Customer Switching Behaviour - An Evaluation Of Factors Affecting Mobile Users

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INTRODUCTION

Indian mobile services' market has grown manifold in the last five years and the subscriber base had crossed 320 million by the end of October 2008. The growing affluent-middle-class, low cost of handsets and call tariffs has helped this stupendous growth. Even now, the penetration rate of mobile phones in India, in comparison to other markets like China, Japan and European countries is low. This presents an enormous opportunity for the Indian mobile service operators to enhance their market share through mindshare. The recent policy initiative of allowing new operators in a circle has added fuel to the competition in the cellular market, bringing the call tariffs to the lowest in the world. The fierce competition among the cellular service providers resulted in numerous tariff plans, group plans, contracts (life long validity etc.), and top-up plans. Today, an Indian mobile customer is overwhelmed with the competing offers and service packages from the competing operators.

Many of the world-renowned telecom giants are eying the fast-growing Indian mobile market. With the FDI limit of 74%, these MNCs are partnering with Indian business houses to enter into India. Etisalat DB, Telenor, Datacom, Loop mobile, NTT Docomo are among the new entrants in the Indian mobile space. Their entry with high-end value added services and quality infrastructure is bound to push the prices further southward. The choice set for the Indian consumer is widening with increasing number of players in each telecom circle. These global competitors will spread their arms by adopting innovative pricing strategies and value added services to enhance the subscriber base. Brand switching may happen as new global players offer better services at lower costs, leveraging their technology and financial muscle.

Mobile call tariffs in India are the lowest in the world. The tariffs dwindled from Rs.6.50/minute to Re. 0.50/minute in just about seven years. Competition is intense among the players to attract customers. Every now and then, a new scheme with low service charges and tariff plan pops up and gets superseded by another new scheme within no time. The Mobile market is flooded with offers and packages and in fact, the customer is overwhelmed with competing choices. Customer retention has become a challenge for the mobile operators with increasing competition. Some marketers target brand switchers because brand switchers have higher market potential (Schiffman & Kanuk, 2000). Switching is encouraged by all the players in the mobile market to enhance customer base. Moreover, in the prepaid GSM services, the switching costs are so low that they make switching easy. The only major impediment to switching, as of now, is the inconvenience of changing to a new number. The Telecom Regulatory Authority of India (TRAI) is in the process of finalizing the procedure for Mobile Number Portability (MNP) which will allow the customer to retain the same mobile number across the operators. This is expected to open floodgates for customer switching in both pre-paid and post-paid segments.

A survey conducted by the independent international research and consulting firm, Strategy and Analytics of USA reported that 81 percent of the users have not changed their operator in the last 12 months and at the same time, 89 percent of the customers are not interested to change their service provider in the next 12 months (Jayesh Limaye, 2008). On the contrary, the Department of Telecommunications (DoT) claims that 30 percent of the mobile users are ready to change their operator if a better option is given to them (Business Line, 2008).

In the wake of the above, in order to effectively design strategies to retain customers to enhance profitability, there is a need to understand the factors that are prompting customers to switch operators. This paper aims to identify the specific factors that make a customer change his mobile service provider.

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BRIEF REVIEW OF LITERATURE

Customer switching behavior affects the market share and profitability of the firms. Most of the mobile operators in India are engaged in designing strategies to attract new customers through "welcome offers" which contain attractive call tariffs, freebies and low service charges. The existing customers often feel that they are ignored. Marketers should know that retaining existing customers is crucial than acquiring new customers (Berry, 1980). It is found that continuing customers increase their spending at an increasing rate and help the company achieve increasing operating efficiencies (Reichheld and Sasser 1990). Loyal customers spread positive word of mouth across and add to the company's brand building exercise. Moreover, acquiring a new customer is five times costlier than retaining an old customer (Peters, 1980). Hence, losing the existing customers will result in loss from high-margin sector of the firm and also damage the brand value, which is highly undesirable.

