

A Conceptual Perspective on Brand Switching Behaviour of Consumers in Telecommunication Industry

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Abstract

The best thing to happen to mankind was the mobile phone. India has emerged as the fastest growing mobile phone market in the world. Mobile phone was thought of as a magical gadget in the past. It is a reality now. With the advent of advanced technologies like GSM, CDMA, WLL and 3G technology and growing number of service providers, the competition has increased many folds. Every day, companies belonging to both the public sector as well as the private sector are putting in their resources and efforts to improve their services so as to give maximum benefit to their customers. Hyper competition in the telecommunication industry, availability of number of subscriber options for consumers, diverse tariff rates offered by each player influence consumers to switch their services providers. This paper focuses on enlisting factors influencing consumer switching behaviour in telecommunication industry. However, one thing is certain. By providing value added services and effective pricing strategies; telecom service providers can influence and control to a large extent the consumer brand switching behaviour and can retain customers.

Key Words : *Telecommunication Industry, Brand Switching, Buyer Behaviour, Technology and Competition.*

1. INTRODUCTION

It is often said that it is easier to retain existing customers than to attract new customers. It is five times costlier to attract new customers than to hold on to existing customers. The concept of brand switching becomes all the more important in the above mentioned context. Who would like to lose a customer in today's era of hyper-competition. Existing customers are like treasure. Once you get them, do not lose them. Losing customers could be extremely damaging for telecommunication companies. Once a customer goes away from you, he/she may or may not come back to you. The idea of brand loyalty and the corresponding idea of brand switching have gained too much importance and popularity in modern day extremely competitive telecom sector. The Indian telecom sector,

seen as providing the most affordable services in the world, has grown by leaps and bounds in the last decade. This remarkable journey to 100 million consumers is a good enough proof of the vision and commitment of a company that benchmarks itself with the best in the world (Sunil Bharti Mittal, 2009). The rise in information technology and mobile devices has made the Indian mobile phone service market highly competitive. Indian mobile market is one of the fastest growing markets in the world. In the last decade, India has seen a number of telecom companies venturing into this sector with low tariff rates.

One of the important developments that spurred the brand switching behavior of consumers was the introduction of Mobile Number Portability (MNP). It is now possible for a telecom consumer to

change his / her service provider without changing the mobile number. Hyper competition, availability of number of subscriber options for consumers, diverse tariff rates offered by various players led consumers to switch service providers like never before. In modern era, people are using higher order functions like accessing mails, connecting to social networking sites, communicating through Whatsapp, video conferencing, gaming, video blogging, music on demand and a host of other functions through mobile phones. Mobile phones are no longer seen as only a cell phone. Rather, they have become Smart Phones. We also call them as Hand Held Device. This indicates towards the plethora of advantages that mobile phones bring with themselves. This has led to an increase in the demand for hi-tech mobile services and thus the telecommunication service providers are giving their best to satisfy customers' needs. The increase and retention of loyal customers has become a key factor for long-term success of the telecommunication companies. Nowadays, telecom companies emphasize not only on winning new customers but also on retaining the existing ones.

Switching costs are costs that are incurred by buyers for terminating transaction relationships and initiating a new relation. Porter (1980) defined Switching cost as a onetime cost facing a buyer wishing to switch from one service provider to another. Jackson (1985), however, defined switching cost as the psychological, physical and economic costs a customer faces in changing a supplier. Jackson's definition reflects the multi-dimensional nature of switching cost, especially in relation to the telecommunication industry. In the telecommunication sector there are a number of critical costs that must be considered when switching. These include the cost of informing others of the change (friends, colleagues and business associates), the cost of acquiring new lines, cost associated with breaking long standing relationships with a service provider, cost of learning any new procedures in dealing with the new service provider and cost of finding a new service provider with comparable or higher value than the existing firm.

Apart from these, there is time and

psychological cost of facing uncertainty with the new service provider (Dick and Basu, 1994; Guillotine, 1989). Losing a consumer is a serious setback for the firm in terms of its present and future. (Zeithaml, Berry and Parasuraman, 1996). Some researchers have investigated different levels of loyalty while others have explored the influence of individual factors on loyalty. The current paper is going to highlight specific factors in telecommunication sector that influence consumers switching among brands.

