



THE STUDY OF CUSTOMER SWITCHING BEHAVIOUR - THE FACTORS AFFECTING MOBILE USERS

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Abstract:

This study shows the customer switching behavior among the Indian consumers and it also analyses the factors affecting the switching behavior. The major objectives of the study included the testing of the dissatisfaction level among customers in terms of various parameters and listing out the factors of dissatisfaction.

The study was conducted taking responses from 200 respondents, and analysis was done on those responses.

This study starts with a detailed introduction to the Telecom industry. The trends followed in the industry are carefully explained. The introduction of Mobile Number Portability has stressed the importance of satisfying the customer needs and has gained prominence in order to retain and bring in new customers. The factors which are promoting the dissatisfaction among the customers are also emphasized in this part of the study.

Introduction

Brand Switching Behaviour of Customer

Sometimes known as brand jumping, brand switching is the process of choosing to switch from routine use of one product or brand to steady usage of a different but similar product. Much of the advertising process is aimed at encouraging brand switching among consumers, thus helping the growth of market share for a given brand or set of brands.

A number of factors are responsible in initiating the brand switching behaviour in general. These include:



- Dissatisfaction with Present Brand-this can happen at any stage of consumption age.
- Change in Fashion-this happens often, and usually in some products, it happens very fast.
- Promises made by Competitors-competitors often come up with some peculiar offers.
- Change in the Perceived Benefits-this shift can also happen with new offerings.
- Personal Characteristics of the Customer concerned-some customers are in the habit of trying new products or new offerings. They are called 'hunters' as well.
- Pressure of Salespersons and so on-this can occur due to sale persons or mishandling on the part of organization.
- Personal Reasons-can be due to friends coming in with a new product.

Convincing consumers to switch brands is sometimes a difficult task. It is not unusual for customers to build up a great deal of brand loyalty due to such factors as quality, price, and availability. To encourage switching brands, advertisers will often target these three areas as part of the strategy of encouraging brand switching. And this switching behaviour is very common among mobile users for service providers due to several factors.

The economic renaissance affected in the early 1990s brought about a paradigm shift in the overall business scenario of India. The telecommunication companies in India went through a huge make-over during the implementation of the open-market policy of India. This resulted in the advent of private telecommunication companies in India; the industry witnessed introduction of mobile telephones into the Indian market and it became popular amongst the Indian masses in no time. Industry analysis states that only 25% of the acquired customers stay with the company after a year's time and on an average only 20-30% of the entire customer base is revenue earning/profitable customers. This digs a deep hole in the balance sheet of the telecom service providers.



Literature Review

ENVIRONMENTAL FACTORS		BUYER'S BLACK BOX		BUYER'S RESPONSE
Marketing Stimuli	Environmental Stimuli	Buyer Characteristics	Decision Process	
Product	Economic	Attitudes	Problem recognition	Product choice
Price	Technological	Motivation	Information search	Brand choice
Place	Political, Cultural	Perceptions	Alternative evaluation	Dealer choice
Promotion	Demographic	Personality	Purchase decision	Purchase timing
	Natural	Lifestyle	Post-purchase behaviour	Purchase amount
		Knowledge		

Source: Philip Kotler, Marketing Management.

1. The black box model shows the interaction of stimuli, consumer characteristics, decision process and consumer responses. One can make a distinction between interpersonal stimuli (between people) and intrapersonal stimuli (within people). The black box model is related to the black box theory of behaviourism, where the focus is not set on the processes inside a consumer, but on the relation between the stimuli and the response of the consumer. The marketing stimuli are planned and processed by the companies, whereas the environmental stimuli are given by social factors, based on the economic, political and cultural circumstances of a society. The buyer's black box contains the buyer characteristics and the decision process which determines the buyer's response.

2. Market is highly developed and has achieved a penetration rate surpassing 100% -- the second highest rate in the world. In such a saturated oligopoly market, providers are highly competitive and are constantly trying to win over their competitor's customers. The article is a study on the correlation between the switching intention and the switching costs set by the customer.



3. (Migrating to new service providers: towards unifying frame work of consumers. Dec-2003 Harvir S. Bansal, Shirley F. Taylor, Yannik St. James, Ebsco)

There are three different models which portray switching behaviour of the mobile users based on the primary research conducted among 700 mobile phone users:

Push migration model - negative factors that make the person leave the origin

Pull migration model - positive factors that lead the prospective customers towards a destination

ppm migration model - a combination of the push factors, pull factors and a new outcome of mooring factors.

