

CUSTOMER LOYALTY AND ITS IMPACTON CUSTOMER RETENTION OF BSNL MOBILE USERS**Dr.U.Kanaka Rao¹, Associate Professor****Department of Business Management****Swarna Bharathi instate of science & Technology,Khammam****D. Udaya Shekhar², Assistant professor****Department of Business Management****Madawalabu University, Ethiopia**

ABSTRACT: In this paper an attempt is made to analyze customer loyalty and its impact on customer retention of BSNL mobile users. Customer loyalty is the result of consistently positive emotional experience, physical attribute-based satisfaction and perceived value of an experience, which includes the product or services. Customer retention is the activity that an 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. In recent years the BSNL revenue and market share plunged into heavy losses due to intense competition in the Indian telecommunications sector. In this connection it is very important to analyze how BSNL is focusing on customer loyalty and retention.

Prelude: The telecom industry has been divided into different segments, that is, fixed and wireless, cellular services, internet services and value added services. In today's information age, the telecommunication industry has a vital role to play. Considered as the backbone of industrial and economic development, the industry has been aiding the delivery of voice and data services at rapid increase in speed and thus, telecom industry has been revolutionizing human communication.

Although the Indian telecom industry is one of the fastest-growing industries in the world, the current tele-density or telecom penetration is extremely low when compared with global standards. Further, the urban tele-density is over 59.75%, while rural tele-density is 40%, as of September 2013. As the majority of the population resides in rural areas, it is important that the government takes steps to improve rural tele-density. No doubt the government has taken certain policy initiatives, which include the creation of the Universal Service Obligation Fund for improving rural telephony. These measures are expected to improve the rural tele-density and bridge the rural-urban gap in tele-density.

According to the Telecom Regulatory Authority of India (TRAI), India's total telephone subscriber base is 915.19 million which includes 886.30 million wireless and 28.89 million wireline connections as on October 2014. Bharat Sanchar Nigam Limited (abbreviated BSNL) is an Indian state-owned telecommunications company headquartered in New Delhi, India. It was incorporated on 15 September 2000. It took over the business of providing of telecom services and network management from the Central Government Departments of Telecom Services (DTS) and Telecom Operations (DTO), with effect from 1st October 2000 on going concern basis. It is the largest service provider of fixed telephony and fourth largest mobile service provider in India, and is also a provider of broadband services.

BSNL has installed Quality Telecom Network (QTN) in the country and now focusing on improving it, expanding the network, introducing new telecom services with ICT applications in villages and winning customer's confidence. Today, it has about 43.74 million line basic telephone capacity, 72.60 million GSM capacity, 37,885 fixed exchanges, 68,162 GSM Towers, 12,071 CDMA Towers, 197 Satellite Stations, 50,430 Km. of microwave network connecting 623 districts, 7330 cities and 5.8 lakhs villages . BSNL has customer base of 121.65 million as on 31st March, 2013 and further plans to increase it to 189 million customers by March, 2017. However, in recent years the company's revenue and market share plunged into heavy losses due to intense competition in the Indian telecommunications sector.

Objective

To analyze the impact of customer loyalty on customer retention among the BSNL mobile users.

Hypothesis

H₀ There is no relationship between customer loyalty and customer retention.

Tools of data collection

The primary data is collected through a pre-tested structured questionnaire (to the sample respondents) and through personal interviews with the executives and responses of the sample respondents. The secondary data includes published sources like journals, magazines, Newspapers, annual reports of service provider (BSNL), Ministry of Telecommunications, Telecom Regulatory Authority of India (TRAI), and also from various websites.

Tools of the analysis

The data collected were processed, analyzed and interpreted by applying statistical tools like chi-square test, frequency tables (arithmetic averages) and for operationalisation of hypothesis and analysis 5-point Likert Scale technique were used.

