

Customer Retention in Telecom Industry

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Abstract

Telecommunications carriers today must attract and retain customers while constantly improving each interaction. They need to manage the lifecycle of these customers to maximize revenue and reduce costs to increase profitability. They must do so while managing complex networks that support landlines and mobile phones, consumers and commercial companies— serving millions of customers and billions of calls. Their customers expect to be able to get support around the clock and to self-serve by SMS and email. Thousands, sometimes hundreds of thousands, of partners may need to be engaged and integrated into the value chain. Revenue assurance and reconciliation are imperative. All of this takes place against the backdrop of intense competition in a saturated market. Effective customer retention is essential. Carriers need to retain the right customers at the right price. Huge numbers of customer retention decisions must be made and made quickly. Today telecom industry is highly competitive as its customers have many options. Companies want to grow their businesses. They are implementing new and creative initiatives to retain their existing customers. This paper focuses on Introduction, Review of Literature, Customer Retention, Definition of Retention, Determinants of Customer Retention and Strategies for Customer Retention.

Keywords: Retention, Customer Retention, Telecommunication, Customer Satisfaction

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1. Introduction:

Telecommunications companies of all sizes, no matter what their current use of information might be, can move towards customer-centric, data-driven customer retention. Those at the beginning of the journey can look at integrating data to create a complete customer picture. Those with a solid information platform can use that information to distinguish their treatment of different groups, different segments. They can expand from there into the use of predictive models, making decisions on what is likely to happen, not just on history. And they can continue to improve the effectiveness of their decision-making, optimizing it across their customer portfolio.

Analytics can do more than just improve retention. Analytics can help determine the optimal investment of capital and human resources to support profitable growth. As companies like Bharti Airtel have discovered, analytics can be used to improve initial offers and plan pricing to deliver better customer service and self-care. In operations, analytics can help optimize network design and improve network planning and maintenance. The supply chain, revenue assurance and even IT infrastructure can be analytically enhanced. Telecommunications companies must survive and thrive in an intensely competitive and saturated market while managing complex technology and huge numbers of customers. Those who succeed will leverage analytics to help them.

2. Review of Literature

Gerpott, Rams and Schindler (2001), described the Customer retention (CR), loyalty (CL), and satisfaction (CS) were important (intermediate) goals for telecommunication network operators on their way to superior economic success in the liberalized German market. Therefore, they had drawn a sample of 684 residential customers of digital cellular network operators in Germany. This study tests hypotheses and suggested that CR, CL, and CS should be treated as deferential constructs which were causally inter-linked. LISREL analyses support a two-staged model in which overall CS has a significant impact on CL which in turn influences a customer's intention to terminate the contractual relationship with his mobile cellular network operator ("CR). Mobile network operators' perceived customer care performance had no significant impact on CR. The findings suggest that an important lever for regulators to promote competition in cellular markets was the enforcement of efficient number portability procedures between mobile network operators.

Silva and Yapa (2009), described about the landscape of the telecommunication industry in Sri Lanka that has changed drastically since the deregulation of telecommunication sector in early 1990s. Number of service providers had been increased from one, i.e state monopoly, to more than 70 within a short period of time. With the increased competition telecom service providers find it difficult to retain the existing customers. The objective of this explanatory study was to identify the main factors that determine the customer loyalty of corporate telecommunication customers. A questionnaire survey was done among 131 users of corporate sector. However, it was found that relative importance of the factors were not the same between two different groups, i.e. IT personnel and Non-IT personnel. Therefore, the findings of this research provide a guideline for service providers in designing customer loyalty programmes.

Khan (2012), examined the importance of future customer's relationship using customer satisfaction and customer retention on customer loyalty in telecom industry of Pakistan. Questionnaires were distributed through electronic mail and self administered for data collection and linear regression analysis was used. The results show that customer satisfaction has significant while customer retention has insignificant impact on customer loyalty. The implications of the study were that a company should better manage their relationships with the customers as a competitive policy in mobile telephone marketplace.

The weak side of the study was that it was limited to a single industry of mobile telecom industry.

Khan and Afsheen (2012), investigated those factors that can influence customer satisfaction in cellular industry in Peshawar region. This research work was conducted for the reason to find the factors which has a major influence on customer satisfaction. The study has identified major six hypotheses which are responsible for customer satisfaction in telecom industry. For analysis part of the study a structured questionnaire was distributed. For the study university students were targeted. On random basis 150 students of five universities were targeted. The statistical part of analysis was based on descriptive statistic, Correlation and regression analysis. Results indicate that price fairness, customer services and coverage were major factors which can highly affect the customer satisfaction. The results of paper proved that there was positive and significant relationship between dependent variable (customer satisfaction) and independent variables (customer service, price fairness, sales promotion, coverage, signal strength & promotion).