The ppm migration model has been much more effective than the other two on the switching effect of customers, but the study conducted on 700 respondents also says that all these antecedents create a combined effect on the switching behaviour of mobile service users.

4. (Measuring the Effects of Consumer Switching Costs on Switching Intention in Taiwan Mobile Telecommunication Services. Jan 2006, YF Chuang, EBSCO)

The article analyses the different factors which affect the consumers in their decision to purchase. It focuses on different loyalty profiles and analyzes the behavioural characteristics of the consumers. (Affecting customer loyalty: do different factors have various influences in different loyalty levels, Feb 2005, Andesskuusik, University of Tartu Journal) It tells you about the speed with which the consumers switch to another service provider and it also analyzes whether technology has an impact on the consumers' switching behaviour. It states that consumers tend to move to other providers if customer satisfaction is low and when there is no switching barriers. (The impact of mobile number portability on the diffusion on mobile telecommunication across Europe, May 2003, Maciej Sobolewski, www.seminar.wne.uw.edu.)



Research Problem :

The service providers at telecom sector have been subjected to switching of service providers and it's posing a major threat to the profitability of the firm. What will be measured? - The factors effecting the brand switching of customers to another service provider. What relationship will be examined? - Between the satisfaction levels of the customers in terms of the different factors.

Objectives of the Study

- To analyze the significance of mobile users' switching behavior in terms of customers identity.
- To ascertain whether there is a different look out for new operators amongst the customers.
- To study the factors affecting the mobile users to switch to another service provider.

Research Methodology:

A research design is purely the framework or plan used to analyze and study the data collected. Research is generally understood as the scientific way to solve the problem and it involves analyzing all the solutions available for the research problem and reaching at the best method.

Descriptive Research

The type of design used in this dissertation work is “Descriptive” in nature, which includes surveying and fact finding. The major function of such a research is to describe the state of affairs, as it exists at present .A qualitative and quantitative approach will be employed for the research with the aid of SPSS and MS Excel packages.

Data Collection

The data for the study has been collected from primary and secondary sources. The primary data has been collected from a questionnaire administered survey. This caters to the need of studying the objectives. The secondary data has been collected



from business magazines, business knowledge databases and various websites.

Primary Data

The primary data has been collected through a questionnaire administered among mobile users.

Secondary Data

The secondary data for the study has been collected from various sources like business magazines, business knowledge databases like the EBSCO, blogs from customers of different service providers, various telecommunication websites and books published on telecommunication.

Sampling Technique:

The sampling design is a definite plan for obtaining a sample from a given population. It refers to the technique or the procedure the researcher would adopt in selecting items for the sample.

The Population selected for the primary research has been the mobile users.

The sample size for the study was decided to be 300, i.e. 300 mobile users.

The sampling technique employed for the primary research is Purposive sampling where the judgment about who would fit into the category of regular mobile users is used to select the sample by the designer.

The data collection tool to be employed would be a structured questionnaire.

The contact method administered for is through e-mails and personal interviews.

Hypothesis

H₀= There is no significance difference amongst the customers at various levels of satisfaction in their look out for new operator

H₁= There is a significance difference amongst the customers at various levels of satisfaction in their look out for new operator

CHI SQUARE TEST

For the Chi-Square test we have taken the respondents' satisfaction levels as the dependent value, and the independent values are art brand image, suitable tariff plans,



ROW * COLUMN Crosstabulation

			COLUMN				Total
			Brand Image	Suitable Tariff Plans	Network Coverage	Better VAS	
ROW	Dissatisfied	Count	4	11	50	3	68
		Expected Count	7.1	5.1	41.1	14.6	68.0
	Neutral	Count	10	1	30	35	76
		Expected Count	8.0	5.7	46.0	16.3	76.0
	Satisfied	Count	7	3	41	5	56
		Expected Count	5.9	4.2	33.9	12.0	56.0
Total	Count		21	15	121	43	200
	Expected Count		21.0	15.0	121.0	43.0	200.0

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	56.769 ^a	6	.000
Likelihood Ratio	58.285	6	.000
Linear-by-Linear Association	.114	1	.735
N of Valid Cases	200		

a. 1 cells (8.3%) have expected count less than 5. The minimum expected count is 4.20.

