

## SWITCHING BEHAVIOUR OF SUBSCRIBERS IN INDIAN TELECOM SECTOR

Priyanka Gautam\*

Dr. Anil Chandhok\*\*

---

### ABSTRACT

*The Indian Telecommunications network with 621 million connections (as on March 2010) is the third largest in the world. The sector is growing at a speed of 45% during the recent years. This rapid growth is possible due to various proactive and positive decisions of the Government and contribution of both by the public and the private sectors. The rapid strides in the telecom sector have been facilitated by liberal policies of the Government that provides easy market access for telecom equipment and a fair regulatory framework for offering telecom services to the Indian consumers at affordable prices.*

*This study investigates determinants that cause mobile phone customers to switch from one service provider to another. By examining what keeps customers loyal, and then examining what provokes the same customers to switch, the findings suggest that switching may be due to changes in the underlying determinants as well as new determinants. Switching behaviour of subscribers has many factors behind it and this study attempts to identify such reasons through intensive literature review.*

*Indian telecom industry is one of the fastest growing in the world and is projected that India will have 'billion plus' mobile users by 2015. Projection by several leading global consultancies is that India's telecom network will overtake China's in the next 10 years. So, it becomes important to find out such reasons and solutions thereof.*

*After the introduction of MNP various players of telecom market are gaining and losing customers. Service providers need to concentrate on customer needs especially in customer service side. Although, increased competition has benefitted customers it will further enhance the scenario.*

---

\*Lecturer, Post Graduate Govt. College, Sector-11, Chandigarh

\*\*Professor, Maharishi Markandeshwar University, Mullana

**Keywords:** *switching behaviour, telecommunication sector, relationship, factors behind switching behaviour.*

## **INTRODUCTION**

Thus, tremendous growth of services sector implies the role of marketing in terms of vast opportunities and implications, marketing opportunities arising from new technology, in franchising from fewer regulations and professional restrictions, in servicing physical goods and international markets (Lovelock, 1999). The rapid growth of services 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).

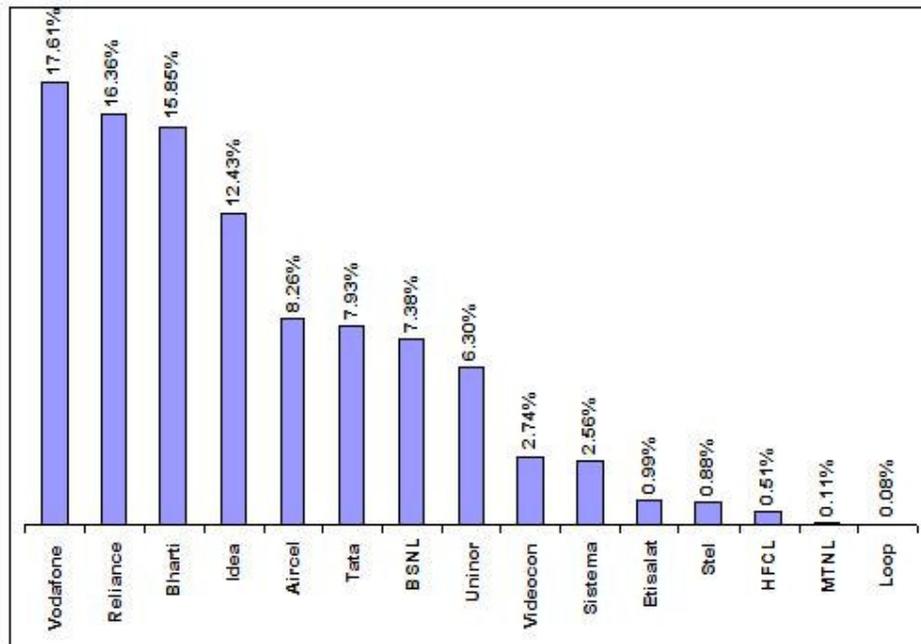
Achieving and maintaining a commanding position in such a growing market place is becoming increasingly difficult because of more competition on the one hand and more demanding customers on the other. Under such a situation, protecting the existing customer base and retaining the existing customer loyalty appear to be the crucial competitive advantage. Customer loyalty provides the foundation of a company's sustained competitive edge, and that developing and increasing customer loyalty is a crucial factor in companies' growth and performance (Lee and Cunningham, 2001). Gerpott et al., 2001, noted that in telecommunication services, it is frequently pointed that once customers have been acquired and connected to the telecommunication network of a particular operator, their long-term relations with the operator are of greater importance to the success of the company in the competitive markets than they are in other industry sectors. This is due to the fact that the cellular service providers don't differentiate from each other. They all deliver more or less the same service leading to high competition.