Customer switching in banking industry is found to be related to perception of service quality (Rust and Zahorik, 1993). In insurance industry, overall dissatisfaction of the insured (Crossby and Stephens 1987) is found to be the reason for switching. Retail stores loose their customers due to service encounter failures (Kelly, Hoffman, and Davis, 1993). Brand switching in clothing purchases is likely to be driven by factors other than 'the need for variety (Michaelidou, et. al. 2005). Brand name (Aaker, 1996), price (cadogan & Foster, 2000), promotion (Czerniawski & Maloney, 1999), and service quality are the factors that stimulate brand loyalty. A Weaker brand image usually correlates with a low degree of brand loyalty and that brand choice is affected by past experience (Chinho Lin, et.al.). Customers' reasons for switching services were classified into eight general categories - pricing, inconvenience, core service failure, service encounter failure, response to service failure, competition, ethical problems, and involuntary switching (Susan M. Keaveney, 1995). Customer switching is industry specific, limits the generalization and need to adopt broader perspective (Berry and Parasuraman 1993). What causes brand switching in one product class may not be the same as in another. More research is, therefore, needed to determine the impact of product class on brand switching behavior (Michaelidou, et. al. 2005).

RESEARCH METHODOLOGY

The study has identified 500 mobile users who had switched their service provider at least once during the past one year. A well structured questionnaire was designed and administered to the selected sample across 10 district headquarters of the state of Andhra Pradesh, out of which, 470 were validated and remaining 30 were not included due to incompleteness. Care has been taken to see that the sample represented all socio- economic and demographic groups of mobile customers. Trained student enumerators were employed for data collection.

VARIABLES CONSIDERED FOR THE STUDY

The following variables have been considered for the study as they are likely to impact customer switching behavior in the mobile industry.

- **Customer demographics -** variables like age, gender, income, occupation and education influence the information processing, attitude, purchase decision and thereby, extent of loyalty. Hence, these factors were included for the analysis.
- **Usage rate -** monthly bill. A heavy user may be more interested in exploring the alternatives to minimize the overall cost and may be likely to switch on identifying more suitable plans than a low user.
- **Customer Satisfaction with previous operator** - Service quality parameters such as network coverage, network access, call tariffs, customer care (call center), recharge options, disturbance due to promotional calls and promotional messages from the operator.
- **Reasons for switching -** agreement of the respondents was sought on twenty seven parameters relating to network, pricing, service charges, service, availability, competitor related, and other personal parameters that might have motivated him/her to switch the mobile operator.

RESULTS AND DISCUSSION

DEMOGRAPHIC INFORMATION AND MOBILE USAGE

Exhibit 1 presents the characteristics of the sample respondents. The sample has respondents of all age, education, income and occupation groups. Customers with differing usage levels and purposes are also covered.

Exhibit 1: Characteristics of The Respondents
Age 18-22 years: 20.6%; 23-32 years: 61.7%; 33-42 years: 9.1%; above 43 years: 8.7%.
Gender Male: 73%; Female: 27%.
Education: Illiterate: 6.0%; High School: 10.9%; Pre-university: 5.1%; Graduate: 61.3%; Post-graduate: 16.8%
Income Group High Income Group: 7.7%; Middle Class: 75.5%; Low Income Group: 16.8%
Occupation Student / Housewife: 26.0%; Salaried: 43.8%; Business: 21.5%; Professional: 8.7%
Mobile Handset Low-end Model: 46.2%; Medium Range Model: 26.8%; High-end Model: 27.0%
Purpose of Mobile For Personal Use: 65.1%; For Business Use: 34.9%
Usage Rate (Monthly Bill) Low: 30.4%; Medium: 34.9%; High: 23.6%; Very High: 11.1%

REASONS FOR SWITCHING

The study tried to explore various reasons that make a customer switch. The reasons related to network coverage, call tariffs, service charges, recharge options, customer care / call centre, inconvenience created by service provider, competition and voluntary switching are presented to the customer and his/her agreement on the specific reason is sought on a five point (Strongly agree, agree, can't say, disagree, strongly disagree) scale.

