Consumer retention strategies for telecom service industry in India: a theoretical perspective

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Abstract

The business environment in India is getting highly competitive day by day and unstable global economy is adding another flavour on it. In this situation, many firms are even finding it difficult to survive and few businesses left with no choice then to fold up due to the limitation they have in facing regular challenges of the business activities. In this highly competitive environment, the survivor is the one who look beyond its traditional methods of retaining its precious customers and constantly reviewing its strategies to become more consumers centric.

Consumer retention is considered as one of the major relationship marketing concepts concerned with developing and maintaining a long-term consumer-firm relationship. The importance of customer retention has increased by many folds since the majority of firms started losing their consumers due various reasons and knowing the fact that acquiring new consumers is a costly affair of. Thus, the model of competition has shifted from acquiring new consumers to retaining the existing one and moreover luring them away from rival companies. In accordance with the above mentioned statements, this study focus on developing a theoretical framework for consumer retention strategies for telecom service industry in India.

Keywords: Retention Strategies, Loyalty, Satisfaction, Switching Barriers, Switching Cost, Customer Relationship Management, Alternative Attractiveness & Telecom Service Industry.

Introduction

The telecommunication industry in India has witnessed an unprecedented growth with the advent of globalisation resulting in the rapid rise of market players too offering innovative products and services. This growth has brought many positive changes in the industry due to which it’s now ranked as the second largest in the world. In order to outperform the competitors and to explore the growing opportunities in this competitive market, telecommunication companies are adapting innovating ways which mainly emphasis on identifying the processes and redefining the strategies which will help in retaining the consumers. The ultimate objective of defining these things will consist of applicability of the strategies which will help in targeting the right consumer and catering to their needs effectively and efficiently. Therefore, telecommunication companies need to follow the practise of consumer retention which will help them to compete in the ever changing environment.

Consumer retention signifies stretching out the ways and means to retain the consumers by satisfying them and meeting their needs. In this perspective, consumer retention is treated as the implication of strategy which showcases their positive aspect on quality, services, performance and efficiency. The whole idea here would lie in developing a theoretical framework that would enrich the quality of knowledge and allow us to understand the concept of consumer retention strategies for telecom service industry in India.

In the light of this context, the paper first study the global scenario of telecommunication sector followed with lighting some of the facts of service industry and then showcasing the consumer in Indian telecommunication sector.

Global Scenario of Telecommunication Industry

Telecommunication sector continue to scale rapidly. International Telecommunication Union (May 2014) estimates that there are 7 billion mobile subscriptions globally, which is approximately equal to 95.5 percent of the global population (GSMA, 2015). An additional of one billion subscriptions is predicted by 2020. Market growth is mostly driven by the developing nations like India and China which accounts for 90.2 percent of mobile penetration. Report presented by Ericsson (Feb 2014) attributes that in India there is 762 million subscriptions which accounts for 11 percent of mobile users. Study conducted by Portio Research in Mobile Factbook 2013 predicts that there will be increase in mobile subscriber base of 7.5 billion (2014) to 8.5 billion (2016).

According to Global Economy Report 2015 (GSMA, 2015), telecommunication sector has emerged
as one of the most crucial sectors in the development of any country as it fulfills the communication need of the society. This sector is showing escalating growth and it accounts for total of 3.6 billion subscribers by 2014 and generated 3.8% of global gross domestic product (GDP) which amounts to over US$3 trillion of economic value across 236 countries. Moreover, half of the world’s population now has a mobile connection which was just in 1.5 ratio 10 years ago. Interestingly, prediction says that in the next period, it is expected to grow at the faster pace contributing 4.2 percent of world’s GDP by the end of 2020. Along with this reports also highlighted that subscribers will increase to 4.6 billion (2020) from 3.6 billion (2014). This will lead to the penetration rate to grow from 50 percent (2014) to 59 percent (2020) along with marking the ten-fold growth in data traffic globally (GSMA, 2015).

Global Scenario of Service Sector

Service sector is one of the fastest growing sectors in the world as compared to other sectors. In the competitive market, services have gained more importance for both the firms and the countries. In order to take the competitive advantage, companies are more and more stressing on importance of satisfaction, in order to acquire the new and retain the existing consumer from the red ocean.

There is huge potential being explored in service industry because globally countries have continued to shift from agro based economy to service economy. Factors resulting in this shift are due to higher per capita income, increased time pressure, advancement in technology, industrial revolution, globalization, cost effectiveness drivers, growth in service quality, service change network, change seeking and value conscious consumers etc. This shift was important because it helps in defining the inter relationship and consumer perception, because higher the service quality provider higher is the consumer satisfaction (Petruzzellis, D’uggento, & Romanazzi, 2006).

