A Study on Consumer Switching Behaviour in Cellular Service Provider: A Study with reference to Chennai

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ABSTRACT

Indian mobile market is one of the fastest growing markets and is forecasted to reach 868.47 million users by 2013. India has seen rapid increase in the number of players which caused the tariff rates to hit an all time low. This allowed the players to target the low income population thereby increasing the market share. The availability of a number of subscriber options for consumers and varied tariff rates of each player, lead the consumers to switch between service providers. The objectives of the study are to find the factors that influence the consumers in switching the service provider and to delve into finding out the likeliness of switching the service provider. The type of research used for this study is descriptive research design. The area covered under this study was Chennai due to availability of well mixed population base in Tamil Nadu. A well structured questionnaire was designed and administered to collect samples across Chennai. Due to high population and need for variety of respondents, Cluster Sampling method was chosen. The sample size was 112. The variables considered for the study are Consumer demographics, Consumer satisfaction with existing service provider, Factors influencing the switching behaviour and factors that affect the switching behaviour of consumers and these were grouped into 4 categories namely customer service, service problems, usage cost and others. The results from the study reveal that call rates plays the most important role in switching the service provider followed by network coverage, value added service and customer care while advertisement 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.). After analysing the findings of the study, we propose that the mobile providers concentrate on increasing network stability and setting tariff rates competitively.

Key words: Switching Behaviour, Cellular service provider, network stability

Paper Type: Research Paper
INTRODUCTION

According to Gartner, with a compound annual growth rate (CAGR) of 18%, the country’s cellular services market is projected to surpass $37 billion by 2012, while exceeding 737 million connections at the same time. Cellular market penetration is projected to increase from 19.8% in 2007 to 60.7% in 2012, not only due to the increasing focus on the rural market, but also thanks to such factors as local consumer durable and electronic companies entering the domestic mobile handset segment, and lower handset prices. The Indian mobile market continues to be dominated by prepaid subscribers, which accounted for more than 89% of all mobile connections in 2007 and is expected to grow to more than 92% of the connection base by 2012. The total services revenue for prepaid connections is expected to grow at 18.9% CAGR for the period 2008-2012 and the total services revenue for post-paid connections is expected to grow at 15% CAGR during the same forecast period. By 2012, the prepaid subscriber base will cross 683 million and post-paid subscriber base will exceed 53 million subscribers. The mobile phones are progressively becoming cheaper and affordable for people in the country with the increase in disposable income that improves the quality of life in India. People are showing interest in new technologies like the option to access internet using a mobile phone. Besides, mobile service providers are also adding new schemes, offers and technology advancement in their services. This has resulted in more and more consumers are buying mobile phones and switching between different service providers.

"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 testament to the vision and commitment of a company that benchmarks itself with the best in the world," Sunil Bharti Mittal, chairman and group chief executive officer of Bharti Enterprises said. (Times of India May 2009).

Switching behaviour is a consumer behaviour where the behaviour of the consumers differ based on the satisfactory level of the consumers with the providers or companies. Switching behaviour can be enunciated as the process of being loyal to one service and switching to another service, due to dissatisfaction or any other problems. Even if a consumer is loyal to a particular brand, if the brand does not satisfy his/her needs, the consumers switch to a competitor brand. There are different factors and determinants which affect the consumers in switching their service from one service to another. The cost which is incurred during the switching process is called switching cost. Consumer loyalty is defined as “the degree to which a Consumer exhibits repeat purchasing behaviour from a service provider, possesses a positive attitudinal disposition toward the provider, and considers using only this provider when a need for this service arises” (Gremler and Brown, 1996, p. 173). Losing a consumer is a serious setback for the firm in terms of its present and future earnings. In addition to losing the benefits discussed above, the firm needs to invest resources in attracting new consumers to replace the ones it has lost (advertising, promotion, initial discounts). Peters (1987) shows that it can cost five times more to acquire a new consumer than to retain an old one. Consequently, retaining the current consumer base is much more attractive and viable than searching for new consumers.

LITERATURE REVIEW

Richard Lee, Jamie Murphy, University of Western Australia (2005), their study investigates determinants that cause mobile phone Customers to transit from being loyal to switching. It 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. But, the rating was given that price is the most important factor which affects the Customers to switch loyalties to another provider.