2. LITERATURE REVIEW

Joseph and Joachim (2009) studied switching cost and its relationship with customer retention, loyalty and satisfaction in the Nigerian telecommunication market. The author found that there is a positive relationship between customer satisfaction and customer retention. It was found that customer satisfaction positively affects customer retention. The switching cost has a significant effect on the level of customer retention.

Douglas A. Galb (1999) highlighted issues and trade-offs that should be considered in regulating prices for changing between service providers. Service providers, customer acquisition cost, the cost to customer of changing service providers and the level of change are important factors in evaluating the effects of a network operator's charge for shifting customers between service providers.

M. Satish, K.J Naveen, V. Jeevananthan, (2011) identified the factors that influence the consumers to switch between service providers. They concluded that there is some relationship between switching the service provider and the factors like poor network coverage, frequent network problems, high calling rates, influence from family and friends etc. Xuan Zhang (2009) studied about the impact of relationship marketing tactics on customer satisfaction and trust of consumers, which in turn would increase customer loyalty. The study was done by focusing on Swedish mobile telecommunication sector. An analytical model is developed as a guideline to test the relationships between relationship marketing tactics, relationship quality (trust and satisfaction) and customer loyalty.

Andres Kuusik (2007) used LOGIT method for testing the level of loyalty of 1000 customers of the biggest telecommunication company in Estonia. The author analyzed four factors affecting customer loyalty. These were customer satisfaction, trustworthiness, image and importance of relationship.

Richard Lee, Jamie Murphy (2005), explored determinants that cause mobile phone customers to transit from being loyal to switcher. They concluded that there are different factors which affect the customers to switch from loyalty to switching intentions such as price, technical service quality, functional service quality, switching costs, etc. The result showed that price was the most important factor which affected the customers to switch loyalties to another telecom service provider.

Jessy John (2010) explored the factors that influence customer loyalty of BSNL mobile customers. A sample size of 100 consumers of BSNL mobile services in Jaipur city was taken and surveyed to assess the reasons behind the hard core customer loyalty even in an environment with high quality alternatives. The author recommended that BSNL mobile service enterprises should work on its problems related to servers in order to further strengthen its customer satisfaction and loyalty. Dick and Basu (1994) uncovered the point that mobile subscribers incur switching costs when changers take advantage of lower call rates and potentially better services.

The concept of customer retention in telecommunication industry in Sri Lanka was studied by Silva, K.A (2009). The author found that the most important factor in continuing an existing service provider was the ability of the service provider to give value to the customer. This was followed by assurance and responsiveness. The least important factors were legal undertaking tangibility and payment terms. Kumaraval, Kandasamy (2011) concluded that Idea cellular, Bharti Airtel and Vodafone emerged as most preferred mobile service operators in terms of Mobile Number Portability in Indian telecom sector.

Hitesh Parmar and Jaidip Chaudhari (2012) studied 100 customers from Surat City to comparatively analyze customer satisfaction before and

after the adoption of Mobile Number Portability. Poor network coverage of the previous service provider, better sms pack from new service provider and full talk time on recharge were found to be some of the reasons for switching from one service provider to another.

Gordon and Terrence (2000) studied Customer satisfaction with services: putting perceived value into the equation. This research enquired into the relationship between three elements - core service quality, relational service quality and perceived value along with customer satisfaction and future intentions across four services. The results showed that core service quality (the promise) and perceived value were the most important factors of customer satisfaction with relational service quality (the delivery) a significant but less important factor. A relationship between customer satisfaction and future intentions was established. The relative importance of the three drivers of satisfaction varied among services. Specifically, the importance of core service quality and perceived value was reversed depending on the service. One of the major conclusions was that both perceived value and service quality dimensions should be incorporated into customer satisfaction models to provide a more comprehensive picture of the drivers of customer satisfaction leading to customer loyalty.

