

Full Length Research Paper

An analysis on the customer loyalty in telecom sector: Special reference to Bharath Sanchar Nigam limited, India

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The rationale of this paper is to explore the factors that influence customer loyalty of BSNL mobile customers. The samples were collected from 100 consumers who have BSNL mobile services in Jaipur city. BSNL being the pioneer in mobile sector still have a strong customer base, but over the past few years a steady thinning is happening in the customer base. The paper investigates the reasons behind the hard core customer loyalty even in an environment with high quality alternatives. The results indicated that network quality, customer service along with value added services provided by BSNL enhanced the loyalty of the customers. It is recommended that the BSNL mobile services enterprises should work on its problems related to servers. This will further strengthen the customer satisfaction and loyalty. The findings indicate that telecommunication service providers should look beyond price wars to keep their customers satisfied and loyal. The paper is an attempt to analyze the variables that influence the perception of the mobile phone users to remain loyal to their existing service providers that is, why they are loyal to the company.

Key word: Customer loyalty.

INTRODUCTION

The hasty growth and development in information technology and mobile devices has made the Indian mobile phone service markets more and more competitive. In order to sustain its present growth rate in the telecom sector, BSNL the pioneer public sector mobile service provider in India, need to take drastic steps not only to retain its customers but also to attract new customers. It is assumed by all mobile service providers that value added services increases the customer loyalty. But does value added services fulfill all the customer needs and is it the only factor that play a significant role in maintaining and building up the loyalty of the customers? On the other hand, according to Lee et al. (2001) the mobile providers should build up customer commitment by providing good quality service to their customers.

Different researchers have different opinion about the key factors that influence loyalty in telecom sector. The main purpose of the study is to find out the factors that influence customer loyalty of BSNL customers.

LITERATURE REVIEW AND HYPOTHESES

Indian mobile sector

The usage of mobile services in India has penetrated to almost all economic and social sectors. Penetration rate of mobile phones in India has reached a noteworthy level. According to the Department of Telecommunications of India, there were 346.9 million wireless telephones in India as of December 2008¹. With 35.53 million net additions during the quarter, total wireless (GSM + CDMA) subscriber base increased to 427.28 million at the end of June 2009, and wireless Tele-density reached 36.64². Figure 1

India's mobile subscriber base is expected to grow at a compound annual growth rate (CAGR) of 18.3% from 2007 to 2013³, reaching a penetration rate of 53.4% by the end of 2013. With this growth rate it can be expected that Indian mobile sector is going to reach its diffusion point before long. Shockingly DoT's latest data shows

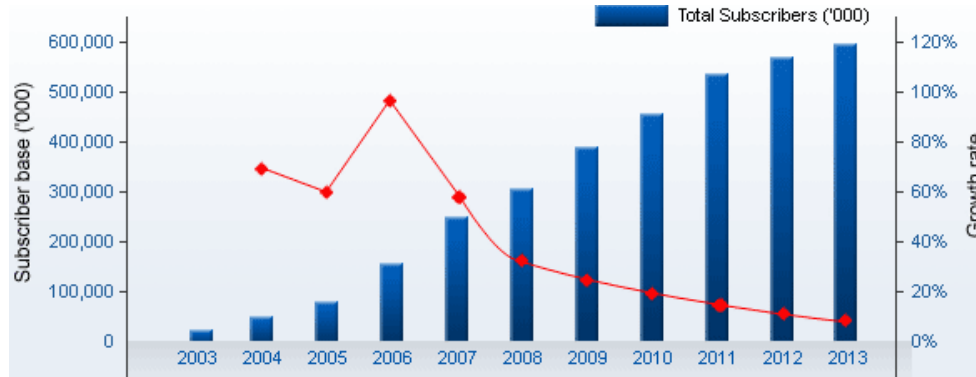


Figure 1. Indian mobile market: Subscribers and growth rate (2003-2013)

Note: All figures are rounded; the base year is 2007. Mobile subscriber CAGR (2007-2013): 18.3%

that, both BSNL and MTNL are losing market share to private operators in the mobile telephony segment. BSNL and MTNL together are down from a 17% market share at the beginning of March 2008 to 13.6% in August 2009. In contrast, the private sector's share jumped from 83% to 86.4% during the same period. So the challenge for the mobile service providers in India is to find out the critical factors that influence the customer's loyalty⁵.

The performance of the wireless service providers has deteriorated in the quarter June 2009 as compared to the previous quarter with respect of the following parameters:

- a. Call set-up success rate (Within licensee's own network)
- b. Call drop rate
- c. Response time to the customer for assistance
 - (i) Percentage of calls answered (voice to voice) within 60 s
 - (ii) Percentage of calls answered (voice to voice) within 90 s
- d. Complaints per 100 bills issued
- e. Percentage of complaints resolved within 4 weeks⁶.

