

A Study on Customer Retention Strategies – Mobile Phone Service Providers

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Abstract- The telecommunications industry has become very competitive in most the countries around the world. Quality service is very important factor in retaining customers in the mobile telecom industry. With more number of mobile network providers jumping into the market, customers have become very complex in deciding which product to enjoy. Hence, the companies in this industry have to apply the right methods and knowhow to differentiate from each other to gain a competitive advantage. The objective of this study is to determine the various factors contributing towards customer retention and various strategies adopted by the companies in the mobile telecommunications industry to retain the customers.

INTRODUCTION

The rapid growth of industry has changed the conditions of business. As the market growth slows down or as the markets become more competitive, firms are more likely to attempt to maintain their market share by focusing on retaining the current customers. (Lee et al., 2001). Customer retention has been advocated as an easier and more reliable source of superior performance (Reichheld and Sasser, 1990). In the past few years, the mobile telecommunication market has witnessed a substantial growth and a rapid change globally as well as domestically. The wireless industry made a healthy contribution in the growth of telecom sector. Various management authors such as Drucker (1973) and Zineldin (2000) have reaffirmed the importance of a customer to an organisation as well as the importance of devising strategies to retain them. Thus, management theorists such as Lowendahl (1997) have devised theories specific to customer retention. Such theories explain the need to retain customers as well as the process of customer retention.

The sole purpose of a business Drucker (1973) once claimed was “to create a customer”. There was a growing recognition that customers, like products, have a life-cycle that companies can attempt to manage. Customers are acquired, retained and can be grown in value over time. They climb a value staircase (Gordon, 1998) or value ladder (Christopher et al., 1991) from suspect, prospect and first-time customer, to majority customer and ultimately to partner or advocate status.

This study will help to determine the various factors that contributes towards customer retention and the strategies adopted by the mobile telecom companies to retain the customers.

OBJECTIVE OF THE STUDY

- This study is useful to find out the service provider using strategy for retention.
- Study helps to find the customer retention strategy.

SCOPE OF THE STUDY

- The main scope of the study is to find the strategies involved in retention.
- Scope of this study is limited only covered in service provider located in Chennai.

LITERATURE REVIEW

- Pratompong Srinuan, Chalita Srinuan and Erik Bohlin, in Sweden, analysed state that firms can use ‘multiple services offering’ strategy to retain customers and capture new customers. A generalized Poisson regression model is employed to examine whether the product discount, service provider, socio-economic variables and geographical location impact

consumer decisions. The results clearly show that the discount, service provider and income of the consumer affect the consumer's buying decision. A consumer who receives a discount or has a high income is more likely to buy multiple services or select more services from the current service provider into his basket than a consumer who does not receive discount or has lower income.⁽²⁾

- Peter C. Verhoef investigated the differential effects of customer relationship perceptions and relationship marketing instruments on customer retention and customer share development over time in mobile telecom industries. Customer relationship perceptions are considered evaluations of relationship strength and a supplier's offerings, and customer share development is the change in customer share between two periods.
- Ilias Santouridis and Panagiotis Trivellas, in Greece, investigated the crucial factors that lead to customer loyalty and in turn the customer retention in the mobile telephony sector, namely service quality and customer satisfaction. Methodology used was 'Field research'. Results clearly showed that the Customer service, pricing structure and billing system are the service quality dimensions that have the more significant positive influence on customer satisfaction, which in turn has a significant positive impact on customer loyalty and retention.⁽⁴⁾
- Fujun Laia, Mitch Griffin and Barry J. Babinc, in China, conducted a research using integrative model to examine the relations among service quality, value, image, satisfaction and loyalty. Analysis revealed that:
 - Value and image influence satisfaction
 - Corporate image influences value
 Thus, value has both a direct and indirect (through satisfaction) impact on customer loyalty.⁽⁵⁾
- Jeng, Don Jyh-Fu, Bailey and Thomas, in Canada, conducted a study to identify the major motivators of customer retention and their interrelationships, and assess the value that customers perceive with regard to the related advertising. A systematic hybrid multiple criteria decision-making (MCDM) method that

combines the decision making trial and evaluation laboratory (DEMATEL) technique and the analytic network process (ANP) is used to examine the same. Results clearly shows that phone service quality, customer service quality and phone plan quality are three major motivators for customer satisfaction and retention.⁽⁶⁾

