Customer Care services in mobile telecommunication transcending to Subscriber Loyalty

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Abstract:

Controlling subscribers churn, especially the profitable customers make the way for repetitive purchases, resulting in staying ahead with sustained profitability even in a competitive environment. After GOI opened up the telecom sector the industry saw multiple private telecom service providers entering the market and an intense rise in competition. This prompted the service providers to start exploring all possible avenues for delighting and building customer loyalty, ultimately leading to customer retention.

As mobile phones become more sophisticated and subscribers increasingly use more of data services like games downloading, email etc, service providers are expanding and improving their customer support system (CSS). Mobile service providers are using it as a strategic tool for making subscribers satisfied and making them brand loyal.

This paper attempts to analyze the relevance of customer care services in relation to customer retention.

Keyword: Customer Retention, Switcher, Brand Loyalty, TRAI, Mobile subscribers.

Introduction

Often it is hear and read that many modern economies are dominated by services. United States for example, a service economy, did not become so overnight. As early as 1929, 55 percent of the working population was employed in the service sector in the United States, and by 2012, 79.7% are employed in the service sector and accounting for 68 percent of U.S. gross domestic product GDP (CIA 2013). India's services sector contributes about 60 per cent of the country’s GDP and 35 per cent of employment (India brand equity foundation (IBEF2013). The Indian mobile phone industry is likely to contribute US$ 400 billion to the country’s gross domestic product (GDP) and has the potential of generating approximately 4.1 million additional jobs by 2020, as per Ms Anne Bouverot, Director General, Groupe Speciale Mobile Association (GSMA). According to the report titled ‘Mobile Economy India 2013’ released by GSMA in association with the Boston Consulting Group (BCG) the industry contributed approximately 5.3 per cent to the Indian GDP and directly employed 730,000 persons in 2012.

The mobile service sector was dominated by Government owned telecom service providers like MTNL and BSNL under department of telecommunication (DoT) for a considerable time. It was only in 1994 that the telecom industry was opened for private players. Foreign players were encouraged to invest in India by increasing the amount of equity ownership in Indian telecom companies from 49%
to 74%. With multiple service providers offering nearly identical services, price wars started and tariffs reduced to such a level that even the common man could think of having a mobile connection, which was earlier the luxury of the rich. The quality and efficiency of service also improved tremendously and phone connections, which earlier took years to be sanctioned during the monopoly of BSNL, began to be issued within days. All this efforts resulted in tremendous increase of subscriber base. By October 2011 the subscriber base exceeded 892 million of which 858 million is of only mobile subscribers (The Telegraph, 2011). Subscriber base continued to grow at a tremendous rate to reach 904.46 million at the end of July 2013 (Times of India, 11 Oct 2013).

The telecom industry is characterized by high entry and exit barriers. Mobile service providers therefore have to invest huge capital, either to hire or build the necessary infrastructures. Tata services in India invested Rs. 7,533 crore for setting up infrastructure for providing mobile communication services. Because of the high startup cost, in most countries the government used to invest in such venture and thus monopolize the industry. Now post liberalization of the telecom industry, with many players striving for the largest market share, the customers is having greater bargaining power for the best price and the best service. In a buyer’s market they can easily switch from one service provider to another by just changing their SIM card. It is becoming an increasingly formidable task for mobile service providers to retain and increase their subscriber base. Customers are highly quality conscious and demand additional services to continue with their existing service provider.

Customer care services

Customer care service is a series of activities designed to increase the level of customer satisfaction regarding a product or service. Its importance varies by product, industry and customer. Customer service may be provided by a person (customer care executive), or by automated means. Customer service is normally an integral part of a company’s customer value proposition. CCS are important customer ‘touch-points’ where a customer and a company meets, interacts and evaluated each other. This gives immense opportunity to a service provider to change negative attitude of subscriber to positive, reinforce positive attitude and sell value added services. Many companies today talk about exceeding customer expectations - delighting and surprising them by giving more than they expect. Proper implementations of customer care services help mobile service providers do just that.

For mobile subscribers, customer care services are important criteria for continuing with their present service provider. Customers may have query related to billing, some new scheme, information about tariff plans etc. These information requirements may be effectively solved and answered by a trained, motivated and experienced customer care executive.