Customer loyalty can be gained by increasing the customer satisfaction through raising the offered service quality (Fornell et al., 1996; and Brady and Robertson, 2001). Aydin et al. (2005) noted that switching costs and service quality are the most important factors for determining the customer loyalty. The relationship between the service quality and customer preference loyalty have been studied by various researchers (e.g., by Cronin and Taylor, 1992; and Boulding et al., 1993). Perceived service quality is often viewed as a pre-requisite

for loyalty and frequently, loyalty is included in models as an outcome variable (Cronin and Taylor, 1992; and Boulding et al., 1993).

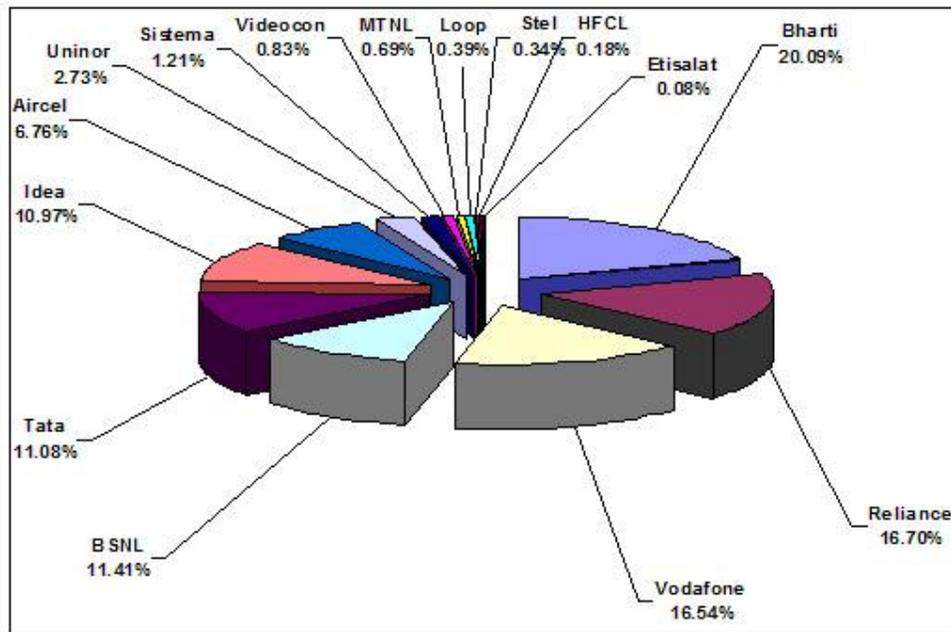
Many studies have shown that customer satisfaction positively affected loyalty (Fornell, 1992; Gerpott et al., 2001; and Sharma, 2003) concluded that the relationship between customer satisfaction and customer loyalty is affected by many factors, including type of the industry, switching cost and the differentiation level of products in a category. However, only few studies have examined switching behaviour in telecom sector. Jones and Sasser (1995) found switching costs as one factor that determines the competitiveness of market environment, since high switching costs discourage changing from a current provider, thereby yielding less incentive for companies to actively compete.

### Service Providers' share in net additions during the month of February 2011



Source: [www.telecomindiaonline.com](http://www.telecomindiaonline.com)

### Service Provider wise Market Share as on 28-02-2011



Source: [www.telecomindiaonline.com](http://www.telecomindiaonline.com)

## LITERATURE REVIEW

A Study on Consumer Switching Behaviour in Cellular Service Provider: A Study with reference to Chennai: Far East Journal of Psychology and Business Vol. 2 No 2, February 2011: M.Sathish, K.Santhosh Kumar, K.J.Naveen, V.Jeevanantham, they have attempted to identify the factors that affects the consumers into switching the service provider. To find the major influences that goes into the decision of purchasing a SIM card, to find the likeliness of switching the service provider. The study reveals that call rates play the most important role in switching the service provider followed by network coverage; value added service, Consumer care and advertisement which plays the least important role. It is found that there is a relation between switching the service provider and the factors (Customer service, service problem, usage cost, etc.). The findings also suggest that managers of these mobile operators should shift focus on building corporate image and analyse more carefully the reason for consumers to switch brands in this industry in order to increase loyalty among these consumers.

Canadian Cellular Industry: Consumer Switching Behaviour by Aneeta Sidhu (2002). The author of this paper finds out that customers with one year contract are more likely to switch. Customers find using their services as expensive. Whereas, customers who are attached to the

service provider for a long time are less likely to switch. Some of the strategies have been identified like building value for the customers by providing them with better service and reliable reception.