Serkan Aydin, Gökhan Özer, Ömer Arasil, (2005) conducted a study on "Customer loyalty and the effect of switching costs as a moderator variable: A case in the Turkish mobile phone market". The purpose of the study was to throw some light on customer loyalty vis a vis GSM mobile telephony. In the GSM mobile telephony sector, the main prerequisite for protecting the subscriber base is to win customer loyalty, a major necessity for the upkeep of a brand's life in the long term. To achieve this aim, customer satisfaction and trust must be measured and "switching costs" identified. The latter may hint at subscribers' preference for rival operators more expensive. In this regard, the paper's aim was to measure the effects of customer satisfaction and trust on customer loyalty, and the direct and indirect effect of "switching cost" on customer loyalty. The findings

of this study showed that the switching cost factor directly affects loyalty, and has a moderator effect on both customer satisfaction and trust. Therefore, it plays a critical role in winning customer loyalty. However, switching cost was measured as a one-dimensional factor, but switching cost in fact contains psychological, financial and procedural sub?dimensions. With respect to the findings, trust has more importance than customer satisfaction in engaging loyalty, since trust contains belief in the brand, which provides positive outcomes not only in the present but also in the future. But customer satisfaction does not contain this dimension. So, the effect of trust on loyalty becomes greater than the effect of customer satisfaction. Therefore, any GSM operator who wishes to maintain its current subscriber base should concentrate on winning its subscribers' trust. This was one of the major insights provided by this study.

In almost a majority of the telecommunications literature, satisfaction has emerged as a strong predictor of loyalty to wireless service providers (Gerpott, Rams, & Schindler, 2001; Kim & Yoon, 2004). In particular, Gerpott et al. express that in the context of the German mobile cellular telecommunications market, some earlier theoretical arguments for a causal link between customer satisfaction and customer loyalty and highlight the case for distinguishing between customer loyalty and customer retention (the latter consisting of a measure of how unlikely a customer is to terminate a service). Gerpott et al. find in their empirical work that satisfaction results into customer retention, but only via customer loyalty. They also found that the mobility barrier created by the lack of portability of mobile access numbers in the German mobile cellular market is a strong driver of customer retention. In other words, a customer may not feel any loyalty to the service provider, but remain in the business relationship for various reasons such as inertia, habit, and high switching costs. Kim refer to such customers as "spuriously loyal".

An important area of research has focused on identifying determinants of customer defection, or what is technically referred to as customer churn. Customer defection or exit refers to a customer decision to

terminate business with a particular service firm (Stewart, 1998). In some studies, researchers have had access to actual defection data, as opposed to data on intention to defect. A complete review of such research is beyond the scope of the present paper. However, some of the important studies are mentioned here.

Worthy of mention among such research is Keaveney (1995) who studied the reasons for customer switching behaviour in service industries in general. Following Keaveney's (1995) exploratory investigation, a number of other articles focused on attitudinal, behavioural and demographic characteristics of switchers versus non-switchers in the context of on-line service (Keaveney & Parthasarathy, 2001); reasons for defection in retail banking services (Colgate & Hedge, 2001); and the reason why customers do not defect in the context of the financial service industry (Colgate & Lang, 2001). Chakravarty, Feinberg, and Rhee (2004) studied the effects of various characteristics of relationships between banks and their customers on an individual customer's probability to switch from one bank to another.

3. RESEARCH OBJECTIVES

The following are the objectives of this paper:

1. To understand the concept of customer satisfaction in telecommunication industry.
2. To throw light on components of customer satisfaction in telecommunication industry.
3. To understand the notion of customer satisfaction leading to customer loyalty in telecommunication industry.
4. To know the various reasons of brand switching and customer churn in telecommunication industry.
5. To gain insight into the factors critical for customer retention in telecommunication industry.

4. RESEARCH METHODOLOGY

The methodology used for this paper is as below:

1. It is a descriptive study. The paper studies an existing phenomenon in telecommunication industry called as consumer brand switching.
2. It is based on secondary information and data. Information has been taken from various research papers, research journals, websites, books, etc.
3. Based on review of literature and assessment of various studies combined with contemporary industry scenario and consumer behavior, an attempt has been made to highlight various issues regarding customer brand switching in telecommunication industry.

5. ANALYSIS

Research indicates that there are at least eight factors that play an important role in switching consumers in telecommunication industry. These factors are:

1. Service Quality
2. Brand Image
3. Trust
4. Satisfaction
5. Customer Loyalty
6. Switching Cost
7. Value Added Services
8. Price

Let us have a look at some statistical data from India.