Particularly, in service industry where consumers form a long term relationship, managing the consumers help service provider to sell the product and its value and this result in forming the brand strategies in such a way so as to provide the best possible experience at the lowest possible cost. Thus, tremendous growth in service sector defines the vast market opportunities and implications, arising due to advancement in technology in serving goods and overcoming fewer regulations and professional restrictions prevailing in international market.

With advent of liberalization and globalization, India has marked a remarkable growth in service sectors. At the time of independence, India was an agrarian economy and GDP grew at an average decadal growth rate of less than four percent. That time the share of service sector was small and there was government monopoly prevailing in the market. In 1990s, service sector took an accelerated growth with the series of changes in the economic reforms. Studies conducted by (Banga, Rashmi, & Goldar, 2004) and (Jain & Ninan, 2010) shows that liberalizations and reforms have been the most crucial factors in the growth of service in India.

As per Advance Estimates (AE) the share of services in India’s GDP at factor cost has increased to 56.5% (2012-13) from figure of 33.3% (1950-51). Bhardwaj (2013) in his study highlights that among the various services, trade, hotel and restaurants with 18% share, is the largest contributors to the GDP, followed by 16.6% of share of financing, real estate, insurance and business services followed by 14.0% share of community, social and personal services and 8.2% share of construction, transport storage and communication industry. From the above mentioned data, it is clear that about 8.6% of contribution for GDP is due to service sector and telecommunication being a part of it plays a crucial role in the development of countries GDP.

Past research shows that high quality of relationship with consumers (Panda, 2003), consumer satisfaction (Jones, Mothersbaugh, & Beatty, 2002) and (Lymeropoulous, Chaniotakis, & Soureli, 2006) leads to success of service provider. Literature shows that service quality affects the organization success such as increasing the sales and profit (Duncan & Elliot, 2002), market share (Fisher, 2001), performance superiority (Porelta & Thanassoulis, 2005). Therefore, for the success of the organization and for the survival in today’s competitive telecom market, delivering service quality is must.

Telecommunication has extensively affected the lifestyle of urban and rural consumers in this era of information technology. Telecommunication industry has enhanced the lives of consumers and has led to its development in manifold. Indian telecommunication industry consists of telephony, internet and television broadcasting sectors. This industry now aims to transform into next generation network employs widespread system of modern network elements such as digital telephone exchanges, mobile switching centres, media gateways and signalling gateways at the heart, interconnected by a wide variety of transmission systems using fibre-optics or Microwave radio relay networks. INSAT system of the country, which is one of the largest domestic satellite systems in the world support Telecommunication in India (TRAI, 2015).

Due to tremendous growth in the past few years, India has become the second largest pool for telecommunication market. This unprecedented growth took place due to following main reasons; firstly, the reform measures made by the Government of India with the announcement of National Telecom Policy in 1994. Secondly, deregulation of foreign direct investment (FDI) norms, which has resulted in rapid growth of this sector along with providing high employment
opportunities in the country with active participation from private sector, and lastly, wireless technology. This revolution in Indian telecom sector has helped in achieving a surprising growth during the last few years attracting FDI to the tune of US$ 14,163.01 million in the period April 2000 – March 2014 (TRAI, 2015) and still it’s hovering in near future to take a big leap.

With the exponential growth aspects and the entry of lot of players in Indian Telecom Market, there has been a drastic change in the call rates with free incoming calls and more and more value added services. All this change is possible because Indian market is an open market which maintains a high degree of competition. The statistics published by Telecom Regulatory Authority of India on 10th April 2015, describe that the mobile telephony service has become the most significant and important part of the overall telecom industry which can be seen on one hand by looking into the teledensity of urban India which has increased from 146.15 (Feb 2013) to 149.25 (Feb 2015) and teledensity of rural India has increased from 40.81 (Feb 2013) to 47.16 (Feb 2015) (TRAI, 2015). And on the other hand, the total number of wireless subscribers in 2015 has come to 960.58 million consumer base whereas wired connection has crossed the parameter to 26.72 million. Still, there has been a decline over the years in the revenue generation because telecommunication companies witness the decline in the minutes of usage per user. In addition, recent changes of implementing mobile number portability had leaded the industry to bear the cost and pay a huge amount to the government due a security concerns. Due to high pressure on margins and increased competition, the Indian mobile market has witnessed the decline in Average Revenue per Unit at an alarming rate. Major national and international telecom players, like Airtel (Best network quality), Uninor (Good margin to retailers), TataDocomo (Grievance handing) etc. are emphasizing and working on their value proposition in order to discriminate themselves in the Indian market (TRAI, 2015).

