

CUSTOMER RETENTION- A NEW CHALLENGE FOR MOBILE SERVICE PROVIDERS.

Mr. Dhananjay D Deshpande¹,

Research Scholar

Dr. D.Y. Patil Vidyapeeth

Pune

Dr. Anand A Deshmukh²

Research Guide

Dr. D.Y. Patil Vidyapeeth

Pune

ABSTRACT

The rapid change and growing competition in telecom sector, find it very tough to retain the existing customers. The customer retention rate refers to the number of customers lost over a period of time. It is calculated by the percentage of lost customers against existing customers over a quarterly or annual period, without adding new customer acquisition. In India, attracting competitor's subscribers and maximizing customer retention have become urgent and timely concerns for mobile service providers. The Indian telecoms sector has traditionally been voice driven. Commoditizing voice calls and offering tiered data tariffs would shift the business model from a voice to a data centric one. Today mobile service providers are trying new and innovative strategies to retain their market share. This research paper aims to study the customer retention strategies in competitive market.

Keywords: customer retention, mobile service providers, competition, data, Reliance Jio, Telecommunication

1. Introduction:

India is currently the world's second-largest telecommunication market and has registered strong growth in the past decade and half. According to (TRAI) Telecom Regulatory Authority of India report on 13th July 2017 the total wireless subscribers till end of May 2017 were 1,180.82 million, thereby registering a monthly growth rate of 0.53% and Tele-density (%) 91.74. The Indian telecom sector has traditionally been voice driven. Commoditizing voice calls and offering tiered data tariffs would shift the business model from a voice to a data centric one. The recent need is to change in the technology as per demand of Indian customers. After entry of new player Reliance Jio there is tremendous change in Indian telecom industry. Jio has introduced a new advanced technology 4G and also introduced aggressive tariff plans, with free voice calls and low-cost data. It is expected to usher in exponential growth in data.

The average data consumption per user is increasing, with increased adoption of smart phones and availability of content. The sector is all set to see a lot of churning in the coming months with the incumbent service providers trying new and innovative strategies to retain their market share. The best strategy is about satisfying the customers that ensure a long term growth of business. The reason behind is once a firm loses its loyal customers it has to incur a cost of acquiring them again in addition to acquiring the new ones.

Highlights of Reliance Jio

- LTE-only Network
- VoLTE Calls
- No Charges for Voice & SMS
- Nationwide free roaming
- Low Charges on Data
- Aadhaar based eKYC process

2. Review of Literature:

Mobile industry has seen continuous changes in its structure, competition, strategies, techniques, application and technological environment as per changes in customers need & expectation (Alshurideh, 2010b; Al-Dmour et al., 2014). The wireless communication sector is not excluded from change which is one of the fastest-growing service segments in telecommunications (Kim and Yoon, 2004). According to (Bolton, 1998, p.52) due to rapid changes, industries are facing both “high customer turnover and high customer acquisition cost” (Bolton, 1998, p.52).

Many service providers in the mobile phone sector are losing their existing customer at rates exceeding 30%, despite practicing different relationship marketing strategies to retain existing customers (Grönroos, 1995; Ravald and Grönroos, 1996; Ranaweera and Prabhu, 2003). Mobile service providers need to satisfy every customer because, losing a single customer means losing all repeat purchase incidents, which are usually measured by loss of all potential cash flow (Alshurideh, 2014b).

Reputed purchasing is the most important thing for any business which reflects the satisfaction of the customers and retention of the same, however, much more attention is not much focused on repeat purchasing by maintaining long term relationship (Berry, 1995). Grönroos (1995), discusses that customers satisfaction plays a vital role in customer retention and it is easy to sell the product / services to the satisfied customers than new customers.

According to (Seth et al., 2005) service providers has to focus on young customers for acquisition and retention as the new technological adoption is done more faster by young generation and by giving the quality services more customer shall retain to company for long time because of the attachment with the brand.

Also it is observed that retention of the existing customer is important because attracting new customers is more costly Barnes (2001). It is said that the cost of attracting and recruiting a new customer is five times more than the cost of caring a existing customer (Rosenberg and Czepiel, 1992; Grönroos, 1995). To be successful in today's competition high quality services should be delivered to customers to maintain long term relationship. (Zeithaml et al., 1996; Abu ELSamen and Alshuraideh; 2012; Obeidat et al., 2012).

3 Objectives of the study:

1. To find out important factors to retain customers by mobile service providers in present market.
2. To focus on new challenges to retain customers.

4. Hypothesis of the study:

H_1 : Price perception positively influences retention of customers'.

H_2 : Customer satisfaction positively influences retention of customer.

5. Research Methodology:

The present research study is of descriptive nature and has used the quantitative research method. A multi-stage sampling technique is adopted for selection of samples from Pune region. Size of the universe cannot be defined because every subscriber of telecom wire-less services is a possible respondent for this particular study. The sample size has been consisting of 596 respondents across the region. The 'structured, un-disguised questionnaire' is developed from standard questions of relevant literature as a research instrument. For collecting data, we have conducted schedule interviews with the help of developed questionnaire. However, secondary data has been collected with the help of print media like books, magazines, research articles on Google scholars and such other websites, related company literature. The Statistical Package for the Social Sciences Program (SPSS) version 17.0 is used in this study for all the statistical assessments. The data set was screened and examined for incorrect data entry, missing values, normality and outliers. In this study, descriptive statistics followed by inferential statistics including regression analysis and *t*-test analysis was applied to test the hypothesis.