Sample of the study

For the present study, the samples were chosen from the customers who are having the BSNL mobile connections. A sample of 1000 respondents on the basis of stratified random sampling has been chosen for the study (arrived at by considering 0.377% of mobile users in Khammam district, as on June 2013, i.e 2,65,000). Sample respondents were selected from 46 mandals of Khammam district and 0.0357% of mobile users from each mandals population constitute the sample for the study. The respondents are from various strata Viz. employees, businessmen, housewives, students chosen as respondents for this present study. The geographical area of the study is restricted to khammam district only. In the first stage, stratified sampling is done from 46 mandals of the district and in the second stage, convenient sampling was used to identify the villages. In the final stage, simple random sampling is applied for selecting the respondents. A total of 1000 respondents are selected for the study.

Scope of the Study

The present study is aimed at understanding the BSNL services and to analyze the impact of customer loyalty on customer retention among the BSNL mobile users. The scope of the present study is entirely focused on the mobile services rendered by BSNL in the Khammam District of Telangana state.

Customer Loyalty

The customer loyalty is a business model used in strategic management in which company resources are employed so as to increase the loyalty of customers and other stakeholders in the expectation that corporate objectives will be surpassed. Quality of product or service leads to customer satisfaction, which again leads to customer loyalty which leads to profitability. Customer loyalty is all about attracting the right customer, getting them to buy, buy often, buy in higher quantities and brings even more customers. Customer loyalty is the result of consistently positive emotional experience, physical attribute-based satisfaction and perceived value of an experience, which includes the product or services.

As far as organizations are concerned, they want their customers to be loyal to them and customer satisfaction does not fully guarantee this. Customer satisfaction is in fact not necessarily a guarantee of loyalty. In certain industries, up to 70% of customers who switch to other service providers say that they were satisfied or even highly satisfied with their previous service provider. Customers may change service providers because of price, or because the rival is offering new opportunities, or simply because they want some variation. Afsar, Rehman, Qureshi & Shahjehan (2010) found that the effect of satisfaction and trust on commitment is positive and significant and the greater the satisfaction the greater the trust the greater is the commitment; the effect of perceived quality on satisfaction is positive and significant; and the effect of satisfaction, switching cost and commitment on customer loyalty is positive and significant. Barada Prasad Panigrahy (2006) stated that customer loyalty centric programs help to retain customer, thereby resulting in cost cutting for a company, as cost of customer acquisition is much more than customer retention. In long run, loyal customers act as unpaid sales persons and brand ambassadors for the company. Therefore, a customer loyalty program leads to the sustainable growth of a company. Gupta.R.K (2009) suggested a customer-driven business model for CRM by iterating to think the model as a "Loyalty Machine". He throws light on various key issues governing customer loyalty like quality of service, loyalty programs, value added services and low call charges.

Vijetha.L Shetty.S (2010) stated that one of the great challenges and winning for brand loyalty at younger age would be to get the consumer to use the brand so that they stay loyal. A holistic view is required to cultivate loyalty. The entire business system and not just the brand manager should be involved in building up loyalty. Ramesh H.N (2011) felt that loyal customers and satisfied customers are the backbone of a firm. In a competitive marketing environment, developing loyal and satisfied customers is an uphill task for companies. He states that loyal customers are the real partners in the success of a firm. Therefore, companies need to put efforts to develop loyal and satisfied customers.

Descriptive Statistics: While analysing the descriptive statistics, the mean value of all the attributes is less than 3.58 which means the tendency of all attributes is towards neutrality. So mode value is considered for analysing and interpreting the data.

Table 1: Factors influencing the customer loyalty

Options	N	Mean	Median	Mode	Std. Deviation	Skewness	Kurtosis
Additional features	100	3.58	4.00	5	1.407	-.575	-1.063
Lower tariffs	1000	3.27	4.00	4	1.352	-.393	-1.081
Wide networks	1000	3.33	4.00	4	1.379	-.362	-1.142
Group call facility	1000	3.28	4.00	4	1.368	-.260	-1.221
Loyalty programs	1000	3.21	3.00	4	1.380	-.220	-1.226
Courtesy	1000	3.17	3.00	4	1.355	-.258	-1.161
Grievance redressal	1000	3.12	3.00	4	1.357	-.160	-1.207
Diversified range of service	1000	3.21	3.00	4	1.338	-.270	-1.150
Service innovations	1000	3.30	4.00	4	1.361	-.299	-1.164
Customer Information system	1000	3.35	4.00	5	1.440	-.384	-1.227
Providing of t value-added services	1000	3.49	4.00	4	1.324	-.472	-1.002
Rates charged by the BSNL Company	1000	3.19	3.00	4	1.354	-.222	-1.199
Importance of human	1000	3.32	4.00	4	1.376	-.361	-1.149
Company reminders	1000	3.12	3.00	4	1.402	-.118	-1.307