Inference

In this output obtained from SPSS it is seen that the degrees of freedom is 6. Also to be noted is that we have high significance value which states that the test is 95% significant and the data can be taken as accurate. The value obtained from the chi square table resembling to that of df 16 and 0.05 significance we get a value of 12.59. We see that the obtained value from the above test is higher than that obtained from the chi square table and hence it is proved that our null hypothesis is rejected and we come to the conclusion here that there is a significance difference amongst the



customers at various levels of satisfaction in their look out for new operator.

So it is proved here that the null hypothesis - There is no significance difference amongst the customers at various levels of satisfaction in their look out for new operator - is rejected and the alternate hypothesis - There is a significance difference amongst the customers at various levels of satisfaction in their look out for new operator - is accepted.

Factor Analysis

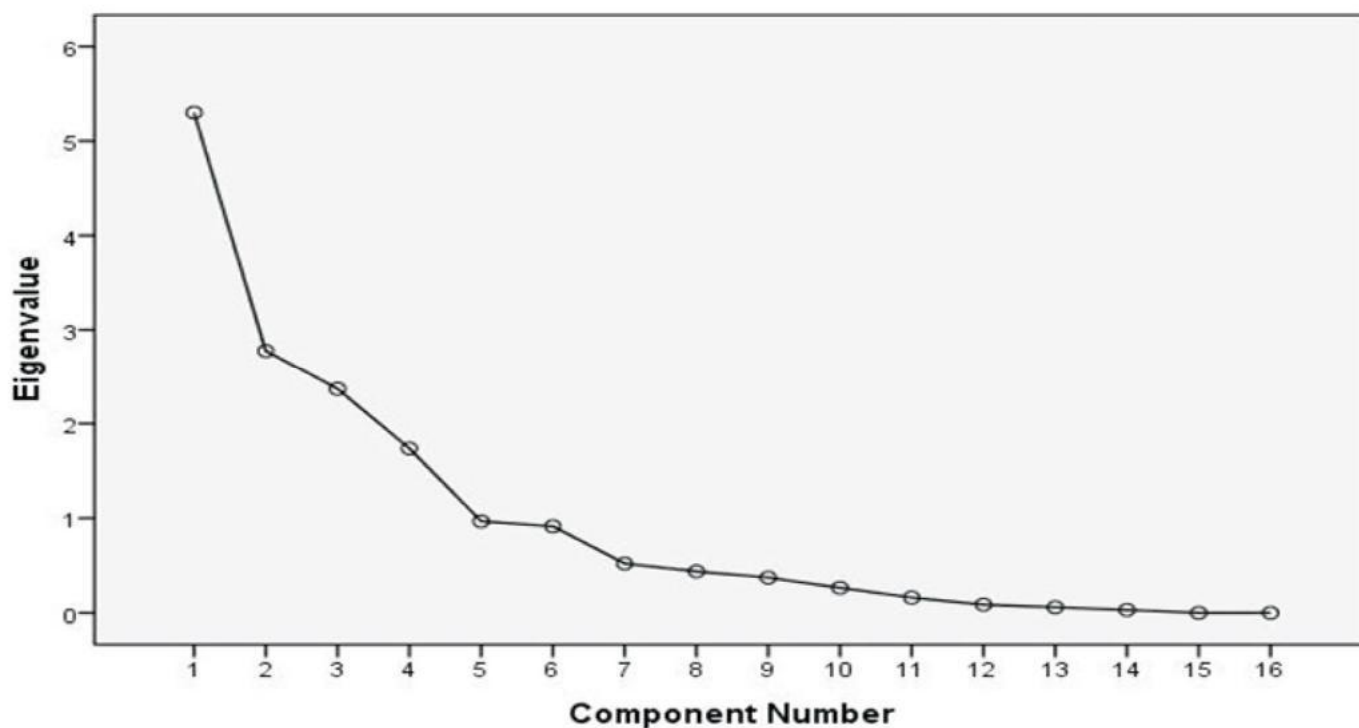
Here the factor analysis is done to group these sixteen factors into four so as to understand the consumer switching behaviour.