6. Hypothesis testing:

H_1 : Price perception positively influences retention of customers’.

Table 1: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.212 ^a	.045	.043	.60645

a. Predictors: (Constant), Price Perception

Table 2: ANOVA^b

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	10.246	1	10.246	27.860	.000 ^a
	Residual	218.460	594	.368		
	Total	228.706	595			

a. Predictors: (Constant), Price Perception

b. Dependent Variable: Customer Retention

Table 3: Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.158	.109		28.896	.000
	Price Perception	.179	.034	.212	5.278	.000

a. Dependent Variable: Customer Retention

Tables 1, 2 and 3 display the results of the analysis. The table 2 shows the test of significance of the model using an ANOVA. There are 595 (N-1) total degrees of freedom. With one predictor, the regression effect has 1 degree of freedom. The regression effect is statistically significant indicating that prediction of the dependent variable is accomplished better that can be done by chance. The table 1 labeled Model Summary provides an overview of the results.

Of primary interest are the R Square and Adjusted R Square values, which are .045 and .043 respectively. It means that weighted combination of the predictor variables explained approximately 5% of the variance of 'Customer Retention.' The loss of so little strength in computing the Adjusted R Square value is primarily due to our relatively large sample size combined with a relatively small set of predictors and the table 3 labeled Coefficients provides the details of the results. The Zero-order column under Correlations lists the Pearson r values of the dependent variable with the predictor. The Partial column under Correlations lists the partial correlations for predictor as it was evaluated for its weighting in the model. The Part column under Correlations lists the semi partial correlations for predictor once the model is finalized; squaring these values informs us of the percentage of variance that predictor uniquely explains.

Conclusion H₁: The prediction model was statistically significant, $F(1,594) = 27.860$, and $p < 0.005$ and accounted for approximately 5% of the variance of 'Customer Retention' ($R^2 = .045$ and Adjusted $R^2 = .043$). Thus, at $\alpha = 0.05$ level of significance; there exist enough evidence to conclude that Price Perception positively influences retention of customers.

From the above output, the regression equation is:

$$\hat{y} = 3.158 + .179 \text{Price Perception}$$

H₂: Customer satisfaction positively influences retention of customer.

Table 4: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.315 ^a	.099	.098	.58894

a. Predictors: (Constant), Customer Satisfaction

Table 5: ANOVA^b

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	22.675	1	22.675	65.372	.000 ^a
Residual	206.032	594	.347		
Total	228.706	595			

a. Predictors: (Constant), Customer Satisfaction

b. Dependent Variable: Customer Retention

Table 6: Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	3.112	.079		39.448	.000
Customer Satisfaction	.222	.027	.315	8.085	.000

a. Dependent Variable: Customer Retention

Tables 4, 5 and 6 display the results of the analysis. The table 5 shows the test of significance of the model using an ANOVA. There are 595 (N-1) total degrees of freedom. With one predictor, the regression effect has 1 degree of freedom. The regression effect is statistically significant indicating that prediction of the dependent variable is accomplished better than can be done by chance. The table 4 labeled Model Summary provides an overview of the results.

Of primary interest are the R Square and Adjusted R Square values, which are .099 and .098 respectively. It means that weighted combination of the predictor variables explained approximately 10% of the variance of 'Customer Retention.' The loss of so little strength in computing the Adjusted R Square value is primarily due to our relatively large sample size combined with a relatively small set of predictors and the table 6 labeled Coefficients provides the details of the results. The Zero-order column under Correlations lists the Pearson r values of the dependent variable with the predictor. The Partial column under Correlations lists the partial correlations for predictor as it was evaluated for its weighting in the model. The Part column under Correlations lists the semi partial correlations for predictor once the model is finalized; squaring these values informs us of the percentage of variance that predictor uniquely explains.

Conclusion H_2 : The prediction model was statistically significant, $F(1,594) = 65.372$, and $p < 0.005$ and accounted for approximately 10% of the variance of 'Customer Retention' ($R^2 = .099$ and Adjusted $R^2 = .098$). Thus, at $\alpha = 0.05$ level of significance; there exist enough evidence to conclude that customer satisfaction positively influences retention of customer.

From the above output, the regression equation is:

$$\hat{y} = 3.112 + .222 \text{ Customer Satisfaction}$$

9. Conclusions:

It is observed that the mobile services are dynamic in nature, which are changing day to day as per the need of customers and market scenario because of ample competition. Majority of mobile service providers are facing customer retention problem hence importance of retention is mainly focused in this paper. It is observed by study that customers are more price cautious. Attention is to be given to customers and satisfy them with providing the quality services in affordable rates. Mobile service providers has to focus more on customer relationship, because this will be the perfect way to retain majority of the customers. Also mobile service providers has to be keen about changing needs, increased awareness and about the various schemes provided by competitors. After the launch of Reliance Jio sudden revolution has occurred in the market. From the study we can conclude that customers are more attracted to the data offering schemes than other benefits. So customers focus is changing from free voice calls, SMS to utilizing the data is a new challenge for mobile service providers.

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