Table 1: Summary Statistics of Reasons For Switching

Reason	Weighted Mean	Standard Deviation
Poor Network Connectivity	0.59	1.02
Low Network Coverage	0.38	1.15
High Network Congestion	0.30	1.09
Frequent Network Disruptions	0.08	1.10
High Call Tariffs	0.29	0.98
Increased Call Tariffs	-0.07	1.10
Unfair Call Tariffs	-0.23	1.13
High Service Charges	0.23	1.16
Increased Service Charges	0.18	1.15
Unfair Service Charges	-0.21	1.00
Low Talk Time on Recharges	0.67	1.16
Frequent Changes in Plans	0.30	1.04
Unsuitable Plans	0.07	0.82
High Top-up Prices	0.24	1.21
Impolite Response from Call Centre Executives/Retailer	-0.36	0.90
Unknowledgeable Call Centre Executives/Retailer	-0.16	1.14
Unsolicited calls, messages	0.28	0.90
Unsolicited dialer tunes	0.09	0.79
Network Congestion on Special Occasions	0.24	1.37
Non-availability of Recharge Coupons	-0.45	1.39
Better Offers from Competitors	0.48	0.88
Better Service from Competitors	0.44	1.06
Changes in usage pattern	-0.22	0.90
Variety Seeking	0.20	1.08
Low Switching Costs	0.47	0.86
Fancy Number	0.39	1.15
Influence of Friends & Family	0.40	1.02

The mean and standard deviation of each parameter is shown in the Table 1. Poor connectivity, low coverage, high call tariffs, higher charges, low talk time on recharge coupons, frequent changes in recharge plans, unsolicited calls and messages, better offers and better service by the competitor, changing needs, fancy number and low switching cost are identified as important parameters that influence switching.

SATISFACTION & SWITCHING

Respondents were asked to rate their overall satisfaction with the previous mobile operator on a 10 point scale. Based on the response, they were categorized into three groups-satisfied, neutral and dissatisfied. Mobile users, irrespective of their satisfaction with the services of the mobile operator, exhibit switching. There are 28 per cent satisfied switchers and 33 per cent dissatisfied switchers.

SATISFIED SWITCHERS

An analysis of reasons for switching among the satisfied customers has shown that attractions from competitors (better offers), low switching cost, variety seeking, fancy number and change in usage pattern are the prominent causes. Earlier studies have also pointed towards a break between satisfaction and loyalty. In case of services where customers' direct contact with service providers is absent or marginal (low contact), once satisfaction is achieved, loyalty depends on how the service work was delivered (functional quality) than the quality of the work performed (technical quality) (Mittal & Lassar, 1998). In this case also, a good number of happy customers are walking away as the switching costs are low.

DISSATISFIED SWITCHERS

Dissatisfied switchers blame poor network connectivity, low network coverage, high network congestion, and low talk time on recharges. Change in usage pattern and low switching costs are also found to be the reasons influencing the switching decision. The customer is switching the service provider due to core service failure and switching is aided by the low switching costs.

The other category of customers who are neither satisfied nor dissatisfied (38 per cent) have switched due to favorable brand image of the competitor and low switching costs. Their decision to switch is aided by the poor network connectivity, frequent changes in tariff plans, non-availability of network on special occasions from the existing service provider.

SELECTION OF A NEW SERVICE PROVIDER

Perceived quality of service guides the consumers while selecting the service provider. Customers look for various quality parameters of service providers that enhance value before zeroing on a service provider. The choice of service provider by the customer would be influenced by his/her expectations about various parameters of service being offered by the mobile operators. Respondents were asked to pick the most prominent parameter that they have considered while choosing the new operator. The options provided were; network coverage, brand image, suitable tariff plans, group plans, presence in more number of circles, and better value added services.

Table 2: Reasons For Selecting The Present Operator

Factor	Weighted Average Score
Network Coverage	3.857
Brand Image	2.102
Suitable Tariff Plans	1.942
Group Plans	1.644
Presence in more number of circles	1.531
Better Value Added Services	1.255

The primary preference for selection of a new service provider is given for network coverage (see Table 2). Next preference goes to brand image of service provider, suitable tariff plans are in the third place. The criterion for selection of new operator may have been a function of experience with the previous operator. To test whether there are any significant differences among the customers in their selection of a new mobile operator based on their earlier experience, cross tabulation (Table 3) was generated between the satisfaction with previous operator and choice of new operator.

Results of chi-square test (Table 3a) show that there are significant differences among the satisfied, neutral, and dissatisfied customers in their look out for a new operator. Dissatisfied customers look for network coverage and suitable tariff plans while choosing a new operator as they were not happy with these aspects of the previous operator. Neutral and satisfied customers opted for a new operator based on other criteria apart from core service.