Descriptive Statistics

	Mean	Std. Deviation	Analysis N
PoorNetworkConnectivity	4.10	.607	200
HighNetworkCongestion	3.33	.547	200
FrequentNetwork Disruptions	4.33	.479	200
IncreasedCallTariffs	3.10	.607	200
UnfairServiceTariffs	3.13	.507	200
UnsuitablePlans	2.67	.479	200
HighTopupPrices	3.03	.765	200
UnknoweledgeableCall CentreExecutives	4.37	.490	200
UnsolicitedCallsMessage s	3.23	.430	200
NetworkCongestionon SpecialOccasions	3.87	.730	200
Nonavailabilityof RechargeCoupons	2.67	.479	200
BetterOffersServicesfrom Competitors	2.67	.479	200
ChangesinUsagePattern	3.70	.750	200
VarietySeeking	3.60	.675	200
FancyNumbers	2.63	.490	200
InfluenceofFriendsand Family	3.27	.828	200

Communalities		
	Initial	Extraction
PoorNetworkConnectivity	1.000	.397
HighNetworkCongestion	1.000	.610
FrequentNetwork Disruptions	1.000	.553
IncreasedCallTariffs	1.000	.668
UnfairServiceTariffs	1.000	.297
UnsuitablePlans	1.000	.973
HighTopupPrices	1.000	.868
UnknoweledgeableCall CentreExecutives	1.000	.762
→ UnsolicitedCallsMessages	1.000	.706
NetworkCongestionon SpecialOccasions	1.000	.857
Nonavailabilityof RechargeCoupons	1.000	.973
BetterOffersServicesfrom Competitors	1.000	.973
ChangesinUsagePattern	1.000	.941
VarietySeeking	1.000	.871
FancyNumbers	1.000	.896
InfluenceofFriendsand Family	1.000	.836
Extraction Method: Principal Component Analysis.		

Scree Plot





Total Variance Explained

Component	Initial Eigenvalues		Extraction Sums of Squared Loadings		Rotation Sums of Squared Loadings	
	Total	% of Variance	Total	% of Variance	Total	% of Variance
1	5.300	33.127	5.300	33.127	4.590	28.690
2	2.776	17.349	2.776	17.349	2.771	17.319
3	2.368	14.799	2.368	14.799	2.744	17.148
4	1.738	10.860	1.738	10.860	2.077	12.978
5	6.049	37.901	6.049	37.901	6.049	37.901
6	5.718	35.718	5.718	35.718	5.718	35.718
7	3.259	20.368	3.259	20.368	3.259	20.368
8	.437	2.734	.437	2.734	.437	2.734
9	.373	2.332	.373	2.332	.373	2.332
10	.265	1.655	.265	1.655	.265	1.655
11	.161	1.008	.161	1.008	.161	1.008
12	.087	.546	.087	.546	.087	.546
13	.059	.368	.059	.368	.059	.368
14	.032	.198	.032	.198	.032	.198
15	1.515E-16	9.471E-16	1.515E-16	9.471E-16	1.515E-16	9.471E-16
16	-2.176E-17	-1.360E-16	-2.176E-17	-1.360E-16	-2.176E-17	-1.360E-16

Extraction Method: Principal Component Analysis.

Rotated Component Matrix^a

	Component			
	1	2	3	4
PoorNetworkConnectivity	.073	.127	.101	-.604
HighNetworkCongestion	.698	.150	-.201	.246
FrequentNetworkDisruptions	.355	.072	.113	.639
IncreasedCallTariffs	.098	.666	.313	.030
UnfairServiceTariffs	.177	-.730	-.394	.042
UnsuitablePlans	.474	.037	.715	-.034
HighTopupPrices	.114	-.104	.915	.084
UnknewledgeableCallCentreExecutives	.821	.074	.022	-.050
UnsolicitedCallsMessage	.760	-.158	-.031	-.283
NetworkCongestiononSpecialOccasions	-.072	.097	-.058	.912
NonavailabilityofRechargeCoupons	.074	.037	.148	-.934
BetterOffersServicesfromCompetitors	.074	.904	.148	-.034
ChangesinUsagePattern	.267	.294	.694	.033
VarietySeeking	.933	.107	.081	.068
FancyNumbers	.890	.125	.274	-.110
InfluenceofFriendsandFamily	.841	.055	.071	.235

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 5 iterations.