Customer retention:

Retention is a concerted effort to reduce or eliminate issues. The process of retaining employees is to understand their needs and taking specific actions to meet their needs.

Customer Retention is the activity in which a selling organization reduces customer defections. An organization starts with a customer and continues throughout the entire lifetime of a relationship for the Successful customer retention. A company's ability is to attract and retain new customers. It is not only related with its [product](#) or services, but related to the way it serves its existing customers and creates the reputation across the [marketplace](#).

Customer retention is more than giving the customer what they are expecting; it is about exceeding their expectations so that they become loyal customers for their [brand](#). Customer loyalty puts 'customer value, rather than maximizing profits of business strategy'.

Customer retention is a strategic process that keeps or retains the existing customers and not letting them to diverge or defect to other suppliers or organization for business and this is only possible when there is a quality relationship between customer and supplier. Usually a customer is tended towards sticking to one product or service to other brand or product as far as his basic needs are continued to be properly fulfilled. The more you retain your customers the more is the possibility of growth of business.

Definition of retention:

The condition of retaining (keeping) something "You may be able to memorize facts in the short-term, but how well your retention of those facts is over the long-term?" "Successful companies need to foster a good working environment so that employee retention remains at a high level".

In the other words Employee retention is a systematic effort to encourage their Customers or employees to remain within their organization. A large part of keeping valued customers or employees is to attract the right people for an effective plan and services provided by them.

Determinants of customer retention

The customer retention actually begins during acquisition, which creates customer expectations, including perceptions of product value and uniqueness. Initial product usage determines whether these expectations are met. Then other factors, such as ease of exit, ease of purchase, and customer service. Together these factors affect long-term customer behavior and determine the relationship between seller and buyer.

There are seven determinants of customer retention:

1. Customer expectations versus the delivered quality of product or service.
2. Value
3. Product uniqueness and suitability
4. Loyalty Mechanisms
5. Ease of purchase
6. Customer Service
7. Ease of Exit

The following determinants are discussed below:

1. Customer expectations versus the delivered quality of product or service:

Customers do not simply evaluate a product on its merit; they evaluate it on their expectations. When customer expectations are too high and the product or service does not meet to their expectations, the customer will not use or purchase that product or service again. This is the critical factor in determining retention of customers is the difference between the customer's expectations and the delivered quality of products or services.

2. Value:

Value is defined as the quality divided by price. A firm can provide greater value either by offering higher quality and matching the competition on price or by offering the same quality at a lower price.

3. Product uniqueness and suitability:

If the product or service is unique, then there would be a greater retention rate. If a product or service is unique then other players, then the customer will attract more.

4. Loyalty mechanisms:

Loyalty can generate high retention rate even when competing products or services are almost identical.

5. Ease of purchase:

Some products or services are not easy to purchase, which effects retention.

6. Customer service:

Customer service is an important factor in customer retention.

7. Ease of exit:

Exit barriers offer one strategy for increasing retention. It includes programs that reward continued use based on historical usage; design characteristics that make it difficult to change suppliers.

3. Strategies for customer retention:

- **Customer satisfaction**

Satisfaction can be defined as a features or characteristics that can full the either a need or want of a consumer in better way than competitors. Although this satisfaction explained by different researchers in different ways. If a company provides a product according to the requirements of their consumers it will lead the satisfaction of those consumers. The higher or lower satisfaction of a consumer will depends upon the quality of brand characteristics that offered by a company. This is the consumer satisfaction which contributes for the future money making for a company. For the retention of consumer, it is important to satisfied consumers. The unsatisfied consumers of a company do not take time to switch that brand. Low quality services can also lead dissatisfaction. A low quality service is such type of service which does not fulfill the requirements. However it's all depends upon that which segments a company is targeting and what are their expectations for that product. "in business you get what you want by giving other people what they want". The company can generate maximum profit via customer satisfaction. Thus customer satisfaction is momentous in present world to run the business perfectly said that "customer satisfaction is worthless. Customer loyalty is priceless". The basic component of business success is customer satisfaction.