Customer Service (CS) benefits the organization as it helps to build customer loyalty build relationship and encourage positive word of mouth. Ultimately, this translates into higher revenue for the organization and a positive reputation in the community. With more subscribers and higher revenue the employee's job security also increases. Higher sales can also lead to increases in salaries, benefits, compensation package, rewards, more money available for training and development of the employee, etc, which elevates the motivation of the employee. A motivated employee base delivers better service which again results in better customer satisfaction. Customer care is a business process, and like other processes, requires automation to facilitate measurement and provide quality outcomes. But primarily customer care involves around three crucial elements, often described as the “ABC” of service, namely attitude, behaviour and competence of the customer care executive. Attitude dictates subscriber mindset and influences consumer purchase behaviour. Both attitude and behaviour plays such important role that often competence is overshadowed. In a Harvard survey, it has been proved that skills represent only 15 percent on the
impact of customer service while Attitudes represent 85 percent. Behaviour which is the second
element can be correlated to a mirror which displays a person’s own self image. Proper
implementation of CSS requires executive to properly behave to one another and towards subscribers.
Being courteous, respectful and considerate while responding to customer phone calls, removes
customer hesitations and influences subscribers positively towards the service provider.

Brand Loyalty

A brand is the physical and emotional alliance between a company and its customers - a cluster of
messages, shared experiences and relationships. A brand consists of both tangible and intangible
elements. This is conceived in the customers mind in the form of attributes. This perception functions
as a foundation stone, which leads to repurchasing and later gets settled as brand loyalty.
In marketing, loyalty is understood as a consumer's commitment to repurchase or continue using the
existing brand, product or service or display positive behaviors such as word of mouth advocacy.
Customer repurchasing a brand due to situational constraints or unavailability of an alternative and
more out of convenience does not define as brand loyals. This group of customer is known as spurious
loyals. True loyalty exists when a customer makes a repurchase without the presence of any constrains
and just because they like the brand. Loyal customers are assent for organizations as they represent an
existing subscriber base, are willing to pay higher prices, costs less to serve and can bring new
customers through positive word of mouth.
Brand loyalty consists of pre-dispositional promise towards a brand. Loyalty is determined by several
distinct mental processes and entails multivariate measurements. Customers' perceived value, brand
trust and customers' satisfaction results in repeat purchase behaviour and are found to be the key
factors influencing loyalty and commitment to buy. According to Fred Reichheld, one of the most
leading writers on brand loyalty claimed that increased customer loyalty could have dramatic effects
on profitability.

Customer Retention

Customer retention is described as those activities which are undertaken by the selling organization in
order to reduce customer defections. A company’s capacity to attract and retain new customers, is not
only related to its product or services, but strongly related to the way it services its existing customers
and the reputation it creates within and across the marketplace.
Retention of customer requires giving the customer more than they expect. It requires organizations to
put ‘customer value’ rather than profit maximization in the forefront while developing business
strategies. In a competitive environment retaining customers and survival becomes more important
than profit. If a customer is retained by good customer care service, the customer can give revenue at a
latter period of time or throughout the customers lifetime. Customer lifetime value is calculated by
organizations to find out the net present value of the profit an organization will realize from a customer
over a given period of time. Retention rate is the percentage of the total number of customers retained
in context to the customers that approached for cancellation.
Though the telecom industry and the mobile segment in particular is growing at a phenomenal rate
average revenue per user/subscriber (ARPU) is decreasing. In mobile telephony, ARPU includes not
only the revenues billed to the customer each month for usage, but also the revenue earned from
incoming calls, payable within the regulatory interconnection regime. According to a report published
in Business Line (Friday, Oct02, 2009), the voice based average revenue per user for GSM operators
falls below Rs 200. The ARPU for CDMA services declined by 7.2 per cent from Rs 99 in March
quarter to Rs 92 in June quarter. Better customer service and new value added services in the non-
voice category can increase the ARPU for a mobile service provider.
Review of Literature

Marketing is one of the central parts of successful management today. Marketing influences on the environment and the communities in which we live. “In relationship with marketing, mentioned that the core concept of marketing is wants and demand, products and services, value, satisfaction, quality, exchange, transactions, relationship, markets.” (Kotler, et al., 2001). A widely used marketing strategy is relationship marketing which is used to attract, maintain and enhancing customer relationships. The benefit of such strategy can be reaped when customers continue to remain loyal to a particular company. (Berry, 1983). “Companies build profitable and long term relationship with applying customer relationship management (Kotler & Armstrong, 2005). Relationship marketing also fulfills the long term objective of a company (Robert & Daunt, 2006). In telecommunication service industry this strategy relationship marketing plays significant role because of unique characteristics in this sector (Berry, 1995).