Similarly, India being one of the largest and second most populated countries in the world has shown monthly growth rate of 0.83 percent in total number of subscribers (TRAI, 2015). This showcases the market opportunities prevailing for service providers and how they can use their potential to cater them. Moreover, tele-density is also increasing at a very rapid pace and has reached to 78.73 by Feb 2015 and if we see the statistics of Madhya Pradesh this accounts for 59.81 percent of the total subscriber base. But due to competitive and regulatory pressures this has led to a slowdown in industry revenue growth in recent years. Moreover, it is also predicted that by 2020 the compound annual growth rate would be 3.1% per annum which was 4% in the period 2008-2014 (GSMA, 2015).

The use of telecommunication services by a large number of consumers have revolutionized. Since reforms, telecommunication has become very important channel of communication in India. In today’s era, it is the consumer’s need which has to be extensively fulfilled by the service providers. For instance, number of service providers has been increased to more than 70 within a short span of time (Amulya, 2013). Telecom services have not only been the most essential tool for socio-economic advancement of a homeland but it is also one of the primary support services needed for rapid escalation and modernization of various sectors of the economy. This industry can also be considered as the backbone of industrial and economic development of the country as it has brought uprisng human communication by continuously aiding delivery of voice and data services at rapid pace.

In the modern competitive environment, companies are more and more involved and focused in the very dynamic and continuous process of how to meet consumer’s expectations, address their problem and how to retain them. The reason of this change being the firmness and the advantage companies can gain through old loyal consumers rather than acquiring new ones. To a certain extent, it’s not the product or service which helps the companies to attract and retain the consumers but, it’s the result of the services provided by the companies. Opportunities are prevailing in the Indian economy, for the companies who are aiming to deliver consumer delight in order to gain the consumers who are dissatisfied. Therefore, any business entity must focus on two fold aspects, one is how to acquire the new consumers and another important is how to retain the old consumers.

Conceptual Background of Consumer Retention

Consumer retention starts with maintaining successful relations with consumers along with providing the value of the product or service purchase. The concept of consumer retention came after the studies were conducted on relationship marketing which enhance consumer retention to a great extent. Research conducted by (Morgan, Robert, Hunt, & Shelby, 1994) provided a base for consumer retention by defining relationship marketing as “all the marketing activities which are directed towards establishing, developing and maintaining healthy relations with customers”. This and many more studies have brought the concept of firming fruitful relationship with consumers by a dynamic process rather than focusing and fulfilling the need of the consumers. This indicates that in process of relationship building to parties, consumer and firms are involved whereby both will be benefitted in the long term. In contrast, such relationship may not always leads to long term relations (Hanley & Leahy, 2008). Thus the primary goal is the long term continuity of exchange between consumer and firms. Hence, the trend of “consumer retention”
emerged so as to increase organization profit and minimize both cost and consumer switching. Christopher, Payne, & Ballantyne (1991) accorded that the function of relationship marketing is all about acquiring and retaining consumers. Therefore, consumer retention is that part of relationship marketing where manipulating the relationship enables the consumer and firm to get the benefit through long term relation and giving repeat business.

**Defining Consumer Retention**

Different authors and research scholars have defined consumer retention in their own way. No single definition can be derived however, in general sense, “Consumer Retention means long-term healthy relationship between the firm and consumer”. Oliver (1997) defined consumer retention as “deeply held commitment to re-buy a preferred product and service consistently in the future, despite situational influence and working efforts having the potential to cause switching behaviour”. Another description given by (Kassim & Soudien, 2007) is that consumer retention is the future propensity of the consumer to stay to their service provider”. Yet another definition was given by (Motiwala, 2008) where “maintain the existing consumer base by stabilizing good relations with all who but the companies product” [In, (Murugan & Sudhahar, 2014); (Inkumsah, 2013)]. Moreover, it has been described that for the success and the survival of the firm companies practice consumer retention in order to gain the competitive advantage in the market. Therefore, business firms should focus consumer retention rate which has gone up to a higher level of market penetration in a short period of time in the highly competitive telecom market. Airtel is one of the best examples proving the above statement. This firm started its business in early 1990s and with the two decade of leap this firm is ranked among the top telecom service provider in the world having the highest consumer base in India.