Antecedents and Consequences of Customer Switching Costs for the Mobile Phone Market: Arthur Lin, Christine CHOU: According to the results of this study, switching costs appear to be an appropriate concept to analyze customers' behaviours in the mobile phone market. For the antecedents of switching costs, product complexity, provider heterogeneity and switching experience significantly affect perceived switching costs; product complexity, customer investments significantly affect relational switching costs. As for the consequences, both perceived and relational switching costs significantly affect the 'exit' option. Our results indicate that governmental policy influences product complexity and provider heterogeneity. According to the results, the effect of switching costs on consequence is significant only when customers consider to exit. The effect is insignificant when customers consider to voice or keep loyal. Therefore, how to maintain customers' loyalty is still a pertinent interesting issue.

## **SWITCHING BEHAVIOUR AND TELECOM INDUSTRY**

Relation of switching behaviour and telecom sector has been summarized in four major points i.e. Customer satisfaction, User demographics, Relational Investment and service quality.

Telecommunication markets have changed dramatically in recent years. Customers in many countries who used to have only one service provider now have a wide variety to choose from. The fight to attract and keep customers has resulted in the development of relationship marketing strategies. The telecom companies are developing a mix of relationship- marketing tools to establish and build profitable customer relationship. With the concept of relationship marketing, we focus on the need for companies to be market oriented by building up the ability to manage networks, relationships and interactions (Gronroos, 1983; Gummesson, 1987). In other words, the main thrust has been on expanding the relationship with existing customers. It has been fully accepted in marketing literature that long-term customers are more profitable than short-term customers (Reichheld and Teal, 1996; Johnson, 1998). The evolution of the competition forces firms to cope with an increasing difficulty in the management of technological options and market relations. In telecommunication industry,

technologies are in continual development; market relations are frequently threatened by new or more aggressive competitors. In this situation, the behaviour of entrepreneurs and managers is turned in search of new models to manage market relations, suitable for operating with success in face of continual change and a high level of uncertainty.

Customer switching has become a critical issue facing mobile service firms. Customer switching refers to migration of users from one provider to another. In most service contexts, customer switching is associated with negative consequences such as declining market share and poor profitability (Keaveney, 1995). Switching assumes additional significance in mobile context as it has become widespread among mobile users. To control switching, mobile service providers are increasingly relying on contracts that would lock-in customers for a definite time period. However, with changing competitive dynamics, contracts are not being favored by many users (Braff and Laogue, 2004). Therefore, it becomes important to understand the fundamental drivers of switching behavior.

“Customer retention is very difficult in a market that is highly competitive and it takes more than just advertisements and incentives,” explains Vodafone Director (marketing and new business) Harit Nagpal. According to him, there are four factors that make customers stick to a service provider: A good network, service recovery, technology and great value for money (Byravee Iyer / Mumbai March 3, 2009).

### **A) Customer Satisfaction**

As we all know customer satisfaction is the most important factor behind switching behaviour of telecom subscribers.

Oliver (1980) defines that “Customer satisfaction is a summary psychological state when the emotions surrounding disconfirmed expectations are coupled with the consumer’s prior feelings about consumption experience”. According to Churchill and Surprenant (1982), “Customer satisfaction is an output, resulting from the customer’s pre-purchase comparison of expected performance with perceived actual performance and incurred cost. There have been many studies on customer satisfaction over the years. However, Parasuraman et al. (1994) have put forward the simple and clear definition for satisfaction. They suggest that satisfaction is influenced by service quality, product quality and price. They researched satisfaction on a transaction level, implying that the overall satisfaction is a function of transactions.

**B) Service Quality**

Service quality has been described as a form of attitude, but not an equivalent to satisfaction that results from the comparison of expectations with performance (Parasuraman et al., 1988; and Bolton and Drew, 1991). Perception of service quality could occur at multiple levels in an organization – for example, with the core service, physical environment interaction with the service providers, etc. (Bitner and Hubert, 1994). Customer expectations and perceived performance of services have been found to be the main antecedents of perceived service quality. Service quality is generally measured on following parameters:

- |                                       |                      |
|---------------------------------------|----------------------|
| A) Responsiveness                     | B) Assurance         |
| C) Customer Perceived Network Quality | D) Pricing Structure |
| E) Value Added Services               | F) Convenience       |

**C) Users' relational investments**

Relational investments refer to investments that are specific to the user-provider relationship (e.g., learning about products, services, procedures, transactions, proprietary systems etc) (De Wulf et al., 2001). These investments influence customers' perceptions of the costs of switching between providers. Further, since the investments are specific to the relationship, they are lost when the relationship is terminated (Klemperer, 1995). Relational investments increase switching costs and discourage users from migrating to a different provider, thus enhancing loyalty. Studies have shown that loyal customers tend to spend more and bring a steady stream of future customers by spreading positive word of mouth (Reichheld & Teal, 1996). Based on prior research in service marketing (Gwinner et al., 1998; Bolton & Lemon, 1999; Keaveney & Parthasarathy, 2001; Tellis, 2002), we assess relational investments of mobile users through three constituent variables: (i) service usage, (ii) duration of user-provider relationship, and (iii) service bundling.