Table 3: Satisfaction with previous operator and selection of a new operator

Satisfaction with previous operator	Reason for preference of new operator						Total
	Brand Image	Suitable Tariff plans	Network Coverage	Presence in More Circles	Group Plans	Better VAS	
Dissatisfied	09	25	113	3	08		**158**
Neutral	24	3	64	5	57	27	**180**
Satisfied	17	7	87	11	3	7	**132**
Total	**50**	**35**	**264**	**19**	**68**	**34**	**470**

Table 3a: Results of chi-square test

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Squar	147.394a	10	.000
Likelihood Ratio	157.980	10	.000
Linear-by-Linear	2.871	1	.090
Association			
N of Valid Cases	470		

a. 0 cells (.0%) have expected countless than 5. The minimum expected count is 5.34

FACTOR ANALYSIS

In order to explore the underlying reasons for customer switching behavior and grouping them into specific factors, factor analysis was done using principal component analysis**.** Kaiser-Meyer-Olkin Measure of Sampling Adequacy and Bartlett's Test of Sphericity was used to examine the appropriateness of using factor analysis. The approximate Chi-Square statistic is 10087.543 with 351 degrees of freedom which is significant at 0.00.The Kaiser-Meyer-Olkin Measure statistic 0.603 is also greater than 0.50. Hence, factor analysis is considered appropriate for further analysis. Results of principal component analysis are presented in the Appendix.

On the basis of Varimax rotation (Appendix: Table 5), all the variables that have factor loadings greater than or equal to 0.5 are extracted. Extraction has been limited to four factors and the entire variables have met the Kaisers criterion of retaining variables with Eigen values greater than one.

All the four factors contributed to 54.32% of variance (Appendix: Table 6). 19.86% variance is explained by factor 1; 16.93% variance by factor 2; 8.96% variance by factor 3 and 8.56% by factor 4. Factor 1 (named Price Escalation) includes the reasons - increased call tariffs, unfair call tariffs, high service charges, increased service charges, unfair service charges, better offers and service from competitors. Factor 2 (Changing Needs) consists of increased service charges, unsuitable plans, high top up prices and change in usage pattern. Factor 3(Core Service Failure) includes poor connectivity, low network coverage, frequent network disruptions, network congestion on special occasions and non-availability of recharge coupons. Factor 4 (Inconvenience & Voluntary) consists of high network congestion, unknowledgeable call centre/ retailer, unsolicited calls and messages, unsolicited dialer tunes, variety seeking, fancy number and influence of friends & family.

FUTURE SWITCHING PLANS

Respondents were asked about their plans to switch operator in future. It is found that 22.3% are likely to change their operator whereas, 18.5% are unlikely to change their operator. Vast majority of customers could not decide. Among the likely switchers, an analysis of the reasons why they have switched earlier revealed that voluntary switching is the cause. These people are active information seekers and always search for better price bargains from competitors and are not loyal to any brand. Low switching cost is helping them to take advantage of the newer price effective offers from different operators. An analysis of the switching reasons of the customers, who are unlikely change, showed that their earlier switch was mainly due to core service failure. Probably, they are satisfied with the services of their present operator and hence, would not change.

CONCLUSION

Price escalation, changing needs of customers, core service failure, inconvenience and voluntary reasons are the factors influencing the mobile customers to switch. Due to competitive pressures, the mobile operators in India, at one point of time, decreased the call tariffs abysmally low and later hiked them indirectly through top-up plans. This forced the customers to look out for cheaper packages. Typically, the starter packages offered for new customers had the low call tariffs. Hence, customers switched. Frequent juggling of tariffs and service charges is not a well paying proposition for the mobile operators.

Core service failure is another factor that necessitated switching. Network related problems such as poor connectivity, low coverage etc. are forcing the customers to switch to another operator who is perceived as better. Indian mobile operators have to invest in expanding network coverage and providing technically superior quality services to retain customers. Inconvenience caused by the unsolicited messages and calls from the operator containing promotional content, though tolerated by majority of the customers, is definitely a cause of concern. Even though all the mobile service providers implement Do Not Disturb (DND) registry as a mandatory service, it is neither thoroughly popularized nor implemented properly. In some occasions, poor response from call centers / retailers and help line services is annoying the customers. Mobile operators need to enhance the quality of service at all touch points to ensure loyalty.