**Why the focus should always be on retention?**

We all know that when someone trots out the old saying “the consumer is king” they are trying to convince us – if any convincing were necessary – those businesses rely on consumers and that without them there would be no business.

Consequently, regarding the consumer as “king” is pretty good advice – in most cases that is. It is also essential to keep in mind that consumers are different. Some spend an awful lot of money with your business, others less so. Some have a great relationship with you and, apart from letting them down badly by, for instance, foisting inferior products or services on them or hiking up prices with little justification, are likely to remain loyal. Other consumers may be happy to take their business elsewhere at the drop of a hat if they detect a better deal, without giving you the opportunity to persuade them to stay. Some consumers are indeed “king” while others are important, yes, but by no means indispensable and certainly not deserving of their “royal” status.

The focus should always be on retaining the consumers firm would like to retain. It cannot be achieved without a strategy, being proactive, being vigilant as to those consumer’s behaviours, attitudes and desires. How many organizations are guilty of ignoring the loyal consumer base which brings in the money, while engaging in expensive and time-consuming campaigns to attract new consumers? Emerald group publishing limited (2010) further described that new consumer has to be attracted, but not at the expense of current consumers.

Report by Emerald Group publishing limited in 2010 on strategic direction highlighted that consumer retention is not something which just happens. It is a strategy that has to be designed, considered, monitored and improved. It is costly, too, and that is another reason why all consumers cannot be regarded as “king”. Some existing consumers are worth more than others (EGPL, 2010) (Gupta, Kim, & Sharma, 2014).

It has also been argued that the cost of acquiring new consumers can be up to five times more expensive than maintaining existing consumers (Bauer, Grether, & Leach, 2002). Furthermore, maintaining existing consumers is cheaper than maintaining newly acquired ones (Harris & Goode, 2004); (Reichheld, Markey, & Hopton, 2000); (Reichheld & Schefter, 2000); (Tsai, Huang, & Jaw, 2006).

Therefore, consumer retention has become important in this competitive environment. In facing high competition service providers continually seek out various drivers of consumer’s retention. With increased competition and increased consumers expectation in the marketplace, service providers must focus on identifying, understanding, nurturing and retaining their consumers (Anderson & Srinivasan, 2003) and (Reichheld & Schefter, 2000).

As for keeping the consumer satisfied, many people yearn for the days when a consumer’s relationship with an organization was far more personal than it is today. Once it was common for a shopkeeper to know every regular consumer’s name. No mean feat when you consider that trader might have had a couple of hundred or so consumers. That “personal touch” can be retained. These days the trader does not have to have such a fantastic memory. He can have a database to keep in touch with thousands of them. What many organizations tend to do is only get in touch with them when they want to sell them something else; in other words when they want more money from them. An electronic version of the “old days” greeting of “How are you?” would not go amiss so far as consumer loyalty and retention is concerned.
Role of Consumer Retention in Telecommunication

When we talk about mobile telecom services, rapid changes in the reforms and market have increased the type of service offered on subscription basis in different service sector where consumer retention is of major concern. Due to advancement in technology and increased mobile network penetration, maximizing consumer retention has become the need of hour for the mobile service provider in India. Past researchers have focused on how to acquire more subscribers (Ahn & Han, 2006) and even there is limited research being done to define the factors which motivate the consumer to be loyal and therefore further studies are required into how to sustain and retain consumers.

According to (Amulya, 2013) mobile phone services are viewed as a commodity by consumers all over the world. He also expressed that in the case of a new market, the cell phone service providers concentrate more on consumer acquisition at the cost of service quality and retention. This has led to a buyer’s market where they are motivated to get the best deals possible during the sign-up phase of their relationship with a service provider. Moreover, majority of consumers are often interested in changing their service provider as soon as they get better deal to reduce monthly charges.

As the study confirms that consumer lifetime value gets influenced directly by the consumer retention in long term. It is indeed more profitable for firms that seek to pursue growth and sustainability or those that seek to protect themselves from market shrinkage resulting from a contracting economy. The study also confirms that consumer retention is important when loyalty is declining and sales cycles are infuriating the business environment. Under these circumstances, losing a consumer would impact significantly on the organization’s profitability and growth.

However, there are also differences in the strategic choices of both acquiring and retaining consumers. Many studies have confirmed that it is more expensive to acquire a consumer than to retain the one, and thus effective consumer retention strategy becomes crucial for the company to get success in the highly competitive business environment such as telecom service sector (Ghazali, 2011).

