

## INDIAN TELECOM INDUSTRY: LOYALTY ISSUES

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### Abstract

This research focuses the developments in the field of telecom sector in India. The study depicts the present status of telecom market. This study examines the various customer loyalty issues related to varied cellular services. This paper gives reflection of the extensive search of literature on telecom happenings along with the field research conducted in the North Maharashtra region of Maharashtra telecom circle. The primary data was collected through structured questionnaire. The sample size for the research was of 680 mobile phone users. The telecom service providers play a vital role by supporting the services necessary for rapid growth and transformation of sectors like IT, ITES, banking, education, health, public sector, agriculture etc. The result from the primary data shows service with exclusive promotional strategy and tariff plan causing direct monetary gain to customer are highly impacting on customer loyalty as compare to the mere customer support service.

**Keywords:** Service Quality, Customer Loyalty, Mobile Network

## 1. INTRODUCTION

### 1.1. Current Trends in Indian Telecom Industry:

In this competitive age the telecom sector is changing radically. The Indian telecom sector contributed significantly to the country's economy. India has started the journey of digital transformation and is expected to develop into one of the leading Internet markets in the world. The mobile subscriber base in India has crossed the billion mark, the next big opportunity is to accelerate this power to boost the GDP of India. The Indian telecom market is expected to cross the INR 6.6 trillion revenue mark by the year 2020. The high penetration of mobile phones, accompanied by the accessibility of cheaper mobile phones, has provided great opportunities for using mobile devices for public service delivery. Telecom industry plays a key role in the socio-economic development as there is a significant relationship between the penetrations of mobile services on the growth of GDP of a country. The telecom sector in India has played a key role in the connecting billions, empowering the citizens as well as powering the digital economy. It is the second largest in the world while continuing to grow at a Compounded Annual Growth Rate (CAGR) of 19.6 per cent from FY'07-17.

### 1.2. Major Achievements of the telecom sector:

- In the present scenario there are more than 400 million internet users in India. Also, there are over 280 million mobile broadband customers. The data consumption in this case was more than 3/4<sup>th</sup> by 3G or 4G communication.
- Rural tele-density increased by 30% in the last five years in India.
- LTE device ecosystem has grown by 270% from 2015.
- In financial year 2016-17 the foreign direct investment inflow was approx. USD 5.6 billion.
- It contributes about 6.5% to India's GDP

**Table 1. India's Contribution in World Telecom Market**

Benchmarks	Global	India
Mobile subscriptions are growing at around 4 per cent year-on-year, reaching in Q1 2017	7.6 billion	1.1 billion
New mobile subscribers were added in Q1 2017	107 million	43 million
Rate of market penetration as on 2016	65 per cent	51.4 per cent
Growth of mobile traffic in 2016	63 per cent	76 per cent
telecom sector contributes towards GDP in 2016	4.4 per cent	6.5 per cent
Growth of smart phone users as on 2016	51 per cent	28 per cent
Mobile broadband connections as percentage of total connections as on 2016	55 per cent	20 per cent
Projection of growth of operators' revenue as on 2016	USD 1.05 trillion	USD 40 billion

Source: KPMG Report on 'ASSOCHAM 10th Telecom summit'

### 1.3. Competitive Scenario:

Telecom service providers play a crucial role in providing major support services required for rapid growth and transformation of various sectors like IT, banking, insurance, education, health, public sector, etc. Indian telecom service providers have invested about 9,27,000 crore rupees. The Foreign Direct Investment (FDI) in the telecom industry has increased from 20,000 crore rupees in FY'15-16 to approximately 67,000 crore rupees in the first three quarters of FY'16-17, contributing towards building an infrastructure to provide affordable services to customers.

The advance infrastructure helped in penetrating the 4G services in India. As on 31 March 2017, there are approximately 160 million subscribers in India.

The telecom service providers compete intensely among each other. In present market environment the competition has reached to peak with the intention of winning customers' hearts. It is difficult not only to gain new customers but also to try not to lose the existing ones to other competitors. However, service quality is a key element that helps a mobile service provider to differentiate it from others. The major service determinants are network, promotional offers, tariff plans, group calling and customer support service.

### 1.4. Objectives:

- To identify the major service factors preferred by mobile users.
- To study the impact of service quality on customer loyalty.

## 2. LITERATURE REVIEW

### 2.1. Service Quality:

Gilbert and Matutes (1993) revealed that high variety strategy is an effective approach to increase sales as it can prevent of diverting the customers toward competitors.

Gronroos (1984) discussed perceived service quality as a result of evaluation process while customers compare their expectations with the perceived service.

According to Lehtinen and Lehtinen (1991) service quality helps to create the necessary competitive advantage by Price which plays a vital role in mobile telecommunication service providers.

Woo and Fock (1999) explains the signal quality and network coverage as essential criteria for selecting telecom service providers. In the competitive scenario, the signal quality has been improved and the network coverage is quite good. The signal quality and network coverage affect consumer satisfaction positively.

### 2.2. Customer Loyalty:

Oliver (1999) defined loyalty as a deep commitment to repeatedly purchase a preferred product/service always in the future, thereby leading to repetitive purchasing same brand

products, despite strong influences and marketing efforts generated to cause switching behaviour.

According to Anita et al., (2005), complex tariff plans provided by other competitors, the hidden costs, the cost and energy involved in informing so many people about change in their number are one of the major reasons for non-switching the service provider.