- Oyeniyi, Omotayo and Abiodun, A. J., in Nigeria, conducted a research to study about switching cost and its relationships with customer retention, loyalty and satisfaction in the telecommunication market. However, the effect of switching barriers on retention is only significant when customers consider to exit.⁽⁷⁾
- Vahid Pezeshki, Alireza Mousavi, Susan Grant conducted a research to investigate the asymmetric relationship between performance of service attributes and customer satisfaction. An empirical study using questionnaires was conducted. The results indicated that there is a dynamic relationship between service attributes and overall customer satisfaction. It is also identified that the major weaknesses in the Mobile Telecommunication industry that cause the highest customer dissatisfaction are the range of phones, the accuracy of billing and payment, and the service plans, whereas the major strengths as a source of customer satisfaction are customer service quality, value for money and network performance.⁽⁸⁾
- Ying-Feng Kuo, Chi-Ming Wu and Wei-Jaw Deng, in Taiwan, conducted a study to evaluate service quality of mobile value-added services and the relationships among service quality, perceived value, customer satisfaction, post-purchase intention and retention. Structural equation modelling and multiple regression analysis were used to analyse the same. The main findings are: (1) service quality positively influences both perceived value and customer satisfaction; (2) perceived value positively influences on both customer satisfaction and post-purchase intention; (3) customer satisfaction positively influences post-purchase intention and retention; (4) service quality has an indirect positive influence on post-purchase intention through customer satisfaction or perceived value;

(5) among the dimensions of service quality, “customer service and system reliability” is most influential on perceived value and customer satisfaction, and the influence of “content quality” ranks second.⁽⁹⁾

- Inamullah Khan, in Pakistan, conducted a study to examine the importance of future customer's relationship using customer satisfaction, and customer retention on customer loyalty in telecom industry. Questionnaires strategies was used and the results showed that customer satisfaction has significant while customer retention has insignificant impact on customer loyalty.⁽¹⁰⁾
- Muzammil Hanif, Sehrish Hafeez and Adnan Riaz studied about the factors affecting the customer satisfaction in mobile industry. General public Survey methodology was used to analyse it. As a result, it was shown that the customer services and price fairness play a very important role in making customer satisfied. Any firm that wants to be successful over longer period of time has to make its customers satisfied through charging fair tariffs and memorable customer services.⁽¹¹⁾
- Won-Moo Hur, JungkunPark & Minsung Kim conducted a study to identify appropriate combinations between various types of commitment and benefit, to induce and enhance loyalty behaviours, such as customer retention, cross-selling, and customers' positive word-of-mouth, in a matured service market. The results show that functional and economic benefits have significant effects on customer retention through calculative commitment, while experiential and symbolic benefits significantly affect cross-selling and positive word-of-mouth via affective commitment.⁽¹²⁾
- Chung-Tzer Liu, Yi Maggie Guo and Chia-Hui Lee done a research to explore how relationship quality and switching barriers influence customer loyalty. A survey research methodology was used which shows that Satisfaction, trust, and switching barriers have positive effects on loyalty. From a managerial perspective, this research suggests that practitioner should not only keep improving service quality, but also provide playfulness to ensure customer satisfaction. Service providers should also build relationship quality and switching barriers to reduce the possibility of defection and enhance customer loyalty.⁽¹³⁾
- EvangeliaBlery, Nick Batistatos, EfstathiaPapastratou, IoannisPerifanos, Georgia Remoundaki and Maria Retsina conducted a research to identify the influence of service quality on customer loyalty in the Greek mobile telephony sector. Service quality was measured using the SERVPERF model. The findings showed that there are relationships between service quality and customers' repurchase intention in mobile telephony.⁽¹⁴⁾
- Dong-Hee Shi and Won-Yong Kim conducted a study to investigate about the switching barriers under the mobile number portability (MNP) in the U.S. mobile market. The structural equation modelling analysis is used to evaluate the causal model, and confirmatory factor analysis is performed to examine the reliability and validity of the measurement model. The findings, however, imply that subscribers still perceive switching barrier high, discouraging them from switching carriers.⁽¹⁵⁾
- S K Chadha and Deepa Kapoor, in India, examined the effect of switching cost, service quality and customer satisfaction on customer loyalty in the mobile telecommunication services. The data was analysed by regression analysis. The study showed that the switching cost, service quality and customer satisfaction have positive association with customer loyalty. However, the customer satisfaction was found to be the best predictor of customer loyalty.⁽¹⁶⁾
- ChosnielElikemOcloo and Ernest Kafui Tsetse, did a research to find out whether quality service has a relationship with customer retention and whether there is interplay between customer satisfaction and retention. The study revealed that there is a relationship between quality service and satisfaction while customer satisfaction to large extent influences customer retention.⁽¹⁷⁾
- Lesley White and Venkata Yanamandram, analysed the factors that potentially influence dissatisfied customers to continue purchasing from their existing service provider in the

business-to-business (B2B) services sector. Results shows that switching costs, interpersonal relationships, the attractiveness of alternatives, service recovery and Inertia are the five major factors that deter customers from switching to an alternative service provider.⁽¹⁸⁾