Mohammed Sohel Islam (2008), in his study examined the relationship between switching cost, corporate image, trust and Customer loyalty. The research finds that although all the independent variables, switching cost, corporate image, and trust have certain degree of relationship with the dependent variable, Customer loyalty, only trust has the strongest relationship with Customer loyalty.

Conor Twomey (2008), Department of Statistics, University College Cork, Ireland, they try to identify hysteresis in the switching patterns of Customers in the Irish mobile phone industry. It was not until the introduction by the Communication Regulator of full-number portability that Customers began to take advantage of the savings that switching mobile phone operator could produce. Through the use of experimental economics and by modelling switching behaviour using the Preisach model, along with observed and market data suggests that the average Customer is misguided and misinformed in his/her decision to switch to bill pay. More realistically though, one can attribute this unexpected result to the enhanced services and mobile phone subsidies that a Customer receives as a bill-pay Customer.

Mitja Pirc, Universitat Pompeu Fabra(2006), Spain, the Mobile telecommunications service sector, in spite of providing high service quality and striving for Customer satisfaction, is characterized by dynamic Customer activities and provider switching. By using the consumption system perspective on mobile services and mobile phone, he provides the explanation on the factors of Customer switching. It is found that the mobile services usage effect on switching intentions is curvilinear (positive linear and negative quadratic) and that only the budgetary constraint regarding the service matters and not the one related to the mobile phone. Past mobile service providers switching experience also contributes to the intention to switch. Mobile phone ego involvement has positive impact on Customer retention; however purchase involvement (both mobile phone and mobile services) increases Customer risk.

Oyeniyi, Omotayo* and Abiodun Abolaji Joachim (2008), He attempts to find the relationship between Customer services on Customer retention in telecommunication industry in Nigeria. If retention is not managed, Customer’s loyalty may be lost. He examines the potential constructs in Customer retention by investigating the chain of effects of retention from Customer service, satisfaction, value and behavioural intention. The hypotheses are supported except that a higher level of Customer satisfaction does not lead to Customer loyalty. Customer satisfaction does not necessarily lead to Customer’s loyalty. It is assumed that when the Customer is satisfied, then loyalty towards the telecom company is strengthened. Their results, further show that the respondents in their study have a positive impression towards their telecom company’s ability to meet their changing needs.

Juan Pablo Maicas Lopez, Yolanda Polo Redondo and Fco, Javier Sese Olivan ,University of Zaragoza, Zaragoza, Spain,(2006) their research shows how relationship marketing has recognized the importance of building long-term relationships in increasing firms’ profitability and guaranteeing their future viability. The results obtained show that the length, depth and breadth of relationships help to determine Customers’ propensity to switch fixed-telephone suppliers. Customers who maintain a long-lasting relationship with the firm (length), use the service more (depth), and invest in complementary services (breadth) will be
less predisposed to switch. They conclude that Service usage reduces the probability of switching and strengthens the relationship between the parties, encouraging them to seek a long-term orientation.

**Problem identification**

- Consumers have every chance of switching the mobile service provider due to industry expansion.
- Mobile industry is growing technically and becoming economical due to competitor’s innovative and attractive services.
- Number of players in this sector is increasing, so each one of them wants to overplay others to attract the consumers.
- Mobile industry has become economic with the end result that consumers have less switching cost.

**Objectives**

- To identify the factors that affects the consumers into switching the service provider.
- To find the most preferred service provider in Chennai.
- To find the major influences that goes into the decision of purchasing a SIM card.
- To find the likeliness of switching the service provider.

**Scope**

- The present study can be extended to other geographical areas.
- It can be extended to study the usage of mobile services of different age groups and accordingly new plans can be formulated.
- This study can be extended to understand the switching behaviour of a particular cellular service provider.

**Research methodology**

**Research Design**

The research design used in this study is Descriptive research design.

**Data Collection**

In this survey, the primary data was obtained by administering structured questionnaires. The secondary data was collected through various literature reviews and articles.

**Sampling**

For this study, Chennai is geographically divided into four broad regions: North Chennai, Central Chennai, South Chennai and West Chennai. The respondents are randomly drawn from each region.
Table 6.1: No. of samples

<table>
<thead>
<tr>
<th>Region</th>
<th>No. of Samples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central Chennai</td>
<td>28</td>
</tr>
<tr>
<td>South Chennai</td>
<td>28</td>
</tr>
<tr>
<td>North Chennai</td>
<td>28</td>
</tr>
<tr>
<td>West Chennai</td>
<td>26</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>110</strong></td>
</tr>
</tbody>
</table>

So, cluster sampling method is used for data collection. The sample size was 110, in which 106 were validated and remaining 4 were not included due to incompleteness.