On one hand, it can be seen that the mobile sector is capturing the market like a wild fire at the same time, it can also be seen that BSNL is losing hold even on their existing customers. This shows that there is a big gap in the strategies used by the company for maintaining existing customers. The strategies used for marketing has to be shifted from winning new customers to retaining existing customers. This view is supported by Reichheld,

(1996) and Kim et al. (2004) who affirmed that the best core marketing strategy for the future is to retain the existing customer base by preserving customer loyalty and values.

Customer loyalty

Customer loyalty is the feelings or attitudes that incline a customer either to return to a company, shop or outlet to purchase there again, or else to re-purchase a particular product, service or brand⁷. Customer loyalty is the totality of feelings or attitudes that would incline a customer to consider the repurchase of a particular product, service or brand or re-visit a particular company or shop. It affects the success and profitability of companies⁸. Companies can achieve competitive advantage through customer loyalty and it is the way to gain the best kind of customers and thereby repeat customers⁹.

According to Reichheld (1996), Lee and Cunningham (2001), perception of a customer affects his judgment and it turns his loyalty towards the product or services. Loyalty provides the foundation of a company's sustained competitive edge. By developing and increasing loyalty, companies can ensure its proper growth and economic performance. So the marketing strategy of the companies should be framed in such a way that they will be able to try to retain the existing customers by increasing their loyalty and value (Kim et al., 2004).

Factors affecting customer loyalty⁴

Satisfaction

Several studies have revealed that there exists a direct connection between satisfaction and loyalty; satisfied customers become loyal and dissatisfied customers move to another vendor.

¹<http://www.indexmundi.com/blog/index.php/2009/04/> ---April 6th, 2009 Mobile Phone Penetration in India

²The Indian Telecom Services Performance Indicators April-June 2009October 2009 Telecom Regulatory Authority of India

³Telecom growth lifts Indian market By Sol E. Solomon, ZDNet Asia Friday, September 19, 2008 09:57 AM <http://www.zdnetasia.com/insight/specialreports/india>

Trustworthiness

Morgan and Hunt (1994) hypothesize that trust is a major factor that influence relationship commitment in continuum brand trust leads to brand loyalty. According to Chauduri and Holbrook (2001) brand trust is directly related to both purchase and attitudinal loyalty. Trust shown by the customers is an important factor that helps the organization to sustain even during the time of uncertainty (Moorman et al., 1992; Doney et al., 1997; Dwyer et al., 1987).

Image

Consciously or unconsciously customers use their preferences to project their own self image. According to the Belk's theory of extended self, people define themselves by the possessions they have, manage or create (Belk 1988). Consumers prefer brands with personality traits that are congruent with the personality traits that represent their self schemas (Aaker, 1999) brand loyalty is also influenced by attractiveness of the brand personality (Kim et al., 2001) and the extent to which it enhances the self image (Tidwell and Horgan, 1993). Oliver (1999) argues that for fully bonded loyalty the consumable must be part of the consumer's self-identity and his or her social-identity.

According to Morgan and Hunt (1994) brand trust leads to brand loyalty because trust creates exchange relationships that are highly valued. Chauduri and Holbrook (2001) found that brand trust is directly related to both purchase and attitudinal loyalty.

Importance of relationship

Loyalty is a desire to retain a valuable or important relationship. (Moorman et al., 1992), in this manner the establishment of loyalty is predetermined by the importance of relevant relationship. The significance of customer loyalty is that it is closely interrelated to the company's continued existence and future development (Fornell, 1992). Customer loyalty is the key characteristic that has to be developed if the companies want to mature

⁴Affecting customer Loyalty: do different Factors have various Influences in different Loyalty levels? Andres Kuusik, Tartu University Press 2007,

⁵<http://www.mtk.ut.ee/orb.aw/class=file/action=preview/id=302137/febawb58.pdf> <http://timesofindia.indiatimes.com/biz/india-business/New-Article/articleshow/5204759.cms> on 16/11/2009.

⁶The Indian Telecom Services Performance Indicators April–June 2009October 2009 Telecom Regulatory Authority of India

⁷<http://www.mshmg.com/glossary,C,Customer+Loyalty.html>

⁸<http://www.iclp.ch/?q=customer-loyalty>

⁹<http://www.customerservicebasics.com/customer-loyalty-definition.htm#EllenGoodwright>

and to improve its profitability in a saturated environment.

RESEARCH METHODOLOGY

Study design

The study conceptualizes to find out the factors that impinge on the loyalty of customers. A Questionnaire was framed in the format of Likert scale for data collection. The responses ranged between highly agree to highly disagree. Universe of the study was 100 customers having BSNL mobile connection for the past 2 to 3 years.

According to Anderson and Gerbing (1988), to satisfy a structure equation modeling (SEM) analysis needs samples between 100 and 150. Therefore, the study meets this basic requirement. The main questions answered through the study are:

1. Are the customers loyal to BSNL
2. What are the major factors that influence the loyalty of the BSNL customers?

The data was analyzed using 't' test and factor analysis.

DATA ANALYSIS AND RESULTS

One sample t test was conducted on the responses (with test value '4' assigned to the response 'agree') given by customers. t value -1.522 which is not significant at 0.05 level shows that the mean (3.92) of the responses did not differ significantly from the test value. High significance value (typically above 0.05) indicates that there is no significant difference between the test value and the observed mean. From the result it can be inferred that majority of the customers are highly loyal to their mobile service provider (BSNL) (Tables 1 and 2).

