus, represents a substantial investment for cellular service providers. The service providers do not begin to make a profit on their customers immediately. They require the customer to stay with them for a break-even period. Therefore, when newly acquired customers defect early, the service providers do not even get back their investment in acquisition costs.

An even greater problem facing service providers today is the churn of valuable customers: those who are most profitable to them. Their loss upsets the balance of profitability. As competition increases, cellular service providers have to use a range of giveaways and expensive marketing tactics to solidify customer loyalty. Thus, it is becoming difficult and costly to achieve profits.

Besides the impact on profitability, there are two other factors that contribute to the growing significance of customer retention. The first factor is the deregulation in this industry, which is geared to curbing monopolistic practices and ensuring an equal competitive platform for all operators, while keeping customer interest in focus. The second factor is the provisions like mobile number portability\(^1\), wherein the subscriber can move from one service provider to another without losing their number. Number portability, which has already been implemented in the US and Europe, has given the freedom of choice to cellular subscribers to take easy decisions regarding switching their service providers.

The growing importance of customer retention is forcing the service providers to draw a better understanding of the influence of customer defection on their business. The economic and environmental factors are also compelling them to implement the right customer retention framework that will provide them, higher customer loyalty, competitive advantage and revenue assurance.

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\(^1\) Mobile Number Portability (MNP) lets a customer to retain his number, when he switches to a new service provider. Markets where number portability is not available the customer losses his number and needs to take up a new one, with the new provider. Availability of number portability thus, provides the freedom of choice to the customer to switch his provider, whenever required, without being bothered about losing their cellular number.
1.4 Research Issues

In the last few years, like other cellular markets in the world, churn and customer retention have also emerged as key issues, in the Indian cellular service industry. The industry, since its inception, has seen tremendous growth, and also an increase in the customer churn rate. Research agency, Gartner in their study in 2003, found that the customer churn rate to be one of the highest in Asia Pacific region (3.5-6%; CellularNews, 2003). IDC India, in their nationwide annual user satisfaction survey, reported a figure of 8–10 per cent (Voice & Data, 2005). These figures clearly indicate rise in the switching behaviour of the Indian subscribers.

According to ExpressComputer (2003), most of the Indian cellular circles have up to six cellular telephony offerings and thus, in this highly competitive scenario, it is but natural that a large number of customers are switching their customers. Moreover, the research agency IDC India, concluded that, the service quality delivered especially the network performance of all the service providers is dismal (Voice & Data, 2003), thus, contributing to customer’s dissatisfaction and hence their defection. According to another study conducted by IDC India, a high 30 per cent of mobile users, even though satisfied with the service provider, are likely to shift to a better service or offer (EconomicTimes, 2005).

The rising concern for churn has been further supplemented by the fact that mobile number portability is soon going to be implemented in India. In the explosive growth phase, the India cellular service providers paid little or no attention to churn. However, with decreasing ARPU, and increased competition, customer retention has now become an important strategic issue. Today, Indian service providers are looking for new ways and means to formulate an effective service strategy that will give them the ability to sustain competition, maintain profitability, manage churn and retain their customers. Contrary to this requirement, no academic research has focussed its attention towards understanding the switching behaviour of the Indian cellular service
users, and identifying constituents of effective customer retention strategies. This study dwells into these significant issues of the cellular service industry.

In light of the dynamism in the Indian cellular industry, coupled with phenomenal growth, and increasing churn rate, the following research issues were identified:

A. What is the nature of churn in the Indian cellular industry? And what are the reasons for customer defection and loyalty?

B. Are the current customer retention practices in the Indian cellular service industry effective in managing churn?

C. How can the current customer retention practices be further improved?

1.5 Research Objectives

Even though churn is major concern in the Indian industry however, not much academic insight is available on the switching behaviour in the Indian cellular customers. More importantly, there is also no literature available on the current retention practices of the Indian cellular service providers. In this study an effort has been made to understand how service providers are currently aligning themselves to the changing landscape, and on what premises they should base their future customer retention strategies.

Numerous papers on the causal relationship between service quality, customer satisfaction, loyalty, switching behaviour and repurchase intention have been written (Woodside, 1989; Bitner, 1990; Bolton & Drew, 1991a; Fornell, 1992), endorsing its application across the service industry.

Recently specific studies have been carried out by researchers in context of cellular service industry across different cellular markets around the world also reached the same conclusion (Woo & Fock, 1999 – Hong Kong market;
Based on the above studies, it was ascertained, that in order to identify important constituents of successful customer retention strategies, the causal relationship between service quality, customer satisfaction, switching behaviour and intention to recommend needs to be investigated in context of Indian cellular service industry.

Several academic researchers using SERVQUAL/SERVPERF have developed industry-specific service quality measuring models, viz., (LIBQUAL\textsuperscript{12}/ WEBQUAL\textsuperscript{13}), to measure the perception of the service quality and suggest areas of service improvement. In context of the cellular service industry, researchers such as Leisen and Vance (2001), Johnson and Sirikit (2002) and Wang (2002) have used the classical SERVQUAL model. However, only few researchers, such as Woo and Fock (1999), have tried to develop a service quality measurement model tailored to cellular industry. This study further, substantiates their effort to develop such a model.

According to Jain and Garima, (2004), in Indian context, little research has been done in the area of service quality perception. The view can very well be extended to and especially in context of Indian cellular service industry. This study, attempts to design a framework for measuring service quality in this industry, with the focus on identifying essential components that need to be part of an effective customer retention strategy.