**ANALYSIS AND DISCUSSION**

Factors affecting the consumers in switching the service provider

**Friedman Test**

Table 7.1.1: Mean rank

<table>
<thead>
<tr>
<th>Ranks</th>
<th>Mean Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Call Rates</td>
<td>1.55</td>
</tr>
<tr>
<td>Network Coverage</td>
<td>1.6</td>
</tr>
<tr>
<td>Value Added Services</td>
<td>3.7</td>
</tr>
<tr>
<td>Consumer Care Services</td>
<td>3.75</td>
</tr>
<tr>
<td>Advertisement</td>
<td>4.4</td>
</tr>
</tbody>
</table>

**Hypothesis:**

H0: The factors are random and are independent of each other.

H1: The factors are related to one another.

Since, Significance Value = 0.00 < 0.05 we accept the alternative hypothesis. So, the factors are in fact related to one another. The 5 factors are interrelated and from their mean ranking, it is found that Call rates is the most important factor for switching behaviour followed by network coverage, value added service, Customer care and finally advertisement which plays the least important role.

Relation between the switching of service providers and the factors.*

**K TEST**

H0: There is no relation between the switching of service providers by consumers and the factors* that affect it.

H1: There is a relation between the switching of service providers by consumers and the factors* that affect it.

Table 7.2.1 - K Test

<table>
<thead>
<tr>
<th>Factors</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Min</th>
<th>Max</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improper Consumer Service</td>
<td>106</td>
<td>2.6226</td>
<td>1.22243</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>Unknowledgeable employees</td>
<td>106</td>
<td>2.5849</td>
<td>1.18617</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>Long wait times for Consumer service</td>
<td>106</td>
<td>2.5755</td>
<td>1.19482</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>Error in billing</td>
<td>106</td>
<td>3.8302</td>
<td>1.30546</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>Poor network coverage</td>
<td>106</td>
<td>4.0472</td>
<td>1.04546</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>Frequent Network Problems</td>
<td>106</td>
<td>4.0472</td>
<td>1.08129</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>No new schemes or upgradation</td>
<td>106</td>
<td>2.9434</td>
<td>1.30077</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>Unsuitable plans for different age groups</td>
<td>106</td>
<td>2.5283</td>
<td>1.23603</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>Costly Value Added Services</td>
<td>106</td>
<td>3.3208</td>
<td>1.48995</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>High call rates</td>
<td>106</td>
<td>4.2358</td>
<td>1.00997</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>Hidden charges</td>
<td>106</td>
<td>3.9717</td>
<td>1.09942</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>High SMS charges</td>
<td>106</td>
<td>3.9434</td>
<td>1.37896</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>High Internet charges</td>
<td>106</td>
<td>3.1415</td>
<td>1.52714</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>Unavailability of recharge facilities</td>
<td>106</td>
<td>2.9906</td>
<td>1.33449</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>Better Features offered by competitor</td>
<td>106</td>
<td>3.4245</td>
<td>1.42058</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>Influence from family and friends</td>
<td>106</td>
<td>4.0094</td>
<td>1.21495</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>Fancy Number</td>
<td>106</td>
<td>2.7358</td>
<td>1.33311</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>High service charges for recharges</td>
<td>106</td>
<td>3.1226</td>
<td>1.27767</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>Switching existing Provider</td>
<td>106</td>
<td>3.066</td>
<td>1.41602</td>
<td>1</td>
<td>5</td>
</tr>
</tbody>
</table>

Since, Significance Value = 0.00< 0.05 we accept alternative hypothesis. There is a relation between the switching of service providers by consumers and the factors* that affect it. Poor network coverage, Frequent Network Problems, High call rates, Influence from family and friends are the most important factors which affects the switching behaviour.
REGRESSION

Table 7.2.2 - Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.890a</td>
<td>0.792</td>
<td>0.783</td>
<td>0.65917</td>
</tr>
</tbody>
</table>