Source: Primary data

Table 1 reveals that additional features and customer information system are the key factors influencing the customer loyalty. The analysis also indicates that the majority of the customers have agreed with the fact that the above factors will influence the loyalty towards the network. Skewness of the distribution of data is negative for all the factors indicating that the number of respondents who have given positive response are more than the number of respondents who have given negative or neutral response.

Kurtosis of the distribution is platykurtic which indicates that there are no extreme responses in the distribution.

Customer Retention

Customer retention is the activity that an 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. A company's ability to attract and retain new customers, is not only related to its product or services, but strongly related to the way it serves its existing customers and the reputation it creates within and across the market place. Retaining customers is less expensive than acquiring new ones, and customer experience management is the most cost-effective way to drive customer satisfaction, customer retention and customer loyalty. Not only do loyal customers ensure sales, but also they are more likely to purchase ancillary, high-margin supplemental products and services. Loyal customers reduce costs associated with consumer education and marketing, especially when they become net promoters for an organization.

Customer retention is more than giving the customers what they expect, it's about exceeding their expectations so that they become loyal and advocate the brand to others. Creating customer loyalty puts 'customer value rather than maximizing profits and shareholder value at the center of business strategy'. The key differentiator in a competitive environment is more often than not the delivery of a consistently high standard of customer service. Omotayo and Joachim (2008) examined the potential constructs in customer retention by investigating the chain of effects of retention from customer service, satisfaction, value and behavioral intention. Hennig-Thurau & Klee (1997) customer satisfaction with a company's products or services is often seen as the key to a company's success and long-term competitiveness. In the context of relationship marketing, customer satisfaction is often viewed as a central determinant of customer retention. Rana Zehra Masood (2007) customer retention largely depends on service quality and satisfaction. It also depends on the ability of the organization to encourage the customers to complain and then recover when things go wrong.

Duration of customer with BSNL

The duration of using a service establishes satisfaction towards a service. When customer needs and preferences are satisfied they remain loyal to company. Retention can be judged by the tenure of a service. In order to identify retention customers, duration of connection is considered. Table 2 shows the length of service in terms of years.

Table 2: How long customers have been using BSNL mobile

Options	Frequency	Percentage
Last one year	210	21.0
Three years	343	34.3
Five Years	168	16.8
More than Five years	279	27.9
Total	1000	100.0

Source: Primary data

Table 1 presents retention of customers with BSNL. The results of analysis reveals that nearly 34% of the customers have been using BSNL service for the last three years. It also indicates that 21% of respondents have started using the BSNL service in the last one year, are comparatively very less which indicates that the increase in number of mobile service players in the market reflects on attrition of customers towards other mobile networks. But still the majority of the respondents i.e. (27.9%) are using the BSNL services for a long period.

Descriptive Statistics: While analyzing the descriptive statistics, the mean value of all the attributes is less than 3.22 which means the tendency of all attributes is towards neutrality. So mode value is considered for analyzing and interpreting the data.

Table 3: Descriptive statistics

Options	N	Mean	Median	Mode	Std. Deviation	Skewness	Kurtosis
Continuing and recommending of BSNL mobile services	1000	3.22	3.00	4	1.349	-.283	-1.139

Source: Primary data

Table 3 infers that the majority of sample respondents agreed that they want to recharge BSNL cards and also recommend others to have BSNL services. Skewness of the distribution of data is negative for all the factors indicating that the numbers of respondents who have given positive response are more than the number of respondents who have given negative or neutral response. Kurtosis of the distribution is platykurtic which indicates that there are no extreme responses in the distribution.