To aggregate, the overall objective of this study is to evolve a better understanding of customer retention practices in the Indian cellular service

\textsuperscript{12} LIBQUAL is a survey developed by the Association of Research Libraries (ARL).
\textsuperscript{13} WebQual™ consulting services uses a statistically validated and reliable measure for determining Web site quality.
industry and to suggest how to improve them. In detail, the study seeks to fulfil the following research objectives.

A) To analyse the current strategies adopted by cellular service providers for retaining their customers.

B) To examine different patterns of churn and loyalty among cellular users and the reasons thereof.

C) To investigate the relationship between service quality, customer satisfaction, and switching behaviour.

D) To identify the service quality attributes for cellular service and measure their importance and performance as perceived by cellular users.

E) To identify the service quality factors that influence customer satisfaction and customer’s intention to switch.

F) To suggest how the cellular service providers can improve their existing retention strategies.

1.6 Scope of the Study

In India, there are a total of 14 cellular service providers. Out of these, nine accepted to share their customer data and to participate in this study. These include Bharti Tele-venture, Idea, Hutch, Spice, BSNL, MTNL, HFCL, Tata Teleservices, and Reliance. Besides, accounting for a substantial cellular market share, these service providers also represent a mix of various dimensions of the Indian cellular industry: GSM and CDMA service operators; regional and national operators; private and public sector operators; metro and non-metro; and newly introduced and pre-established operators.

The customer data shared by the respondent service providers did not include corporate customers, as this data is considered as competitor sensitive data.
The data provided by the respondent service providers included individual post-paid subscribers from geographical area covering New Delhi and its NCR (National Capital Region), parts of Punjab, and Haryana.

Cellular service users can be divided into two broad categories: prepaid, and post-paid. Both this group use same set of cellular communication services, but their payment method for the service differs. Whereas the prepaid customers pay for the service usage in advance, the post-paid users pay after the service usage, usually, on a monthly basis. For the purpose of this study, post-paid cellular users were selected based on the following reasons:

- Service providers maintain more accurate subscriber information about post-paid users, as compared to the prepaid users. Only recently, Government of India has made it mandatory to register the prepaid user along with name and address verification.
- Prepaid cellular service is generally perceived as a commodity service i.e. use-and-throw service. The post-paid cellular user, on the other hand, represents a mature subscriber, spending a lifetime with the service providers.
- The service providers have more strategic focus on the retention and loyalty of the post-paid users.

1.7 Rationale of the Study

The purpose of this study is to achieve a holistic understanding of the issues related to customer retention of Indian cellular service industry. The study investigates the subject from both, customers' and service providers' view. The research will assist the service providers in developing effective customer retention strategies framework based on clearer understanding about switching behaviour of the customers, and the factors that influence it.

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14 In this study the words customer/s, subscriber/s and service user/s have been used interchangeably
This study brings insight into the various customer retention measures currently being adopted by the service providers and investigates their effectiveness, based on the data collected from the customers. The results of this study would help the service providers to derive a better understanding of cellular service quality and its measurement. It will also help them to identify areas of service improvement, which require corrective action, to increase customer satisfaction and loyalty. This study will also provide useful inputs to the regulatory authorities and the policy decision makers, on the areas where their intervention would help to improve the cellular service quality standards.

1.8 Chapter Schema

This thesis has been divided into seven chapters. This chapter covered the, 'Introduction' to this study. A brief outline of the rest of the chapter schema is presented below:

Chapter 2, ‘Literature Review’, examines the existing literature, for the subjects related to this study. The areas covered include, service quality and it measurement, the relationship between service quality, customer satisfaction, and behavioural intention. The chapter also reviews different studies on the customer switching behaviour and customer retention strategies in general, and specific to the cellular service industry. Based on the identified research gap, the chapter further presents, the study model and the hypotheses adopted for this study.

Chapter 3, ‘Research Design and Methodology’, outlines the approach and plan of this research. This chapter describes the development of two research instruments, used for this study and further discusses the sampling procedure adopted to administer them. Besides this, the chapter presents the data analysis methods adopted for the study and also reports the profile of the respondent customers and service providers.

The next three chapters present the results of the analysis based on data collected through customer and service provider survey.
Chapter 4, 'Current customer retention practices', provides an insight into the outlook of the Indian cellular service industry, in terms of its growth and the increasing significance of customer retention. This chapter details the respondent service provider’s perspective of customer’s switching behaviour and the churn management practices adopted by them. In this chapter, their current customer retention initiatives have been described in detail. It also highlights some of the impediments to effective customer retention strategies identified by the respondent service providers.

Chapter 5, 'Analysis of Customer Switching Behaviour', investigates the churn and loyalty behaviour of respondent customers. This analysis is based on their switching behaviour in the past, and their intention to switch in future. This chapter also highlights areas of service improvement that need to be implemented by the service provider, to enhance the loyalty of their customers.

Chapter 6, 'Analysis of the Service Quality Attributes', examines the results of the factor analysis and hypotheses testing. It also identifies the determinants of customer satisfaction and switching intention, among the derived service quality factors. In addition the chapter also presents the findings of the Importance-Performance analysis and highlights the gap in the perception of the service providers and their customers.

Finally, Chapter 7, 'Conclusions and Recommendations', draws key inferences of the study and discusses the implications of the empirical findings in the context of the Indian cellular service industry. Based on the conclusions, improvements in the current customer retention strategies have been suggested and recommendations for policy makers have been made. A service quality framework for measuring and monitoring cellular service quality has been presented. The chapter also discusses the limitations of the study and suggests the areas for future research.