**D) User demographics**

Recent research on mobile computing suggests user demographics to play a dominant role in influencing mobile user behavior. Lu et al. (2005) argued for looking beyond behavioral beliefs and examining personal traits and user attributes to better understand mobile user behavior. Age and Gender affect the individuals' behaviour and they tend to switch service

providers. Individual user demographics have been found to influence user attitude towards mobile services (Okazaki, 2006). Studying Singaporean mobile users, Gilbert & Han (2005) found user characteristics to be prominent in influencing mobile consumers' behavior. Based on these prior studies, we focus on two specific demographic variables (age and gender) and examine their possible association with switching behavior of mobile users. Many researchers have identified these as the main causes of switching behaviour.

### MNP and Switching Behaviour in Telecom Sector (2011)

**MNP Trend – Number of Port**

S.N	Operators	Total Subs in millions	Subs ported in	% Subs ported in	Subs ported out	% Subs Ported in	Net additions	% Net additions
1)	Vodafone	127.36	488,250	0.38	295,489	0.23	192,761	0.15
2)	Idea	84.29	391,191	0.46	240,402	0.29	150,789	0.18
3)	Bharti Airtel	155.80	530,615	0.34	382,400	0.25	148,215	0.10
4)	Aircel	51.83	162,664	0.31	117,822	0.23	44,842	0.09
5)	Uninor	20.31	31,019	0.15	24,689	0.12	6,330	0.03
6)	Videocon	6.01	5,404	0.09	11,633	0.19	-6,229	-0.10
7)	MTNL	5.43	3,793	0.07	14,851	0.27	-11,052	-0.20
8)	TTSL	86.05	197,404	0.23	236,793	0.28	-39,389	-0.05
9)	BSNL	88.82	107,724	0.12	257,817	0.29	-150,093	-0.17
10)	Reliance	128.87	44,753	0.03	351,170	0.27	-306,417	-0.24

wordpress.com

### CONCLUSION & SUGGESTION

In this study the main antecedents of switching behaviour that came in to light are customer satisfaction, relationship of service provider and customer in terms of duration and service feedback. Various studies conducted in Nigeria and various other countries emphasize the role of customer service in terms of network quality and easy plans along with value added services. The perception of quality influences the extent of loyalty. As such, highly satisfied customers tend to demonstrate a high likelihood of repurchase and higher tolerance to price increases by providers or price decreases by competitors. Furthermore, it was found that due to the moderating role of switching barriers, loyalty, in the context of mobile services, is not a unified construct but rather one with at least two distinct dimensions: repurchase likelihood and price tolerance. A negative link between satisfaction and customer complaints shows that the more satisfied a customer is, the less he or she is prone to complain. Respondents to the survey reported a surprisingly low degree of satisfaction with mobile services, which is even lower than those of cable companies and satellite TV providers. This suggests that Indian

mobile operators need to further improve their offering through a better understanding of their subscriber base and their needs.

## **BIBLIOGRAPHY**

Turel Ofir, Serenko Alexander: User Satisfaction with Mobile Services in Canada.

Michael, Lycett, Mark, Love, Steve, Enhancing Customer Experience within the Mobile Telecommunications Industry, Anaman,

Dr. Rosemond Boohene, Gloria K.Q. Agyapong, Analysis of the Antecedents of Customer Loyalty of Telecommunication Industry in Ghana: The Case of Vodafone (Ghana)

[www.docstoc.com/.../An-empirical-analysis-of-consumers-switching-decisions-in-the-mobile-service-industry](http://www.docstoc.com/.../An-empirical-analysis-of-consumers-switching-decisions-in-the-mobile-service-industry) -

[www.oecd.org](http://www.oecd.org)

Annual report on Telecommunications, Department of Telecommunications, Government of India, [www.dotindia.com](http://www.dotindia.com).

[www.indianfoline.com](http://www.indianfoline.com).

New Telecom Policy”, [www.trai.gov.in](http://www.trai.gov.in)

Gilbert D, Lee-Kelley L and Barton M (2003) Technophobia, gender influences and consumer decision-making for technology related products. *European Journal of Innovation Management* 6(3/4), 253–263.

Keaveney S (1995) Customer switching behavior in service industries: An exploratory study. *Journal of Marketing* 59, 71–82.