

Churn Behavior of Youth on Telecom Mobile

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Abstract

Mobile telecommunications customers are becoming more mobile every day, cancelling contracts and switching providers at the first sign of discontent. The rate of attrition with regard to the subscribers are also growing vibrantly and the churn rate is expected to exceed 59% in 2013 from the current rate of 53%. Churn rate increases pungently in parallel to the growth of mobile subscribers especially on youth segment. As churn cuts across all areas of an organization, the key to successfully reducing customer churn lies in adopting holistic, modular approach. Customer retention, therefore, is becoming critical to restrain the customer base. In this regard it is essential to infiltrate the basis for switching of the mobile users in India.

Keywords- *Churn management, Customer profiling, Customer lifecycle analysis, Customer value, Telecom analytics, Market Basket analysis*

INTRODUCTION

The Indian telecommunications Industry is one of the fastest proliferating sector in the World and India is projected to bench the second largest telecom market globally by 2011. Indicators are clearly representing the increased competition and that induced the customers to hop for low cost options¹. This in turn entangled with disloyalty and as the industry saturates, it become imperative for the mobile operators to shift their focus from rapid acquisition strategies to strategies which helps to maintain and enhance margins from existing customer base.

In this highly competitive scenario, almost everybody is switching cellular providers. While teenagers are attracted by goodies such as free SMS, for executives it could be the free long distance minutes and value-adds. But while gaining new customers is good news for any telco, the flip side is the loss of customers or churn, in industry parlance. So mobile telcos are putting churn management systems in place, which can almost accurately predict the behaviour of fickle customers. In simple terms churn refers to customers cancelling their existing contract only to embark on a relationship with a competing mobile service provider." Cut-throat competition has ensured that there is not much difference between the tariff plans offered by different vendors. This is where customer service and value-added services come into play. If an operator doesn't anticipate market needs or does not provide value-added services offered by the competitor, then the customer is likely to churn. It is highly critical for every telecom marketer to reckon customer profile, customer lifecycle and customer values through proper Customer Analytics and to sustain their Data warehouse.

The Mobile Youth Trends India Report provides marketing and product managers and overview of both the quantitative and qualitative state of play with young mobile customers (aged 5-29). With both key market ownership statistics (from ARPU by age to churn rates) and behavioural patterns analyzed, the key emergent of mobile youth churn with major proportion and reasoned due to their personal profile and the use of Mobile Number Portability option. They recommended that Creating consumer advocacy through establishing the company within the peer group, experimenting with youth as brand stakeholders and Measuring internal performance and KPI through "lifetime customer value" rather than "net adds"².

IMPACT OF THE PROBLEM

Though many service industries are affected by the churn phenomenon the problem is extremely acute in the telecom industry, with customers joining and quitting in short periods. According to research firm Gartner, India's churn rate is anywhere between 3.5 percent to 6 percent per month, one of the highest in the Asia-Pacific region. Considering that the cost of acquiring a new customer is as high as Rs 3,000, the losses are immense.

¹ <http://www.destinationcrm.com/Articles/Web-Exclusives/Viewpoints/The-Secret-to-Successful-Customer-Analytics-43814.aspx>

² Mobile Youth Trends India Report 2010

CUSTOMER ANALYTICS AND ITS SIGNIFICANCE

Research is all about Customer analytics focusing on Indian cellular market, is a process by which data from customer behavior is aggregated and analysed to gain customer mind map, enabling each business to help make better and quicker business decisions. This information is used by the cellular businesses for direct marketing and customer relationship management. Customer analytics plays a very important role in predicting customer behavior and shaping future customer interactions.

Customer analytics can provide customer segmentation groupings; profitability analysis (which customers lead to the most profit over time); personalization (the ability to market to individual customers based on the data collected about them); event monitoring, what-if scenarios (how likely is a customer or customer category that bought one product to buy a similar one); and predictive modeling (for example, comparing various product development plans in terms of likely future success given the customer knowledge base). Data collection and analysis are viewed as a continuing and iterative process and ideally over time business decisions are refined based on feedback from earlier analysis and to make consequent decisions³.

The efforts of product development, marketing, client services and other departments are fuelled by customer actions, or at least assumptions about the customer. Recent statistics depicts very high churn in this Industry, is mainly rooted by the Youth segment Hence this study of customer analytics is mainly focusing on Youth segment to lead not only to better and more productive customer relations in terms of sales and service but also to improvement in supply chain management (lower inventory and speedier delivery) and thus lower costs and more competitive pricing.

It facilitates to assess the Customer profitability index and Customer lifecycle, Customer analytics enables an operator to gain a better understanding of the variables that influence customer churn. It enables the Telco to understand which customer is likely to leave and why, which in turn can help the company take the necessary measures to counter it.