Table 7.2.3–ANOVA

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Regression</td>
<td>166.653</td>
<td>4</td>
<td>41.663</td>
<td>95.888</td>
<td>.000a</td>
</tr>
<tr>
<td>Residual</td>
<td>43.884</td>
<td>101</td>
<td>0.434</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>210.538</td>
<td>105</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 7.2.4 - Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1 (Constant)</td>
<td>-1.267</td>
<td>0.254</td>
<td>-4.988</td>
<td>0</td>
</tr>
<tr>
<td>consumerservice</td>
<td>0.372</td>
<td>0.113</td>
<td>0.289</td>
<td>3.3</td>
</tr>
<tr>
<td>Serviceprobs</td>
<td>0.39</td>
<td>0.153</td>
<td>0.276</td>
<td>2.55</td>
</tr>
<tr>
<td>Usagecost</td>
<td>0.46</td>
<td>0.119</td>
<td>0.345</td>
<td>3.876</td>
</tr>
<tr>
<td>Others</td>
<td>0.066</td>
<td>0.126</td>
<td>0.046</td>
<td>0.525</td>
</tr>
</tbody>
</table>

Hypothesis:

H0: There is no association between switching behaviour and independent variables
H1: There is an association between switching behaviour and independent variables

$R^2 = .792$
Since it is closer to 1, independent variable and dependent variable are highly correlated.
Regression equation:

$Y = A + Bx1 + Cx2 + Dx3 + Ex4$
Here, dependent variable is switching preference and the independent variables are Customer service, service problems, usage costs and others.
Regression equation for this study, Switching preference = -1.267 + .372(Customer service) + .390(service problems) + .460(usage cost) + .066(others)
Since, significance value is 0.00<0.05, we accept the alternative hypothesis. There is an association between switching behaviour and independent variables.
From the regression equation it is clear that if we increase 1unit of Consumer service, which is the independent variable in this study, there will be a .372 unit increase in switching preference. Simultaneously, all independent variables are positively correlated.
Most preferred service provider in Chennai

Chart 7.3.1 – Current cellular Provider

From the chart 7.3.1, it is clear that majority of the consumers who undertook the survey use Airtel (31%) in Chennai. So, it is found out that the most preferred service provider is Airtel. BSNL occupies the second place with Consumer preference of 17%, followed by Reliance (15%), Aircel (13%), Vodafone (11%), Uninor (9%), Tata docomo (3%) and the least preferred service provider is Tata Indicom (1%).

Likelihood of switching the service provider

Chart 7.4.2 – Switching your service provider

From the chart 7.4.2, it is obvious that 47% of consumers are likely to switch to a competing service provider. About 39% of consumers do not prefer switching their service provider. And 14% of consumers have a neutral stance when it comes to switching their service provider.
Major influences that swing the decision to purchase a SIM card

Chart 7.5.1 – Influencing factor

From the chart 7.5.1, it is found that majority of the consumers are influenced by their family to select their service provider and around 41% of the consumers are influenced by their friends. Only 2% of the consumers are influenced by television.

FINDINGS:

- Call rates play the pivotal 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.).
- Poor network coverage, Frequent Network Problems, High call rates, Influence from family and friends are the most important factors which affects the switching behaviour.
- According to the study, the most preferred service provider is Airtel (31%). BSNL occupies the second place with Consumer preference of 17%, followed by Reliance (15%), Aircel (13%), Vodafone (11%), Uninor (9%), Tata docomo (3%) and the least preferred operator is Tata Indicom (1%)
- 47% of consumers are likely to switch to other service provider. About 39% of consumers do not prefer switching their service provider. And 14% of consumers have a neutral stance on switching their service provider.
- It is found that majority of the consumers are influenced by the family to select their service provider and a sizeable number of the consumers are influenced by their friends.

SUGGESTIONS:

- From the study, it is abundantly clear that Call rates lead the consumers to switch the service provider. So, mobile service providers need to satisfy the Consumer with minimum call rates.
- Mobile service providers should invest more on improving their network coverage in order to retain their consumers.
• Mobile service providers have to provide more offers for family and friends. Enticing offers still hold a major sway.
• Mobile service provider should satisfy their current consumers by providing them innovative offers.
• Mobile service provider should accept valid feedbacks from consumers regularly and make sure that they satisfy the consumers.

CONCLUSION

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.). After analysing the findings of the study, we suggest that cellular service providers concentrate more on increasing network stability and setting tariff rates competitively. 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.

References

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