CRM is used by companies to build and manage long-term relationships with their customers are using CRM as a marketing solution (Blery & Michalakopoulos, 2006). Researches have proved that using CRM have increased customer satisfaction and also improved customer expectations and loyalty (Cho, Im, Hiltz, & Fjermestad, 2001). Using CRM many firms both Indian and foreign expect to improve profitability by gaining customer loyalty, customizing offerings, and reducing operational costs. With low tariff and high competition in the service sector, companies are increasingly focusing on investing in CRM (Chan & Lam, 2009). As service encounter in mobile telecom at one time or the other involve human beings, customer care executive’s role becomes indispensable (Banerjee, J, Garg, A and Bose, I, 2013).

Studies confirm that attracting a new customer is more costly than retaining a old customer which can be achieved through a properly managed retention strategy (Kelley, Gilbert, & Mannicom, 2003). Reichheld and Sasser (1990 in an research study, found that existing customers are not only less price sensitive; they are more economical to maintain than new customers. Gilbert (1996) explains that relationship management schemes can minimise the long-term costs of attracting new customers by increasing the duration they would stay with a company. Retention and customer loyalty are very closely related and generally a positive retention happens is a customer is loyal. Retention prevents customer churn and constitutes an important basis of customer loyalty (Fornell, 1992).

Analysis

Objective: To study the influence of customer care service (CCS) of mobile phone service providers on the subscribers brand loyalty.

Research Design

This research was carried out with a sample base of 620 respondents residing in Hooghly district consisting of a sizable rural and urban population of 5,041,976, (Rural-3,354,227, Urban-1,687,749, and Male: Female ratio of - 1:1) in West Bengal, India. Convenience sampling technique was used to draw the sample. The sample is composed of male and female respondents belonging to different socio-economic status, profession, age group, educational status etc. The respondents were chosen in the age group of 25 to 55 years, as these age groups have the maximum active life and so the need mobile communication. The respondent is a person who is using the mobile telecomm service for at least last one year. A pre structured questionnaire was used to collect the data from the respondents. The questionnaire is having open ended, closed ended and dichotomous questions. In this paper the perception of respondents towards the customer support system of mobile phone service providers is analyzed and its effects on brand loyalty/customer loyalty. Data collection was done in the month of July-August 2013. Time frame for survey and report generation was 68 days.
Associations between customer care services with willingness to switch their present mobile service providers, thus exhibiting brand loyalty are analysed. The validity of hypothesis & sub hypothesis is assessed through ANOVA and F value is calculated at 95% significance. In the analysis loyalty is characterized by the intention of switching/not switching present mobile service provider. Two parameters are analysed to test the above objective- customer care executives competence in solving customers problems and overall perception regarding companies CRM strategy.

TESTING OF HYPOTHESIS 1

Testing of association of customer executive’s competence with brand loyalty.

Null hypothesis & Alternate hypothesis:
H0 : The customer care executives competence does not have any significant effect on brand loyalty.
H1 : The customer care executives competence have a positive effect on brand loyalty.

To test the above hypothesis ANOVA is used with switching intention (represented in the table as SwitchYes/No) as a dependent variable and brand image as an independent variable.

ANOVA

<table>
<thead>
<tr>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Between Groups</td>
<td>10.421</td>
<td>4</td>
<td>2.605</td>
<td>12.104</td>
</tr>
<tr>
<td>Within Groups</td>
<td>132.371</td>
<td>615</td>
<td>.215</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>142.792</td>
<td>619</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The ANOVA table above shows the F test value under 4 degrees of freedom (df) is 12.104. As the Sig. value is 0.000 (p< .05), we can reject the null hypothesis and accept the alternate hypothesis. Therefore we can conclude that - the customer care executives competence have a positive effect on brand loyalty.

From the following table we see the respondent’s views regarding competence of the customer care executives. The response recorded shows that Vodafone and Airtel subscribers are highly satisfied with the performance of the customer care executive. However subscribers of BSNL and Reliance do not feel that customer executives are competent.