The paper explores to find out the factors that force the customers to remain loyal to the services. From Table 3, it can be infer that value added services, low premature termination of calls, quality of customer care and the ability to make calls even in peak hours are the striking features that has made a remarkable impact on the customers positive mindset towards BSNL. Factor analysis was carried out on various customer loyalty variables, to find out the major factors that are influencing the loyalty of BSNL customers. The initial Kaiser-Mayer-Olkin (KMO) was 0.532 which indicate that the analysis is middling. Bartlett's test is significant at 0.01 level (Chi-Square = 170.505, $p < 0.001$) and therefore factor analysis is appropriate. Five components were extracted by rotated component analysis. Tables 4 and 5

In the case of BSNL, trustworthiness, relationship, image, value added services and inconvenience in switching phone number is the main factors that influence the loyalty of the customers. From the factor analysis, it is found that trustworthiness is the key factor that motivates the customers to remain loyal to their service provider (BSNL). The customers were contented with BSNL's geographical coverage; they opinioned that peak hour calling was highly effective and they face very low premature

Table 1. One-sample statistics

	N	Mean	Std. Deviation	Std. Error Mean
loyalty	100	3.9200	0.52570	0.05257

Table 2. One-sample test

Test Value = 4						
	t	df	Sig. (2-tailed)	Mean difference	95% Confidence interval of the difference	
					Lower	Upper
Loyalty	-1.522	99	0.131	-0.08000	-0.1843	0.0243

Table 3. Depicts the mean score for different customer loyalty factors

Mean score of customer loyalty variables		
Variable	Mean	Std. dev.
Geographical coverage	3.96	.634
Calls in peak hours	4.1	.577
Better calling rate	3.6	.72
Inconvenience in switching phone no.	3.44	.81
VAS	4.54	.50
low premature termination	4.01	.594
Very convenient	3.24	.74
Personal preference	3.44	.671
Cost savings	3.08	.72
Low server problem	2.3	.731
Customer care	3.94	.736
Complaint resolution	3.58	.572

Table 4. KMO and Bartlett's test

Kaiser-Meyer-Olkin measure of sampling		
Adequacy		0.532
	Approx. Chi-square	170.505
Bartlett's test of sphericity	df	66
	Sig.	.000

termination of calls. Customer's loyalty in the case of mobile phones is determined to an extent by its geographical coverage and the ease with which calls can be made in peak hours. BSNL customers found that their service provider gives them reliable coverage and the lines are less congested. So trustworthiness is a component that BSNL need to highlight in their marketing strategy. In order to improve the trustworthiness, they need to work upon their marketing strategy to further improve their network quality.

Another factor that was found to influence loyalty is the relationship it has with the customer which is determined by the promptness with which the complaints were resolved the warmth shown by customer care department and the convenience with which the bill can be paid. Effective customer service is a component that can magnetize the attention and loyalty of customers. Customers of BSNL remained loyal because of their personal preference and image about the company was influenced by the affordable call rate. It is also interesting to note

Table 5. Rotated component for customer loyalty towards BSNL.

Variables	Component				
	1	2	3	4	5
Geographical coverage	0.569				
Calls in peak hours	0.649				
Better calling rate			0.70		
Inconvenience in switching phone no.					0.685
VAS				0.763	
low premature termination	0.091				
Very convenient		0.037			
Personal preference			0.045		
Cost savings			0.745		
Low server problem				0.634	
Customer care		0.781			
Complaint resolution		0.791			
Eigen values	2.199	1.47	1.44	1.35	1.16
% of variance	18.327	12.28	12.02	11.24	9.67
Cumulative %	18.33	30.61	42.63	53.86	63.54

Extraction method: Component 1- trustworthiness Component 2- relationship, Component 3- image, Component 4- VAS, Component 5- Inconvenience in switching phone no.

to note that customers of BSNL continued to be loyal irrespective of the certain flaws in its services just because the number held by them was good and because of the inconvenience involved in switching numbers.

Conclusion

The prime purpose of this paper was to investigate the factors that influence customer loyalty of BSNL customers. Trustworthiness, relationship, image, value added services and inconvenience in switching phone no. were found to be the key factors that influenced the loyalty of the BSNL customers. Even though the service provided by BSNL is very cost effective it is still loosing its customer base. BSNL must look away from the issue of cost and must try to improve the network quality and the quality of customer services as per the expectations of the customers.

New technologies and features are being introduced in mobile services like PDA, MP4, high mega pixel digital camera and others. BSNL need to update itself with respect to these technologies at the same time take the initiative to market itself as youth friendly as youth are the target universe of any mobile provider. At the same time initiatives should be taken to improve the functional service quality where attention should be given to improve reliability, assurance, empathy and overall satisfaction of the customers. The existing customers should be actually made to feel that the 'BSNL is best hai mere liyae' which means BSNL is the best for me.

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