Three reasons, identified in research done by U.S. Chamber of Commerce, as to why your consumer’s may leave you, are 68% leave because they are unhappy with the service they receive, 14% are unhappy with the product or service, and 9% decide to use a competitor (Beard, 2014 ). Another study conducted by (Shukla, 2004) confirms that companies worldwide lose their half of the consumers in five years. But managers fail to understand the reasons why are they losing their precious consumers. Whereas it is very essential to address this issue of retaining consumers because climbing switching rate is one of the major threats to a business existence (Shukla, 2004). According to (Reichheld F. F., 1996), analysing and searching the root cause of switching or customer departure, companies with the desire and capacity to learn can identify the business practices which can allow them to win the consumer back and re-establish the relationship to stem the decline and build a successful enterprise.

In the telecommunication sector, it is well said that once the consumer is being acquired by particular service provider, their long term relationship plays an important role for the success of the organization. Hence, consumer retention has been considered as the most reliable source for taking competitive advantage, superior performances and for success and survival of telecommunication industry in today’s competitive market. Therefore, to improve consumer retention companies need to organize various activities to know about the consumer’s ever changing perception. By keeping this in mind, consumer retention is vital in telecom sector because every year service operator loose about thirty percent or more their subscriber and spend huge amount on consumer acquisition. Hence, it is very important for service providers to design well operative strategies to retain the consumers.

Key Determinants of Consumer Retention

With regards to drivers of consumer retention, consumer satisfaction is widely regarded as the leading and the most important factor predicting consumer loyalty and behavioural intention to purchase, in the competitive environments (Emanuelsson, Erik and Uhlén, & Skoglund., 2007). However, it is quite interesting to know that consumer satisfaction has been generally assumed to be a prerequisite to consumer loyalty but it does not automatically predict loyalty. Numerous past studies have established imperfect correlations between consumer satisfaction and consumer loyalty, and the strengths of the relationship between these two constructs remains extremely questionable (Balabanis, George, Reynolds, Nina, Simintiras, & Antonis, 2006); (Emanuelsson, Erik and Uhlén, & Skoglund., 2007); (Gremler, 1995). Studies suggest more factors contributing to the variations in consumer retention than consumer satisfaction alone. Consumer satisfaction is not sufficient to retain consumers, due to the fact that satisfied consumers often still seem to defect (Reichheld F. F., 1996).

There is always an upward trend in marketing toward building relationships with consumers and it is continuously growing at a faster pace, and studies also confirms that marketers have become even more interested in retaining their consumers for the longer run. There is no surprise that the satisfaction has been identified as a key determinant in consumer’s decisions to keep, drop or discontinue a given product or service relationship by many practical and theoretical models.
of consumer retention (Bolton, 1998); (Boulding, Kaira, Richard, & Valarie, 1993); (Rust & Zahorik, 1993); (Zeithaml, Berry, & Parasuraman, 1996). Indeed, the research conducted by (Reichheld F. F., 1996) identified that the consumer satisfaction measures have accounted for up to 40% of the variance in models of consumer retention.

Over the years, the consumer satisfaction has been defined by many authors in many ways. Oliver (1997) says “satisfaction is the consumer’s fulfillment response. It is a judgment that a product or service feature, or die product or service itself, provided (or is providing) a pleasurable level of consumption-related fulfillment, including levels of under or over fulfillment.” Another traditional definition of satisfaction by (Tse & Wilton, 1988) is, “the consumer’s response to the evaluation of the perceived discrepancy between prior expectations or some other norm of performance and the actual performance of the product as perceived after its consumption.” Similarly, (Anderson & Maty, 1993) suggest that satisfaction can be “broadly characterized as a post purchase evaluation of product quality given pre purchase expectations.” These definitions suggest that consumer satisfaction has primarily focused on the consumer’s past and current evaluations of the product or service (Oliver, 1997); (Oliver & Winer, 1987).

As market competition intensifies with diminishing consumer loyalty, firms are exploring ways to increase consumer retention (Rizka & Widi, 2013). One strategy that has gained considerable attention from service firms is relationship marketing, which focuses on developing and maintaining successful relational exchanges (Dorsch, Swanson, & Kelley, 1998); (De Wulf, Gaby, & Iacobucc, 2001); (Khan & Rizwan, 2014). By providing a quality relationship, the development and maintenance of close, long-term and mutually beneficial relationships between consumers and service providers can be achieved (Smith, 1998). Relationship quality results in increased consumer retention while providing a sustainable competitive advantage to the firm that is not easily duplicated by competitors (Roberts, Varki, & Brodie, 2003). Research suggested that consumer’s prior experiences significantly influence their decision to continue their relationship with the firm (Boulding, Kalra, & Staelin, 1999); (Yi & La, 2004), yet consumer decision making also requires individuals to make judgments about what they expect to experience at some point in the future (Lemon, White, & Russell, 2002); (Ratner & Herbst, 2005). Understanding how consumers consider the future relationship is, therefore, very important for consumer retention (White & Venkata, 2007). The effects of expectation of future usage remain unexplored. This is a particularly relevant issue for continuously provided services, since long-term usage is an important purchase criterion for consumers and a critical revenue/profit stream for service firm (White & Venkata, 2007). Exact dimensions making up relationship quality are still debatable.