(Data As on 31st March, 2015)

Telecom Subscribers (Wireless + Wireline)	
Total Subscribers	996.49 Million
% change over the previous quarter	2.63%
Urban Subscribers	577.18 Million
Rural Subscribers	419.31 Million
Market share of Private Operators	89.89%
Market share of PSU Operators	10.11%
Tele-density	79.38
Urban Tele-density	148.61
Rural Tele-density	48.37

Wireless Subscribers	
Total Wireless Subscribers	969.89 Million
% change over the previous quarter	2.75%
Urban Subscribers	555.71 Million
Rural Subscribers	414.18 Million
GSM Subscribers	917.73 Million
CDMA Subscribers	52.16 Million
Market share of Private Operators	91.68%
Market share of PSU Operators	8.32%
Tele-density	77.27
Urban Tele-density	143.08
Rural Tele-density	47.78

Wire-line Subscribers	
Total Wire-line Subscribers	26.59 Million
% change over the previous quarter	-1.50%
Urban Subscribers	21.47 Million
Rural Subscribers	5.12 Million
Market share of Private Operators	24.93%
Market share of PSU Operators	75.07%
Tele-density	2.12
Urban Tele-density	5.53
Rural Tele-density	0.59
No. of Village Public Telephones (VPT)	5,85,981
No. of Public Call Office (PCO)	7,36,855

Internet/Broadband Subscribers	
Total Internet Subscribers	302.35 Million
Narrowband subscribers	203.15 Million
Broadband subscribers	99.20 Million
Wired Internet Subscribers	19.07 Million
Wireless Internet Subscribers	283.29 Million
Urban Internet Subscribers	190.60 Million
Rural Internet Subscribers	111.76 Million
Total Internet Subscribers per 100 population	24.09

Urban Internet Subscribers per 100 population	49.07
Rural Internet Subscribers per 100 population	12.89

Telecom Financial Data (QE Mar-15)	
Gross Revenue (GR) during the quarter	Rs.65227 Crore
% change in GR over the previous quarter	1.99%

Revenue & Usage Parameters (QE Mar-15)	
Monthly ARPU GSM Full Mobility Service	Rs.120
Monthly ARPU CDMA Full Mobility Service	Rs.108
Minutes of Usage (MOU) per subscriber per month GSM Full Mobility Service	383 Minutes
Minutes of Usage (MOU) per subscriber per month CDMA Full Mobility Service	265 Minutes
Total Outgoing Minutes of Usage for Internet Telephony	245 Million

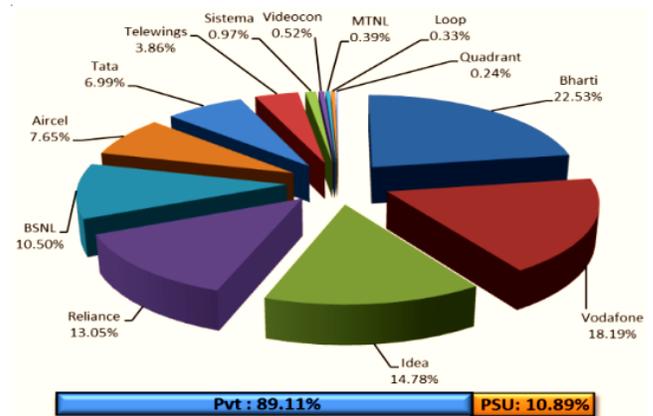
Data Usage of Mobile Users (for the QE Mar-15)	
Data Usage per subscriber per month	GSM 89.06 MB
Data Usage per subscriber per month	CDMA 278.22 MB

Service Provider Wise Subscribers Base (In Million)

Company	QE March 2014	QE March 2015
Bharti	208.75	229.43
Vodafone	166.62	183.88
Idea	135.79	157.81
Reliance	112.13	110.65
BSNL	113.14	93.64
Aircel	70.15	81.40
Tata	64.55	67.99
Telewings	35.61	45.62

Sistema	9.09	8.92
Videocon	4.99	7.13
MTNL	6.91	7.06
Quadrant	2.39	2.96
Loop	2.90	----
Total	933.01	996.49

A. Service Providerwise Market Share as on 28th February, 2014



The Indian telecom consumer is highly price sensitive. In such a scenario, brand switching is a common phenomenon especially after the possibility of MNP (Mobile Number Portability).

Consumers attach a lot of importance to the concept of brand. Kotler defined brand as a name, term, sign, symbol, or design, or combination of them which is intended to identify the goods of one seller or group of sellers and to differentiate them from those of competitors. Consumers have some assessment of corporate image or brand image and try to resonate it with their self-image. This becomes one of the important factors for brand switching.