PrimaryNumber * CustCareComptency Crosstabulation

<table>
<thead>
<tr>
<th>Primary Number</th>
<th>CustCare Competency</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Strongly Disagree</td>
<td>Disagree</td>
</tr>
<tr>
<td>Airtel</td>
<td>0</td>
<td>6</td>
</tr>
<tr>
<td>Vodafone</td>
<td>0</td>
<td>6</td>
</tr>
<tr>
<td>Reliance</td>
<td>6</td>
<td>34</td>
</tr>
<tr>
<td>BSNL</td>
<td>3</td>
<td>66</td>
</tr>
<tr>
<td>Tata Docomo</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Idea</td>
<td>0</td>
<td>9</td>
</tr>
<tr>
<td>Others</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td>Total</td>
<td>9</td>
<td>124</td>
</tr>
</tbody>
</table>
TESTING OF HYPOTHESIS 2

Testing of association of CRM (Customer Relationship Management) strategies with consumers brand loyalty behaviour.

An average score is calculated based on respondent’s feedback on six parameters (viz. customer care executive’s behaviour, technical skill, response time, IVR quality, website and exclusive/mini store) and ANOVA is done between this score (CRM Score) and consumers switching preferences.

Null hypothesis & Alternate hypothesis:

\( H_0 \) : The company’s CRM strategy does not have any significant effect on brand loyalty.

\( H_1 \) : The company’s CRM strategy have a significant effect on brand loyalty.

To test the above hypothesis ANOVA is used with switching intention (represented in the table as SwitchYes/No) as a dependent variable and CRM score as an independent variable.

<table>
<thead>
<tr>
<th></th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Between Groups</td>
<td>8.041</td>
<td>4</td>
<td>2.010</td>
<td>9.174</td>
<td>.000</td>
</tr>
<tr>
<td>Within Groups</td>
<td>134.751</td>
<td>615</td>
<td>.219</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>142.792</td>
<td>619</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The ANOVA table above shows the F test values along with 4 degrees of freedom (df) and significance of 0.000. As the Sig. value is less than .05, we can reject the null hypothesis and accept the alternate hypothesis that - the company’s CRM strategy have a significant effect on brand loyalty.

From the following table we see the respondent’s views regarding customer relationship management (CRM) effort taken by the mobile operators. In response to the question regarding CRM; respondents using Vodafone and Airtel has given an excellent score but BSNL subscribers have given a poor score regarding CRM.

<table>
<thead>
<tr>
<th>Primary Number</th>
<th>CRM Score * CRM Score Crosstabulation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Strongly Disagree</td>
</tr>
<tr>
<td>Airtel</td>
<td>0</td>
</tr>
<tr>
<td>Vodafone</td>
<td>0</td>
</tr>
<tr>
<td>Reliance</td>
<td>0</td>
</tr>
<tr>
<td>BSNL</td>
<td>9</td>
</tr>
<tr>
<td>Tata Docomo</td>
<td>0</td>
</tr>
<tr>
<td>Idea</td>
<td>0</td>
</tr>
<tr>
<td>Others</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>9</td>
</tr>
</tbody>
</table>

Findings

From the analysis of data we observe that there is a high level of significance between customer care executive’s competence and switching tendency. There is also positive association between the
companies CRM strategy and switching tendency. Therefore we can conclude that Customer Care services (CCS) has a positive influence in the retention of subscribers.

**Conclusion**

The telecom industry poses high entry and exit barriers. Service providers need to invest on equipment, BTS (Base terminal station) and on technology other than payment to the government for spectrum fees. In this type of industry companies have to wait for years to obtain return on their investment. The target customer base can be classified as individual, corporate, urban and rural segment. Existing as well as new companies need to continuously analyze their competencies’ and shortcomings in terms of financial and technical expertise. The companies need to develop skills and strategies so as to face challenges in legal and political conditions as well as threats from competitors and changing technology. In the face of intense competition carving a greater niche in the fast growing telecom sector have forced mobile service providers to look at CCS. From the empirical survey and statistical analysis it is seen that there is a relationship between subscriber’s satisfaction with CCS and continuing with the same service provider thus exhibiting brand loyalty behavior.

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