A study on consumer retention by (Ranaweera & Prabhu, 2003) has noted that there are two principal strategies to build consumer retention. The first is to improve consumer satisfaction, so that the consumer ‘wants’ to stay with the firm. The second is to increase the perception of ‘switching barriers’, which impede consumer switching.

Switching barriers consist of various types and components. One important component is perceived ‘switching costs’, described as those costs, financial and non-financial, including investments of time, money and/or effort, perceived by consumers as factors that make it difficult to purchase from a different firm (Gremler, 1995); (Guilinian, 1989). While switching cost in telecommunication is an important antecedent of consumer retention, the subject is perceived as challenging in the marketplace where consumer acquisition costs are higher and the relative ease with which a consumer can switch to a different service provider. In addition, though perceived switching costs are viewed as an important construct in many research articles, and while there is a growing body of literature on this concept, still relatively little attention has been paid to the construct. Indeed, there is a high degree of vagueness as to its nature as well as a relative lack of understanding of its consequences and dimensions (Burnham, T. A., & Frels, 2003); (Jones, Mothersbaugh, & Beatty, 2002). It has been contended that the ambiguity surrounding the switching costs construct stems from the different way in which the concept is operationalized and measured and this ambiguity merits further research.

Another component of switching barriers is customer relationship management (CRM). This has been increasingly studied in the marketing literature (Morgan, Robert, Hunt, & Shelby, 1994); (Sheth & Parvatiyar, 1995). An intense interest in consumer relationships has also become a part of marketing practices and this gets confirmed when firm’s invest significantly high amount of money in customer relationship management (CRM) systems (Kerstetter, “Software Highfliers,”, 2001); (Reinartz & Kumar, 2002); (Winer, 2001). Consumer retention rates and consumer share are important metrics in CRM (Hoekstra, Leeflang, & Wittink, 1999); (Reichheld F. F., 1996).

Consumer share can be defined as the ratio of a consumer’s purchases of a particular category of products or services from one supplier to the consumer’s total purchases of that category of products or services from all suppliers (Peppers & Martha, 1999). To maximize these metrics, firms use relationship marketing instruments (RMs), such as loyalty programs and direct mailings (Hart, Susan, Smith, Sparks, & Tzoka, 1999). Firms also aim to build close relationships with consumers to enhance
consumer’s relationship perceptions (CRPs). Although the impact of these tactics on consumer retention has been reported (e.g., (Bolton R., 1998); (Bolton & Kannan, 2000), there is scepticism about whether such tactics can succeed in developing consumer share in consumer markets (Dowling, 2002); (Uncles, 1997).

The theoretical context for studying the role of consumer perceived switching barriers to consumer retention and the causal inter-relationships between concepts can be found in the Theory of Social Exchange from the discipline of social psychology (Crosby, Evans, & Cowles, 1990); (Johnson & Selnes, 2004); (Morgan, Robert, Hunt, & Shelby, 1994); (Nielson C. C., 1996); (Patterson & Smith, 2003). Particularly relevant in this respect is Investment Theory, where relationship-specific investments in firms over time increase the perceptions of the cost of switching to and between competitors (Bell, Auh, & Smalley, 2005).

One more important factor considered in our study is “Attractiveness” which refers to consumer’s perception of the extent to which viable competing alternatives are available in the marketplace (Jones M. A., 2000). Where competition is intense, perception of attractiveness is highly relevant as a function of consumer retention (Ghazali, 2011).

Scope of Consumer Retention in Telecom Sector

This study focuses on one of the tremendous growing and competitive sector namely the telecom industry. Globally this industry accounts for various type of business which includes mobile services, content delivery, handsets and infrastructure manufacture/ installation (ECCHO, November, 2009). Telecommunication has become the most important part of our daily life as it is now the part of education, health, business and entertainment. Turnbull et al., (2000); Wayne et al., (2005) define mobile phones as “those telephones that are fully portable and not attached to a base unit operating on dedicated mobile phone network, where revenue is generated by all voice and data transmissions originating from such mobile phones”. Due to globalization, liberalization and technology advancement large number of changes in structure, competition, strategies, techniques and technological advancement has taken place over the last decade which has led telecom industry to take huge leap. These reforms measures and factors have resulted in a very positive manner on the economy in general and mobile phone sector in particular. Therefore, these challenges have led to the development of strategies by the business entity in order to retain the consumers.