The concept of service quality is also of considerable importance. Quality is usually conceptualized as an attitude that does the evaluation of the service offered. Quality is basically a sum total of evaluated experiences. Customers judge service quality on the basis of overall firm's superiority and excellence. If service is high in quality it is regarded as a key to success in most competitive service markets. Many researches have indicated that customer satisfaction and the customer's trust in a service firm

are directly influenced by the service quality being provided. If pre-purchase expectations are fulfilled with the kind of service quality being provided the customers might be satisfied. The telecom industry which is basically a service industry, service quality is an important factor to deliver customer satisfaction and loyalty. There could be two distinct service quality dimensions which are technical quality and functional quality. Technical quality is something that customers get as a result of dealings with the service provider. Whereas the functional quality is something that has to do with how the service has been delivered. As compared to technical quality, functional quality tends to be more important in customer satisfaction. Researchers have identified five distinctive dimensions of cell phone service quality. These are network coverage, billing, pricing, data and customer services.

Contemporary research has tried to set up the bases for improving the understanding of customers' switching behavior and can be expressed in two main areas:

- (1) The factors and the processes underlying customer switching decisions.
- (2) The exact factors that encourage switching.

Research available discriminates among the three determinants of switching decisions using the Switching Path Analysis Technique (SPAT): (a) Pushing determinants (the basis to switch to another supplier). (b) Pulling determinants (factors that stimulate the customers to come reverse to the original supplier) and (c) Swayers (they do not cause switching by themselves; they can only lessen or reinforce the switching decision). There are several other leading factors that associate with the customer switching decision and those factors are the consumer's attitude, behavior, and the socio-demographic characteristics.

Core service failure has been found as the major cause of customer's switching behavior in some studies. Core service failures might be itself the major cause or it could be accompanied by other reasons that makes the customer to switch. Core Service Failures include all the failures that are due to errors or technical problems caused by the service providers

themselves. Core service failures could include the errors of billing, service mistakes and service disasters. If the customer sees billing errors or finds a delay in correcting those errors, he or she is likely to switch to another service provider.

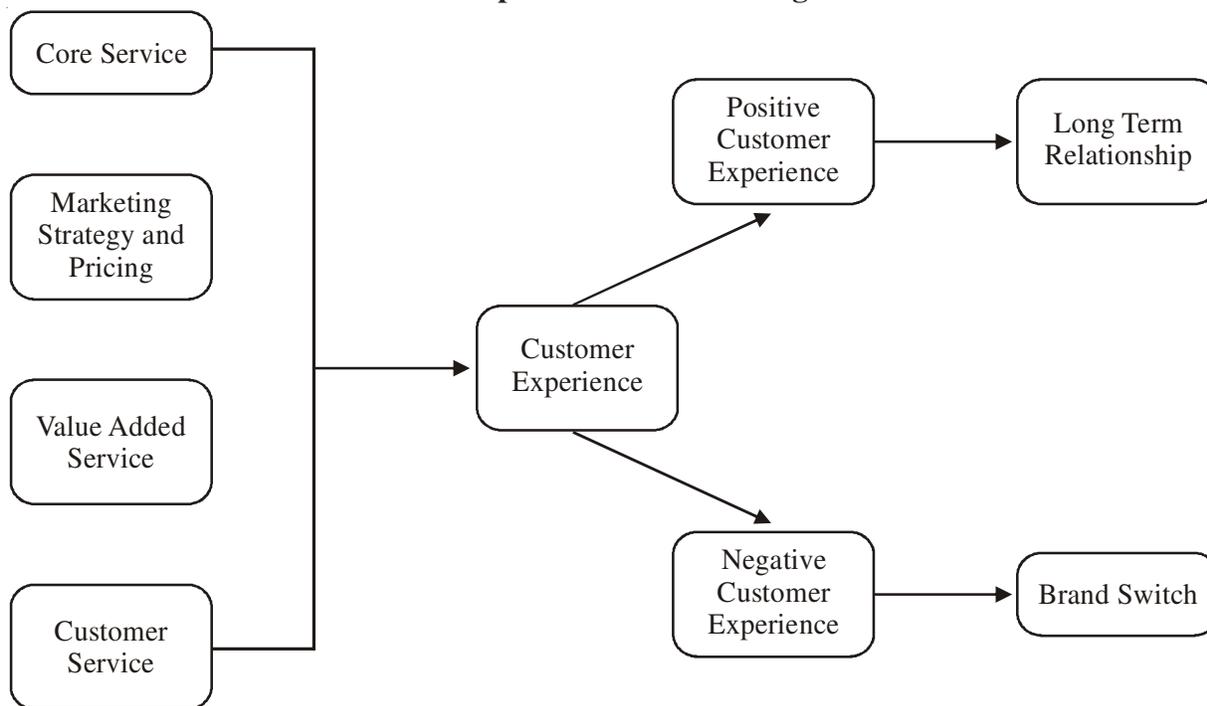
One of the most important factors in switching behavior is Pricing. Pricing generally includes call charges, rates, penalty, surcharges or fees. Customers switch at times when they perceive that the price is high especially when compared to reference price. Customers often compare the prices of competitors for the same service.