From the above rotated matrix the tabular values of more than 0.6 are taken in order to group into the components identified

The identified components and the factors comes under them are

Inconvenience and voluntary- influence of friends and family, fancy numbers, variety seeking, unsolicited calls and messages, unknowledgeable call centre executives, high network congestion etc.

Increased price- increased call tariffs, better offers and services from competitors, high top up prices, unsuitable plans.

Changing needs- unsuitable plans, high top up prices, changes in usage pattern

Poor services- poor network connectivity, network congestion on special occasions, non-availability of recharge coupons

Limitations Of The Research

The study is limited only to Indian mobile users.

The conclusions are totally based on the data collected and people's perception and their experience.

Since consumers' preferences and tastes are subject to change, the findings of the study may not be fully relevant at a future time.

Some respondents might have given biased answers which can have an effect on the findings of the study.

Mobiles service providers market is a very dynamic one, the factors affecting the market changes with time. So the factors considered important in this study can change.

The trends in the industry change at a very rapid pace and hence the analysis done might not be of great importance after a certain period.

Findings

Through this research it was found that there is a significance difference amongst the customers at various levels of satisfaction in their look out for new operator. It is



clearly understood from the study that the satisfaction levels in terms of brand image, suitable tariff plans, network coverage and better VAS differ among customers and these result in the purchase or the switching behavior.

Chi square test was carried out to find whether that there is a significance difference amongst the customers at various levels of satisfaction in their look out for new operators. The test was a very positive test which showed that there is a significance difference among mobile users in the lookout for new operators. In the test the null hypothesis was rejected due to the high value that was obtained which is more than that obtained from the chi square table at that particular degree of freedom. So it was found out that the service providers should focus on all the factors that affect the consumers, since the satisfaction level is different for different factors of preference. Further from this research it was evident that the major factors that contribute for brand switching can be grouped into:

Inconvenience and voluntary- influence of friends and family, fancy numbers, variety seeking, unsolicited calls and messages, unknowledgeable call centre executives, high network congestion etc.

Increased price- increased call tariffs, better offers and services from competitors, high top up prices, unsuitable plans.

Changing needs- unsuitable plans, high top up prices, changes in usage pattern.

Poor services- poor network connectivity, network congestion on special occasions, non-availability of recharge coupons.

If the companies try to focus on these major things and try to minimize them, they can make a high customer satisfaction level and that can result in low churn rate and in turn result in more number of customers.

The whole study gave an idea of the world of mobile communication, what the customer needs and also an idea of the factors which result in switching on to another brand. Mobile services have now become a huge business and for the business to be successful the companies should focus on the customer satisfaction by giving importance to their concerns and needs. If any service provider is ignoring the customers it will result in high churn rate.



Suggestions

Customer retention should be the focus.

Forward path: Way to customer retention - Customer experience management.

Therefore, the major challenge for the telecom operators around the world is managing customer churn. It affects profitability of the company if a customer churns before the company can earn back the investment it made in acquiring the customer. Therefore, it is very critical to identify the profitable customers and retain them.

Retaining the profitable customers can be done through identifying the revenue earning customers from the entire customer base and managing the customer experience and customer value for the revenue earning customers.

Focus on customers instead of products.

Over the past years, the telecom service providers have concentrated on introduction of new products. They have come out with new products/services and then sought to find or create a market for them. But increased competition among the existing service providers and lower barrier to entry for new players has resulted in the growth in predatory activities in the telecom industry. Moreover, the cost of acquisition of new customers has increased considerably. Hence, in modern times, a gradual shift in focus from introduction of new products for acquiring new customers to customers' experience management is observed. Currently, the service providers need to concentrate on retaining the existing valued customers and targeting more wallet share of each customer by creating more value and improved customer experience.

Align the functions to obtain its existing customer's perspective for making VAS decisions and designing promotional offerings.

Focus on retention by placing equal weight for renewals and acquisitions. By this the company can reduce its churn figure to half of its existing number.

Establish an online community for capturing customer insights and offer incentives in return of customer information. By this service providers can gain valuable insights into market needs and preferences so that they can cater to the market more effectively.