A study conducted by (Seo & Ranganathan, 2008) shows that in telecommunication market has seen an unprecedented growth over years, highlighting the concept of retaining the consumer.

Measuring and Maintaining Consumer Retention

The study conducted by (Reichheld & Sasser, 1990) on consumer retention argued that there is large percent of increase in the net present value of consumer due to slide percent increase in retention rate. This highlights that we can measure consumer retention in terms of absolute numbers for those who are staying with us for a specific period (one year) as percent of original number. In contrast, measuring of a retention rate may not necessarily be of one year but it depends on the type and nature of business. If we take the example banking industry, an account holder may possess many accounts with a single bank but he will always have a choice to switch to other bank if he is being offered better services.

How to maintain relationship with consumer in order to retain them is the big question which bubbles in the mind of every business entity. Every firm tries to maintain but due to lack of access they miss the opportunity. This has taken place due to the ability and knowledge of the firms and even researches focus on service providers view with little emphasis on the behaviour of consumer to retain them (Davis & Mentzer, 2006) (Hu & Jen, 2010). Organisations usually focus on directing their efforts towards building, developing and maintaining relationship with variety of consumers in different market place. For example Retailers focus to have healthy relations with service provider while service provider looks for relation with consumer (Harrison-Walker & Coppett, 2003). The notion of identifying and establishing and maintain and enhancing and if necessary terminating the relationship with consumers and other link-ups may help service provider in predicting the how the healthy relationship is being established and developed over a period of time (Ulaga & Eggert, 2006).

In this regard many research scholars have put their efforts to define and develop a theoretical relational life cycle in which special care with consumer at each stage is defined (Palmatier, Jarvis, Bechhoff, & Kardes, 2009). Another lifecycle model of buyer and seller relationship as defined by (Dwyer, Paul H., & Sejo, 1987) defines five stages of forming a relation with consumers namely, awareness, exploration, expansion, commitment and dissolution of relationship. Yet another model given by (Kranton & Deborah, 2001) explained the relationship based on networks rather than market of buyer or seller. This means that both service provider and consumer should act strategically in a way that it help in gaining self-interest which lead to the formation of network structure which maximizes the overall relation. How to maintain healthy relationship has also been studied by (Zeithaml V., 2000) in their study where focus is on increasing and managing consumer profitability.
Barnes, Cudeck, Cote, & Malthouse (2001), established a notion which defines relationship bonds with the consumer and bridging strategy with salesperson because consumer may follow them if they join competitor. Other bonds to be made with the consumers include financial, social and structural bond (Berry & Parasuraman, 1991) emotional bond (Gupta, Jain, & Jain., 2009), public bond (Arikawa & Miyajima, 2005) and personal bond (Aaserud, 2006) (Alshurideh, 2010). Service industry have identified that consumer loyalty help the consumer to be more satisfied (Keiningham & B. Cooil, 2007) and every business entity should focus on gaining consumer loyalty in order to make long lasting relationship with consumer. This will act as key for the organization.

In order to stay with consumers in long term concentrating on and retaining them has become the part and parcel of every firm. This will lead to consumer loyalty which will reflect the relational term in which the consumer purchases the product/service frequently due to his/her changing attitude and perception. Hence, it is very important for each and every firm to study the loyalty concept and frame the strategies accordingly so that firms can build stronger relationships, focus on consumer retention can encourage recommendations and feedback by consumers and can increase their sales resulting in increased profitability and growth (Alshurideh, 2010) and (Beard, 2014).

Consumer Retention Strategies

Every business firm whether small or medium or large has one thing in their mind and that is “CONSUMER RETENTION”. With the increasing acquisition cost, business all over the world needs to define and develop innovate ways and act a proactive role in order to retain the consumers in this highly competitive world. According to (Beard, 2014) consumer profitability will increase over the life of a retained consumer and added incentive for businesses will allocate more resources to sharpen their consumer retention strategies.

It is well said that “the easiest way to grow your consumer base is to retain them for long run”. As studied earlier annually average business firm lose approximately 20 percent and some industries lose more than eighty percent of their consumers because they fail to retain them. The cost here of losing each consumer is staggering but many firms understand the importance of consumer retention and implement the effective strategies which results in success of the organisation.