- Muhammad Alshurideh, Ra'ed (Moh'dTaisir) Masa'deh and BarweenAlkurdi, in Jordan, conducted a study to ascertain the extent to which customer satisfaction affects customer retention. Quantitative method was used to test the study hypothesis and collect the surveys. While satisfaction is a major driver of retention, providing continuous and suitable customer services before, during and after the encounter stage is the core of retention.⁽¹⁹⁾
- RajkumarPaulrajan and Harish Rajkumar, conducted a study to understand the Indian consumers' perception choice in selecting cellular mobile telecommunication service providers. The outcome shows that the communication and price were most influential and most preferential factors in selecting telecommunication service provider. However, product quality and availability has a significant impact on consumer perception choice in selecting cellular mobile service provider.⁽²⁰⁾
- Allard C.R. van Riel, Jos Lemmink, Sandra Streukens, Veronica Liljander, explored the effect of customer satisfaction with online supporting services on loyalty to providers of an offline core service. Study shows that the quality of online supporting services powerfully affects satisfaction with the provider and customer loyalty through its effect on online value and enjoyment.⁽²²⁾
- Peter W. Turnbull, Sheena Leek & Grace Ying, researched on the effect of confusion on information search behaviour which is part of the decision making process in the mobile phone market. In addition, the findings also suggest that suppliers should buildup a strong brand image and be aware of the importance of word of mouth sources since both of these are considered to be very significant reference points for consumers. Finally, further reductions in call charges, the maintenance of good quality service

and customer care are essential for customer retention⁽²³⁾

- Hyung Seok Lee, conducted a study to verify the relationships among service quality, perceived value, customer satisfaction, and customer loyalty in mobile phone service. The study conducted an empirical research and the findings shows that service quality positively influences customer loyalty.
- Moyo Talak and Makore Albert, in Zimbabwe, done a research to analyse the retention strategies used by the mobile phone service providers and to determine the factors that cause customer retention for Zimbabwean mobile service providers. A descriptive research design was used to analyse the customer retention strategies. The factors observed as influencing preference of service provider in the Zimbabwean market were: customer information updates, availability of service shops, efficient network and availability of recharge cards. The least preferred were observed to be, toll free numbers, advance air time and used by many which pertain to the image of the organisation⁽²⁵⁾

RESEARCH METHODOLOGY

RESEARCH DESIGN

Descriptive research seeks to certain magnitude by making complete the study of the topic. It is used in this project to find out the investors preferences in various alternatives.

SAMPLE DESIGN

Sampling is a procedure to draw conclusion about the large group of respondents by studying a sample of the investor preferences in various alternatives. Sample is the segment of the investors.

PRIMARY DATA

The data is collected from through the questionnaire provided to the investors and get the respondents. It is collected from the interactions with analysts in the company during the live interaction to the investors.

SECONDARY DATA

It is collected from the company websites, old records, magazines & textbooks and websites.

FINDINGS

- From the researches made by various authors as provided above, it is understood that customer satisfaction has significant impact in retaining customers.
- Phone service quality, customer service quality, pricing structure and billing system quality are the key motivators for customer satisfaction.
- Major weaknesses in the Mobile Telecommunication industry that cause the highest customer dissatisfaction are the range of phones, the accuracy of billing and payment, and the service plans, whereas the major strengths as a source of customer satisfaction are customer service quality, value for money and network performance.
- Practitioners should not only keep improving service quality, but also provide playfulness to ensure customer satisfaction.

CONCLUSION

Several methods were used to retain customers in the mobile telecommunications industry. The study concludes that there are a number of ways in which the firms in the industry retain the customers. The main ways include customer loyalty, number of subscribers, pricing, quality services and goods, customer care services, and offers and promotions. These results are consistent with most of the literature on customer retention strategies. The study also concludes that these strategies were effective in retaining customers in the industry.

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