Hypothesis

H₀: There is no relationship between customer loyalty and customer retention.

H₁: There is a relationship between customer loyalty and customer retention.

HYPOTHESIS (H₀): There is no Relationship between Customer Loyalty and Customer Retention

S .no	Hypothesis	Chi-Square Value	P- value	Null Hypothesis Accepted/ Rejected
There is no relationship between customer loyalty and customer retention				
1	There is no relationship between value added services and duration of customers using BSNL services	68.552	<0.001	Rejected
2	There is no relationship between value added services and continuing with BSNL and recommending others to have BSNL services	505.436	<0.001	Rejected
3	There is no relationship between rates charged by BSNL and duration of customers using BSNL services	59.579	<0.001	Rejected
4	There is no relationship between rates charged by BSNL and continuing with BSNL and recommending others to have BSNL services	475.236	<0.001	Rejected
5	There is no relationship between importance of human touch while dealing with customers and duration of customers using BSNL services	51.576	<0.001	Rejected
6	There is no relationship between importance of human touch while dealing with customers and continuing with BSNL and recommending others to have BSNL services	414.249	<0.001	Rejected
7	There is no relationship between reminding about bill payment due dates and new services and duration of customers using BSNL services	69.794	<0.001	Rejected
8	There is no relationship between reminding about bill payment due dates and new services and continuing with BSNL and recommending others to have BSNL services	472.598	<0.001	Rejected
9	There is no relationship between loyalty programmes offered by BSNL and duration of customers using BSNL services	102.066	<0.001	Rejected
10	There is no relationship between loyalty programmes offered by BSNL and continuing with BSNL and recommending others to have BSNL services	482.981	<0.001	Rejected

Testing of Hypothesis: The 'p' value of the test statistic is less than 1% for all the variables so, the null hypothesis is rejected and alternative hypothesis is accepted stating that there is a relationship between customer loyalty and customer retention.

FINDINGS

Majority of respondents have stated that additional features, customer information system, low tariff, wide network, group call facility, courtesy, grievance, loyalty programmes, service innovation and diversified range of services will influence the loyalty towards the network.

Majority of respondents who are living in rural areas are with BSNL for a long period because there is no other option for them to shift from BSNL to other network. Majority of respondents are not satisfied with loyalty programmes offered by BSNL, value added services, rates charged by the company and giving value to human touch while dealing with the customers. So they don't want to continue with BSNL and also they don't want to recommend others to have BSNL services.

SUGGESTIONS

BSNL has to concentrate more on customer expected services to attract new customers and retain the existing customers such as full talk time offer, 1 paisa per second, free message offers, free SIM card, instant activation, group call facility, schemes at festivals, validity after recharge, fancy numbers mobile banking, internet, e-mail access, 3G facility, low night call charges, less roaming call cost, live cricket scores, astrology and online marks memo etc.

A loyal customer is more than a sales representative of the company and does more benefit to the service provider. Therefore, loyal customers have to be properly handled by specialized offerings and loyalty programmes. Customers reward the companies who treat them in a right way by continuing to buy overtime. Existing customers are large source of revenue as loyal customers deliver most of the revenue to the company. BSNL should undertake some key initiatives as a part of CRM that include loyalty awards, discount offers, special value added services which will enable them to go for word - of- mouth campaigning in a big way.

It is suggested that BSNL pays more attention on retaining the existing customers by providing quality of service and increasing level of satisfaction of loyal customers, so that they are retained with BSNL and recommend others to have BSNL services. Company should focus more on the customers who are with BSNL for a long time so that retention rate of customers increases.

Telecommunication industry is facing tough competition as they have shifted to mass marketing to one to one marketing. The BSNL has to create the strategies to meet the competition. Any strategy cannot be perfect as there will be a constant change in lifestyles and attitudes of customers. Therefore, BSNL should adopt CRM based approaches to make their marketing more effective.

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