- **Customer service:**

Customers will expect more from you. The duties of the customer service staff is to clearly communicate with customers, to manage their problems regarding product or service, to transfer the appropriate information, to analyze the customer need and wants, to inform about new offerings, and to manage the length of the call. Handling customer-complaint effectively leads to customer satisfaction. "customer services always a successful indicator in business". Customer service is a momentous factor of marketing mix for any product or service. To generate customer loyalty the company should provide high quality customer services.

- **Price fairness:**

Price is an important variable that defines the company's profit. For having the benefits and usage of any service or product the customer will pay an amount of money which is known as price. Price is the key element for customer satisfaction. A good price is

the major contributor for satisfaction. Because the monetary cost is the price and in making customer value monetary aspect play a very vital role.

- **Sales promotion:**

Sales promotion has a significant impact on consumer's brand choice, purchase time, and purchase quantity decision. Sales promotion can be defined as to offer some incentives that can increase consumer demand or to improve the quality of the product. Sales promotion can affect the consumers' buying decision such as brand choice and brand switching. In other words, organizations use sales promotion as a tool that can convince customer to purchase any product or service. The purpose of sales promotion is to increase the cellular subscribers therefore cellular companies offer extra free minutes, limited offer to get double balance, free vas, mms at low rate etc.

- **Coverage:**

As communication is all about to get coverage and to stay connected throughout the world? As in urban areas mobile phone coverage is better than rural areas but still some cellular companies cannot provide mobile coverage in some areas. If particular cellular company fail to provide coverage where customer need then it will lead to lack of satisfaction and they will not be able to retain their customers.

- **Signal strength:**

An element that can affect the customer satisfaction, the mobile phone is connected with its network via mobile phone signal. The consumer cannot be able to make a call without signal from the particular network. The bad signal can cause voice distortion, call hanging etc. If the signal strength is good, then the company will be able to retain their customers for lifelong.

- **Promotion:**

Media plays major role to promote a product in various areas. Sometimes company offer discount packages to increase the sale of any particular product. Promotion is defined as to indicate the "right" product to the target market or other distribution channels. It cannot be effective unless it catches the attention of people. If there will be lot of offers then the customers will attract more to them.

The transformation to a customer-driven enterprise hinges on developing strong customer insight capabilities. Customer insight allows a company to define its most valuable customers – and high-value potential customers – and determine how to work with them to maximize mutual value.

- **Customer offers:**

To create value in the eyes of the customer, companies must develop highly relevant customer offers – bundles of products and services tailored for individual customer needs – that are better than competitive alternatives. Drawing on customer insight for direction, leading companies focus on:

- crafting compelling value propositions – benefits!!
- building strong brands
- developing new products and services that are coveted by the customer
- managing the product/service mix – the augmented product

In a customer-driven business, offerings are dynamic and innovative, constantly validated and measured, and easily configured to meet customer needs.

- **Customer interactions:**

Companies today are obsessed with doing business on the internet – and for good reason, the potential market is immense and many decades from saturation! However even the most fanatical web user is still currently likely to connect with a company in multiple ways. A customer may select a self-service channel in one instance, yet require personal assistance in another. Ultimately, it is the customer who chooses the channel. The key, then, is to consistently provide high-quality service and personalized interactions, irrespective of the channel the customer chooses.

- **High performing organization – win the war for talent:**

In the new customer-driven world, one of the most valuable and scarce sources of “capital” will not be financial or structural, but human capital. Human capital is the value of an organization’s human assets in terms of employee competence, motivation and satisfaction. However, of all the capability areas, creating the high performing organization is the most critical. Unfortunately, it is usually the last to be addressed, because it is the most difficult to build. It takes vision, top- level executive commitment and a willingness to change organizational processes to focus on the customer.

4. Conclusion:

At the core of the relationship is the notion of customer retention. Customer retention is an effort carried out by companies to ensure that its customers do not switch over to competitors products and services. It is of paramount importance to retain highly profitable ones. A good loyal customer base that persists for a long time is one of the best advertisements for a business, creating an image of high quality. This helps in attracting other customers who value long term relationship and high quality products and services.

The main objective of retention strategy is to keep employees and customers on a long-term basis. This means that firms need investors who share this long-term view of customers. Short- term investors’ core interest is short-term high annual returns on investment which in reichheld’s view is inimical to the development of long-term relationship with customers and employees; because, the firm is handicapped in reinvesting greater part of profits in producing high quality and innovative products for the customer as well as offering attractive incentive packages. In summary, as market grows or become competitive, firms are more likely to attempt to maintain their market share by focusing on retaining their customers.

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