Service providers need to build relationship with the customers to understand their changing needs and design appropriate strategies to meet the changing needs. Data mining and CRM practices can be implemented to identify the specific requirements of the customers and customized plans can be delivered to enhance customer satisfaction and loyalty. Loyalty programmes for existing, high volume users are another way to keep customers. There is an imminent need to concentrate on customer loyalty as mobile number portability is round the corner. Mobile operators in India should lay equal emphasis on retaining customers and finding new customers.

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APPENDIX

(Results of Factor Analysis)

Table 4: Communalities

Factor	Initial	Extraction
Poor Connectivity	1.000	.619
Low Network Coverage	1.000	.729
High Network Congestion	1.000	.582
Frequent Network Disruptions	1.000	.441
High Call Tariffs	1.000	.448
Increased Call Tariffs	1.000	.781
Unfair Call Tariffs	1.000	.763
High Service Charges	1.000	.765
Increased Service Charges	1.000	.787
Unfair Service Charges	1.000	.602
Low Talk Time	1.000	.192
Frequent Changes in Plans	1.000	.152
Unsuitable Plans	1.000	.523
High Top-up Prices	1.000	.476
Impolite Response from Call Centre Executives/Retailer	1.000	.574
Unknowledgeable Call Centre Executives/Retailer	1.000	.535
Unsolicited calls, messages	1.000	.478
Unsolicited dialer tunes	1.000	.545
Network Congestion on Special Occasions	1.000	.406
Non-availability of Recharge Coupons	1.000	.687
Better Offers from Competitors	1.000	.447
Better Service from Competitors	1.000	.671
Changes in usage pattern	1.000	.606
Variety Seeking	1.000	.637
Low Switching Costs	1.000	.104
Fancy Number	1.000	.755
Influence of Friends & Family	1.000	.362

Extraction Method: Principal Component Analysis.
Factor Analysis

Table 5: Varimax Rotated Component Matrix

Factor	Price Escalation	Changing Needs	Core Service Failure	Inconvenience & Voluntary switching behaviour
Poor Connectivity			.753	
Low Network Coverage			.844	
High Network Congestion				-.593
Frequent Network Disruptions			.594	
High Call Tariffs				
Increased Call Tariffs	.725			
Unfair Call Tariffs	.867			
High Service Charges	.871			
Increased Service Charges	.513	.671		
Unfair Service Charges	.682			
Low Talk Time				
Frequent Changes in Plans				
Unsuitable Plans		.644		
High Top-up Prices		.614		

Impolite Response from Call Centre Executives/Retailer				
Unknowledgeable Call Centre Executives/Retailer				-.607
Unsolicited calls, messages				-.516
Unsolicited dialer tunes				.534
Network Congestion on Special Occasions			.549	
Non-availability of Recharge Coupons			.793	
Better Offers from Competitors	.589			
Better Service from Competitors	.804			
Changes in usage pattern		.746		
Variety Seeking				.759
Low Switching Costs				
Fancy Number				.795
Influence of Friends & Family				.545

Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.
a Rotation converged in 11 iterations.

Table 6: Total Variance Explained

	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
Component	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	5.365	19.869	19.869	5.365	19.869	19.869	4.056	15.021	15.021
2	4.573	16.937	36.806	4.573	16.937	36.806	3.888	14.400	29.421
3	2.415	8.946	45.752	2.415	8.946	45.752	3.454	12.794	42.216
4	2.313	8.568	54.320	2.313	8.568	54.320	3.268	12.104	54.320
5	2.068	7.660	61.980						
6	1.570	5.814	67.794						
7	1.315	4.870	72.664						
8	1.150	4.259	76.923						
9	.932	3.451	80.374						
10	.815	3.018	83.392						
11	.714	2.646	86.038						
12	.640	2.371	88.409						
13	.546	2.023	90.432						
14	.406	1.504	91.937						
15	.361	1.338	93.275						
16	.309	1.145	94.420						
17	.267	.990	95.410						
18	.238	.880	96.290						
19	.219	.809	97.100						
20	.188	.695	97.795						
21	.139	.513	98.308						
22	.120	.443	98.750						
23	9.075E-02	.336	99.086						
24	7.886E-02	.292	99.378						
25	7.390E-02	.274	99.652						
26	5.226E-02	.194	99.846						
27	4.167E-02	.154	100.000						
Extraction Method: Principal Component Analysis.									