Extract of customer analytics provides the telecom company with a sliced and diced view of the customer base, thereby empowering it to treat each customer differently as per needs. The customer attributes typically considered in a churn analysis can be broadly categorised into customer demographics, contractual data, technical quality data, billing and usage data and events-type data. But the most commonly used historic variables include the time a customer spends on air, the number of calls he makes and the revenue generated from that customer.

The predictive information becomes crucial as it gives the service provider a window to proactively fix the glitches in service and contain churn, thereby improving bottom lines. The solution also helps identify cross-sell and up-sell opportunities, which can have a further positive impact on the operator's bottom line.

SUBJECT AREA:

³ <http://www.corda.com/customer-analytics.php>

Data analytics performed on customer profile, level of satisfaction, customer loyalty and their buying behavior with regard to Indian mobile telecom providers.

RESEARCH METHODOLOGY

PROBLEM FINDING:

Churn is a widely-recognized, scourging problem for most mobile telecommunications providers in India and that results to the customer disloyalty. It is highly critical for every telecom marketer to reckon their customer profile, customer lifecycle and their values through proper Customer Analytics for sustaining their customer base.

RESEARCH PURPOSE:

The purpose of this research is to perform customer analytics for churn behavior by identifying the operational factors that are influencing customer buying behavior, level of satisfaction and loyalty with regard to Indian Mobile telecommunications.

RESEARCH OBJECTIVE:

Recent trend line shows the growth and prospects of youth marketing and especially in the field of Telecommunications, they are marking tremendous development. At the same time indicators are highlighting very high churn rate in this segment. Hence this Research focuses on Youth segment and Research objectives are listed below.

Telecom churn can be measured by determining the factors of customer loyalty and satisfaction.

1. To identify the factors influencing the customer loyalty with respect to Indian mobile telecommunications.
2. To determine the level of customer satisfaction with regard to their perceived product quality, services and values.

RESEARCH DESIGN:

Research design adopted for this study is “Exploratory” type of research.

SAMPLING DESIGN:

DATA COLLECTION:

The research work is in need of first hand information. Primary and Secondary data are collected for this survey.

PRIMARY DATA:

Survey method was adopted for collecting the primary data. Questionnaire was designed in the structured objective pattern, focusing on the Research objectives.

SECONDARY DATA:

The secondary data had been collected from the previous Research findings, scholarly reports, telecommunication reports, respective marketing departments and through the different sources of literature such as journals, , articles etc.

SAMPLING PLAN:

Simple Random sampling has been adopted by the researcher

SAMPLE SIZE:

For academic and effective result, 200 respondents are selected within the age group of 18 to 34 as the sample size for the research work.

RELIABILITY & VALIDITY

RELIABILITY

Reliability is the consistency of a measurement. Our questionnaires had been tested with the small number of respondents at the early phase to check the reliability. Through SPSS package, reliability was tested .The value of Cronbach alpha was 0.782 with no exclusions representing the acceptability of the questionnaire for the research work.

VALIDITY

Internal and external validity were checked with the respective sources and every hypothesis is represented by a question in the questionnaire so that they can be tested and measured.

PILOT STUDY:

The questionnaires were distributed to 30 of the samples and tested whether it is useful to gather information and relevant to arrive at the solutions for the problem of the research.

PROCESS OF DATA ANALYSIS

In order to analyze all the data which we collected, we mainly use SPSS 18.0 for basic statistical analysis combining with Excel to find out the relationship between the customer loyalty and our data.

DEFINITION AND MEASUREMENT OF RESEARCH HYPOTHESES

In accordance with the extensive analysis on review of literature, the factors are listed below for testing the hypothesis to identify their association.

The operational definitions and variables are summarized and represented below for the validation of research hypotheses.

Table-1
Operational Definition and Measurement of Variables

Variable	Operational definition (Research hypotheses)	Measurement items
Customer Satisfaction	Perceived product quality(H1)	Call quality
		Coverage of area
		SMS quality
		Network quality
	Perceived service quality(H2)	The convenience and reliability of Inquiring phone fee system
		Service quality of service center and hotline
	Perceived customer value(H3)	Rating price of given quality
		Advertisements about corporate image
		social responsibility
Demographics	Demographic profile(H4)	Gender
		Income
		Mobile Experience

Source: Primary Data Testing

Operational variables are conceived as per the previous research findings, where researchers defined, perceived product quality (H1) that can be measured by Call quality, Coverage of area , SMS quality and Network quality . Perceived service quality (H2) can be measured by the convenience and reliability of Inquiring phone fee system and Service quality of service center and hotline. Perceived customer value can be measured through Rating price of given quality, the Advertisements about corporate image and their involvement on social responsibility.