High prices can negatively influence the purchase probabilities of customers. Customers relate prices to service quality and then generate dissatisfaction or satisfaction. And if a customer thinks that the price is comparatively fair then only that customer would go for transaction with service provider. There are two dimensions of price perception. The first one is rationality of prices which shows the way that how the price is being perceived by the customers as compared to competitors. And the other is basically the value for money. High quality services as compared to low quality equivalents cost more. Price could be thought of as being the most influential factor on customer satisfaction and trust. A lot of customers switch due to pricing issues of high and unfair pricing. Deceptive and hidden charges are also important elements that trigger brand switch.

Inconvenience caused by the service providers leads the customers to switch to another service operator. Such inconvenience includes the factors such as time elapse, long hours of operations, waiting for the service or location of the operator. As in customer services the clients have to wait for so long on the telephone for the customer representative. One solution could be to fill time so as to reduce the impatience and anger of the customer waiting for his/her call to be answered.

The following model illustrates how various factors affect customer experience which in turn leads to brand loyalty or brand switching.

Figure: A conceptual model of factors affecting customer experience and its impact on brand switching



6. CONCLUSION

In modern times, customer is the king of business. He / she should be the focus of all attention from the company. The option of Mobile Number Portability (MNP) has made the telecommunication consumer even more informed and powerful. It is, therefore, critical for telecommunication service providers to hang on to existing customers while trying to attain new customers. It is easier and cheaper for firms to retain existing customers than going after and attracting new customers. Telecom companies must ensure to undertake every effort to keep existing customers happy. The company must make all possible attempts to establish a relationship of absolute trust with customers. Any breach of trust or even a hint of breach of trust would be very harmful for the company's business prospects. A common complaint by customers is that while the service providers announce a low call rate/price for the package, there are some hidden charges which are not specified. The company may find a legal recourse in "Terms and Conditions Apply" or what is popularly known today as TnC, but will distance itself from the consumers.

The company will have to answer customers whom they were trying to fool.

In the light of changing calling patterns of customers, rate plans need to be optimized to ensure that it best suits the customer's needs to prevent customers from switching. Network services are the most important pillars in telecom industry. Network services include call quality, network connectivity, and network coverage. From a customer's point of view dropped calls, stagnant or broken conversations can frustrate the customers.

Telecom service providers must ensure that their billing systems are in line to continue sending out correct and exact bills. Customers switch over to different service providers due to various reasons. The reasons could be that the service provider fails to meet the needs of its customers because of the changing demand patterns and situations. Or a customer might get better offers from its competitors. However if the ultimate motive of any business is to get knowledge of consumer behavior, and how and why fluctuations can take place in the customer base, it would be very helpful for the effective management of customer

relationships. Responding to consumers' complaints is also very critical for customer retention. Customers also churn many times because they perceive the service provider's response and handling of their complaints as ineffective and insensitive.

It could be safely concluded that the more the customers stay in a business association with the service provider the more value they could generate. Customer

switching behaviour is therefore a serious deterrent in maintaining healthy long-term relationships with consumers. It is thus imperative for telecommunication service providers to understand the true nature of customer switching behavior and control factors that trigger switching. In the absence of such an effort telecommunication service providers may not be able to hold back existing customer base for long.

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