In Indian Telecommunication sector the consequences of consumer retention is complex, and sometimes unexpected. A tiny change in telecom sector retention strategies can cascade the entire system followed and it can get multiplied over time. This will result in declining long-term profitability and growth of the organisation.

Below mentioned are some of the consumer retention strategies of Telecommunication sector which if implied can cost little but give you additional edge to the service provider in market.

1. Reducing Attrition: Service provider should take steps to reduce the attrition rate by measuring the rate at which the consumers become inactive. Initially these providers invest large amount of time, effort and money in building initial consumer relation but as soon as they face any problem arising from consumer end rather than resolving it they try to end the relationship with consumer and move ahead to concentrate on how to acquire new one. The easiest way to avoid this attrition is not to lose the existing customer but trying to resolve the problems in the best possible way, which will lead to consumer retention.

2. Sell and then Sell Again: In telecommunication sector, once the service provider gets the initial sale, they drop the ball and get content and jump to make new consumers. This led to losing the consumer which just got into a new relation by making the initial purchase. To avoid this service provider should strike the newly formed consumer by resolving their fear of choosing you and presenting them that you are really delighted while dealing with them this will led to give repeat business and increase the consumer base.

3. Bring back the “Lost Sheep”: Service providers can bring the lost consumers by approaching them at the right time, with the right offer. This is because reactivating consumers is easy and quickest way because they know about us and by reminding them about their presence, finding out the reason why they switch, overcoming and resolving their queries will result in reconnection with the consumer which will lead to bounty of sales, increased revenue and creation of loyal consumers.

4. Extraordinary Consumer Service: Service providers should always involve themselves in the never-ending process of being in touch with subscribers. Each and every consumer should always feel satisfied with the services you provide. These should involve dedication by every employee towards consumer satisfaction; providing immediate response; consistent on-time delivery; delivering what you promise before and after the sale; value added services with extra benefits and recruiting outstanding people to deliver your consumer service.

5. Courtesy System: In order to have effective customer relationship management it is very important that the lesson to improve the interpersonal skills of your team is enhanced because once your team form a healthy relation
among themselves then only they will be able to deliver it to consumers. This will involve speaking to colleagues politely and pleasantly, without sarcasm or parody, and treating them at least as well as you would want them to treat your consumers. This will help and change the spirit of organisation employee to feel worthwhile and important, which makes for pleasant social contacts at work. It also motivates them to provide extraordinary service, encourages them to be consistently pleasant in all of their dealings and to relate to consumers in a warm, human and natural manner. This results in better, warmer, stronger, more trusting relationships and longer term bonds with your consumers.

6. **Product or Service Integrity:** Service provider should always provide the consistency in delivering the services. There should not be any deviation of what you say and what you do. The serviceability of your product or service must be of the standard our consumers want, need and expect in exchange of the value. Consumers will get attracted if you are open and honest with them, care for them, take a genuine interest in them, don’t let them down and practice what you preach.

7. **Measure Lifetime Value:** Service provider should always recognise how much combined profit a consumer contributes to our business when they purchase from us again and again, over the months, years or decades, which will help us in realising the importance of consumer retention.

8. **A Complaint is a Gift:** Studies have highlighted that ninety six percent of consumers who are dissatisfied don’t complain they just switch to another service provider. If a service provider frames a system which will unearth the complaints of the consumers then this will be the next very opportunity for service provider to return to the consumer thus providing them satisfaction and delight and in turn retaining them.

**Conclusion**

Consumer satisfaction is regarded as an important factor in consumer retention. However, the relationship between satisfaction and consumer retention is inconsistent. Against such a background, the general goal of this research is to examine the drivers of consumer retention strategy of telecom service industry in India. The future research can focus on various drivers of switching barriers that are important in such competitive environment. Some of the switching barriers include consumer perceived switching costs, customer relationship management and alternative attractiveness. This study has been conducted to develop a theoretical framework for consumer retention strategies which can be measured via three constructs; consumer satisfaction, consumer loyalty and switching barriers (customer relationship management, alternative attractiveness & switching cost). The chosen research context, i.e. consumers of Indian Telecom Industry, is believed to constitute a unique and challenging setting to achieve a clearer understanding of the strategies being used to retain the consumer in Indian Market. It is also believed that examination of consumer retention strategies in the context of Indian Market is important from both academic and practical perspectives.

**References**

Consumer retention strategies for telecom service industry in India: a theoretical....


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