Dick and Basu (1994) suggested that loyalty include attitudinal and behavioural elements and discussed that loyalty is determined by how strong the relationship is between relative attitude and repeat patronage.

Jacoby and Keyner (1973), according to the approach based on behaviour, loyalty is the behavioural reaction based on prejudice as the function of psychological processes by the decision maker in the existence of one or more alternative in time.

Kumar and Shah (2004), Behavioural approach explained loyalty. The loyalty is the behavioural reaction of the decision maker.

### 2.3. Hypotheses

H1: There is a significant relationship between exclusive promotional offers and customer loyalty

H2: There is a significant relationship between flexible tariff plan and customer loyalty

H3: There is a significant relationship between customer support service and customer loyalty

## 3. METHODOLOGY

### 3.1. Research Design

In this study, the research design used is descriptive research design.

### 3.2. Collection of Data

For this study, both primary and secondary data were used for achievement of the objectives. The primary data was obtained by administering structured questionnaires. The secondary data was collected through various literature reviews and articles, the websites of Telecom Regulatory Authority of India (TRAI), IBEF, ASSOCHAM, Department of Telecommunication India, Economic Times, journals, books etc.

### 3.3. Collection of Data

The cell phone users in Maharashtra circle were treated as the population of this study. However, the survey was targeted to the mobile phone users in North Maharashtra cluster of Maharashtra telecom circle. In North Maharashtra region Ahmednagar, Dhule, Jalgaon, Nandurbar and Nashik districts were selected for sample selection. The samples were randomly drawn from each district. The cluster sampling method was applied for data collection. The sample size was 680 cell phone subscribers in Maharashtra. Questionnaire method was used for primary data collection. In the instrument (questionnaire), 5-point Likert scale was used. The data obtained in this regard was analysed through SPSS 18.

## 4. Results

The data is mainly analysed by ANOVA methods for drawing the inferences from the collected data. The null hypothesis and alternative hypothesis are discussed with appropriate statistical tests.

### Hypotheses testing:

H0: There is no significant relationship between exclusive promotional offers and customer loyalty

H1: There is a significant relationship between exclusive promotional offers and customer loyalty

**TABLE 2. ANOVA- relationship between exclusive promotional offers and customer loyalty**

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	8509.645	4	2127.411	40.740	.000
Within Groups	35248.331	675	52.220		
Total	43757.976	679			

The above table shows that ANOVA test for whether there is any significant relationship between exclusive promotional offers and customer loyalty among the cell phone users. Since the “Sig.” ( $p$ ) value is less than 0.05. Therefore, the null hypothesis is rejected at 5% level of significant. Hence it is concluded that there is significant relationship between exclusive promotional offers and customer loyalty towards the cell phone service provider in Maharashtra circle.

H0: There is a no significant relationship between flexible tariff plan and customer loyalty

H2: There is a significant relationship between flexible tariff plan and customer loyalty

**TABLE 3. ANOVA- relationship between flexible tariff plan and customer loyalty**

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	1134.479	4	283.620	4.491	.001
Within Groups	42623.498	675	63.146		
Total	43757.976	679			

The ANOVA test analyses that the “Sig.” ( $p$ ) value is less than 0.05. Therefore, the null hypothesis is rejected at 5% level of significant. Hence it is concluded that there is significant relationship between flexible tariff plan and customer loyalty towards the cellular service provider in Maharashtra telecom circle.

H0: There is a no significant relationship between customer support service and customer loyalty

H3: There is a significant relationship between customer support service and customer loyalty

**TABLE 4. ANOVA- relationship between customer support service and customer loyalty**

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	402.068	4	100.517	1.565	.182
Within Groups	43355.908	675	64.231		
Total	43757.976	679			

The above ANOVA statistical analysis shows that, the “Sig.” ( $p$ ) value is greater than 0.05. Hence, the null hypothesis cannot be rejected at 5% level of significant. It is concluded that there is no significant relationship between customer support service and customer loyalty towards cellular operators in Maharashtra circle.

## 5. DISCUSSION

From the results acquired, the customer loyalty and exclusive promotional offers are found having significant relationship. Similarly the respondents also supported to the significant relationship between flexible tariff plan and customer loyalty. However the statistical results show that there is no significant relationship between customer loyalty and the customer support service.

The basic objective of this study was to find out the various service factors those impacts on customer loyalty. In the progression of the study major service determinants were network, promotional offers, tariff plans, group calling and customer support service. However among these three factors were analysed for testing their relationship with customer loyalty.

Except promotional offers and the flexible tariff plan, customer support service was not that much important for the subscribers to remain with their cellular operator. In the present reservoir of the information the customers were not that much dependant on direct support services of the operators.

## 6. CONCLUSION

In the research exclusive promotional offers, flexible tariff plan, customer support service along with other regular service parameters like signal quality, network coverage, VAS, roaming services, recharge facility were found major service parameters.

The results of the study show that exclusive promotional offers and flexible tariff plans affect the customer loyalty to a great extent. However customer support service provided by the cellular operator didn't significantly affect the customer loyalty. Thus, the core service factors are important to make customer feel that they are valuable to the organization and the organization provides them the desired level of service.

## 7. Suggestions

The results show that the customers are more sensitive to the service parameters where there is direct relation to the monetary value and offerings. Thus the telecom operators need to design their services to directly benefit the customers first.

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