Ho1: There is no significant relationship between customer loyalty and perceived product quality.

Ho2: There is no significant relationship between customer loyalty and perceived service quality.

Ho3: There is no significant relationship between customer loyalty and perceived customer value.

Ho4: There is no significant relationship between customer loyalty and demographic profile of the respondents.

STATISTICAL TOOLS

Descriptive statistics, data reduction tools, hypothesis testing tools, association and variation detection techniques.

DATA ANALYSIS

FINDINGS

Data analysis was performed using SPSS 18.0 .The hypotheses were tested using chi square method and results were listed below.

Table 2
Results of Hypotheses Tested

Null Hypotheses		Chi square value	Result
Ho1	Call quality	255.800*	All null hypotheses rejected
	Coverage of area	160.550*	
	SMS quality	196.300*	
	Network quality	114.000*	
Ho2	The convenience and reliability of Inquiring phone fee system	106.700*	Ho Rejected
	Service quality of service center and hotline	104.350*	
Ho3	Rating price of given quality	167.950*	Ho Rejected
	Advertisements about corporate image	117.500*	
	social responsibility	132.200*	
Ho4	Gender	32.000*	Ho Rejected
	Income level	39.050*	
	Mobile Experience	667.550*	

*at 0.05 significance level*at 0.05 significance level

Source: Primary Data

From the above table it is very clear that all the null hypotheses are rejected and so alternative hypotheses are accepted. It has been proved that customer perception on quality, services and values of the mobile service are influencing their buying behavior and creating impact on customer loyalty.

Moreover gender, income, customization of the respondents also found significant in sustaining the loyalty. So Marketers need to closely monitor youth attitudes towards media, products, shopping, health, career, relationships and technology. So the option is participative marketing campaign to understand their perception on product attributes. Marketing campaigns should have functional, educational and emotional components built-in to successfully target youth.

At this stage Marketers should know their level of satisfaction over the product for tapping their apparent mind map and the following table will portray the level of satisfaction of the respondents.

Table 3

Frequency table represents the level of satisfaction of the respondents with respect to the various aspects of the Mobile telecommunications.

Factors	Highly satisfied	Satisfied	somewhat satisfied	Dissatisfied	Highly Dissatisfied
Customer services	13.0%	37.0%	36.5%	10.5%	3.0%
In General	16.5%	55%	25.5%	1.5%	1.5%
Billing-Recharge vouchers	21%	56.5%	18.5%	2.5%	1.5%
AD & Promotional activities	15%	43%	29.5%	8.5%	4%
social Responsibility	13.5%	40.5%	31%	12.5%	2.5%
Tariff plans	9%	36%	42.5%	9%	3.5%
call connectivity	18.5%	45%	30.5%	6%	0%
Network coverage	18.5%	48%	24.5%	7%	2%
Subscription Easiness	9.5%	44.5%	36.5%	6.5%	3%
Value added services	17.5%	56%	19%	5.5%	2%
Offers and discounts	15%	43%	29.5%	10.5%	2%
Ringtones and caller tones	4%	10.5%	26.5%	41%	18%
Internet services	14%	38%	38%	9.5%	0.5%

Source: Primary Data

From the above it is inferred that majority of the respondents are falling under the category of somewhat satisfied and at the same time higher value of frequency distributions are mainly on the two levels, satisfied and somewhat satisfied. But Respondents expressed their dissatisfaction on one particular factor called Caller and ring tones. As this survey is very precise on Youth segment, Mobile service providers have to concentrate this factor for tapping this segment.

Telecom marketers have to improvise their performance in the areas of Internet services, and in designing Tariff plans. They can mind map their customers and based on that they can come out with differentiated marketing strategies in designing their tariff plans. They have to strengthen their portfolio on customer services. Recent market survey indicates 97.3% of customer churn happens due to poor customer services.

Interpretation with results:

Customer churn analytics indicating the path way for the Indian Mobile for increasing the customer loyalty and to turn around the churn rate, For that Indian mobile should:

- (1) Keep its good performance on quality of phone call, coverage, quality of SMS and pay attention on these three areas because they are in the first level, which means they have great importance on customer loyalty
- (2) Improve its performance on customer service, advertisements about corporate image, inquiring phone fee system and corporate social responsibility and pay more attention on customer service, because it is in the first level.
- (3) Improve its performance on rating price of given quality significantly and pay great attention on this factor.

Conclusion:

The telecom industry, especially the mobile industry of India is undergoing a transformation and the number portability is bringing about imperatives worthy enough to carry out high-end research. This study is one such attempt to enhance the exposure on customer analytics and it is also expected to facilitate the marketers to design the essential operational parameters for scheming the retention strategies and to enhance Customer Experience management.

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