Customer led customization model

There is an underlying assumption that the service providers will dictate the future of telecommunication products and services. But with the growing bargaining power of the customers, there is a shift in paradigm and the service providers need to customize their model based on individual customer preferences. Now the business will follow the lead of the customers in designing and promoting services intended to meet specific needs of the customers. Under this circumstance, the service providers need to identify the unique needs of the individual customers, and then attempt to develop services which satisfy those multifaceted needs.

Developing multiple channels

The service providers need to develop multiple channels for sales and support to enhance the customer experience. Increasing the footprint by adding on retail outlets is one of the options which the telecom service providers have practiced since ages. Traditional channels like call centres also had been in focus. With the increase in competition, the operators are looking for economical ways to serve their customers while keeping the service quality intact. Eventually the service providers would like to move the majority of its sales and services online through the web to attain better economics. Apart from attaining a cost effective solution by moving to web channels, the operators can empower the customers to perform various activities at a much cheaper price than the retail channels.

Implement proper CRM so as to give effective customer service to the customers.

Conclusion

The study proved that the service providers have to be perfect in all the aspects so as to be deemed fit for the consumers and to reach a high satisfaction level so as to reduce the churn rate. Most of the service providers do not adhere to basic things that make the customer satisfied and these satisfaction levels which are derived are out of various factors.

There is a huge competition among the mobile service providers in the country; so, for a service provider to make his mark in the market and be a market leader, he has to



understand the basic needs of the customers and strive hard to give satisfaction to the customers. This being an era where customer is the king, a dissatisfied customer can make a huge difference in the brand image of a particular service; hence it is always an important thing that mobile service providers should undertake market research from time to time to understand the changing needs of the customers so that they can focus on the delivery and satisfaction of the customer needs.

Hence, I would like to conclude by stating that a mobile industry being a vast changing segment, there needs to be a constant striving in the service providers to understand the changing trend and change themselves accordingly so that they can build in a positive image in the market and be a market leader.

Bibilography

To obtain more information regarding the present study and to substantiate it with theoretical proof, the following references were made:

List of Books and other supplementary material referred to:

Marketing Management - By Philip Kotler

Research Methodology - By C. B. Kothari

Marketing reports – McKinsey reports and AC Neilson surveys

Journal on consumer behaviour

Journal of marketing

List of Websites

¹<http://web.ebscohost.com/ehost/detail?sid=f34457c2-1f72-42ea-885e-d8c3b0bf3c85%40sessionmgr14&vid=1&hid=13&bdata=JnNpdGU9ZWhvc3QtbGl2ZQ%3d%3d#db=bsh&AN=52493037>

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³<http://web.ebscohost.com/ehost/detail?sid=86cb91a6-e7d2-4880-8e48-8b626c037f32%40sessionmgr13&vid=1&hid=13&bdata=JnNpdGU9ZWhvc3QtbGl2ZQ%3d%3d#db=bsh&AN=11727887>

⁴ <http://web.ebscohost.com/ehost/detail?sid=365fde7b-75e0-4aa7-a215-241d7774f95d%40sessionmgr11&vid=1&hid=13&bdata=JnNpdGU9ZWhvc3QtbGl2ZQ%3d%3d#db=bsh&AN=6659235>

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⁷ <http://web.ebscohost.com/ehost/detail?sid=5965f5a2-169c-44bb-a81d-9aa06ed32002%40sessionmgr15&vid=1&hid=13&bdata=JnNpdGU9ZWhvc3QtbGl2ZQ%3d%3d#db=bsh&AN=43034976>

⁸<http://web.ebscohost.com/ehost/detail?sid=49e4724e-d96b-4356-bb97-dc97857c6149%40sessionmgr14&vid=1&hid=13&bdata=JnNpdGU9ZWhvc3QtbGl2ZQ%3d%3d#db=bsh&AN=65091038>

⁹<http://www.emeraldinsight.com/books.htm?issn=1474-7979&volume=12&chapterid=1783265&show=abstract>

¹⁰ <http://www.emeraldinsight.com/journals.htm?issn=1352-2752&volume=5&issue=3&articleid=858428&show=abstract>
Attention:

There are a couple of spelling mistakes in the charts, but as the material there is pdf format, no correction could be made; I am only drawing your attention to these words:

Satisfied; interchangeable ; communalities – is it commonalities?