International Journal of Business and General Management (IJBGM)
ISSN(P): 2319-2267; ISSN(E): 2319-2275
Vol. 8, Issue 2, Feb - Mar 2019; 35-42

International Academy of Science, Engineering and Technology
Connecting Researchers; Nurturing Innovations

FACTORS AFFECTING CUSTOMER SWITCHING BEHAVIOR IN INDIAN TELECOM INDUSTRY

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ABSTRACT

The Indian telecom sector is one of the most critical segments in India's growth story-connecting billions of Indian and nurturing many entrepreneurial dreams. With 70 percent of the population staying in rural areas and a telecom penetration of 58.45 percent as of July 2018, the rural market would be a key growth driver in the coming years. Brand switching can be explained as the decision of a consumer to purchase a product of brand different from the current brand used by him. It may be induced by either extrinsic or intrinsic factors. Extrinsic factors mostly include sales promotions, discounts, advertisements, popularity, cost, etc. while intrinsic factors may include boredom, curiosity, desire to try a new brand. The objective of this paper is to build a conceptual model on the basis of various empirical studies done in the past on factors affecting customer switching behavior in the Indian telecom industry. On the basis of a review of various previous studies, the researchers propose an analytical model on the factors which has bearing on the decisions of the brand switching behavior of customers.

KEYWORDS: *Brand Switching, Consumer/ Customer Behavior, Telecom Sector*

Article History

***Received:** 12 Feb 2019* **|** ***Revised:** 07 Mar 2019* **|** ***Accepted:** 22 Mar 2019*

INTRODUCTION

INDIAN TELECOM INDUSTRY

India's telecommunication network is the second largest in the world by a number of telephone users (both fixed and mobile phone) with 1.1179 billion subscribers as on 31 July 2018. It has one of the lowest call tariffs in the world enabled by mega telecom operators and hyper-competition among them. India has the World's second largest internet user-base with 460.24 million broadband internet subscribers in the country.

Major sectors of the Indian telecommunication industry are the telephone, internet, and television broadcast industry. The Indian telecommunication is getting transformed into next -generation network by using an extensive system of modern network elements such as digital telephone exchange, mobile switching centers, media gateways and signaling gateways at the core, interconnected by a wide variety of transmission systems using fiber optics or microwave radio relay network. Telecommunication in India has been greatly supported by the INSAT System of the country.

The Indian telecom sector is one of the most critical segments in India's growth story-connecting billions of Indian and nurturing many entrepreneurial dreams. Over the past years, the Indian telecom market has witnessed overwhelming growth. The increased network coverage, healthy competition and cost centric offering from various providers have served as the catalyst to the growing demand for telecom services in the country. Today, India stands strong as one of the world's fast-growing telecom markets with a user base crossing more than 1.2 billion subscribers with a CAGR of 17.44 percent. India is also the second largest Smartphone market and is expected to have almost 1 billion unique mobile subscribers by 2020.

With 70 percent of the population staying in rural areas and a telecom penetration of 58.45 percent as of July 2018, the rural market would be a key growth driver in the coming years.The Government of India unveiled the National Digital Communication policy 2018 in September 2018. The policy aims to attract US$100 billion worth of investment and generate four million jobs in September 2022.

CUSTOMER SWITCHING BEHAVIOR

Consumer behavior is the study of the various psychological, social, anthropological, economic, demographic, etc. factors that influence a consumer's decision while purchasing a product. It is used to analyze the characteristics of consumers, to predict and understand their needs. The key consumer behavior factors are personal influences like those by friends and family, users of the product and social influences like class, status symbol, occupation, education which play an important role in brand switching.

In marketing and microeconomics, customer/consumer switching behavior means customer/consumer abandoning a product or service in favor of a competitor. Brand switching, as opposed to Brand loyalty, is the outcome of customer switching behavior. Brand switching can be explained as the decision of a consumer to purchase a product of brand different from the current brand used by him. It may be induced by either extrinsic or intrinsic factors. Extrinsic factors mostly include sales promotions, discounts, advertisements, popularity, cost, etc. while intrinsic factors may include boredom, curiosity, desire to try a new brand, etc.

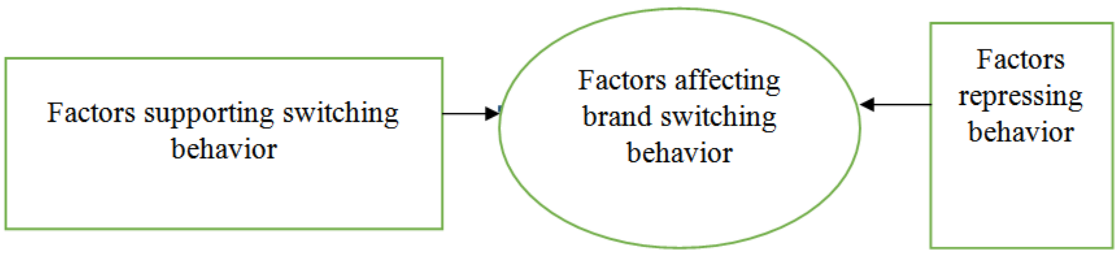

Figure 1: Customer Switching Behavior

FACTORS AFFECTING CUSTOMER SWITCHING BEHAVIOR

- Factors supporting switching behavior: represent one of the two groups of factors that have an effect on consumer switching behavior. These are the factors for e.g. price issue, inconvenience, core service failure etc. have a devastating effect and enable customers to terminate their relationship with the organization and reduce attitudinal and behavior customer loyalty.
- Factors repressing customer switching behavior: These are the factors can be treated as obstacles purposely created or naturally formed while establishing conditions for customers to patronize as long as possible and

preventing them from searching for any other available alternatives. These are variables like economic cost, search and evaluation cost, perceived and uncertainty cost.

According to 2013, Nielson study on customer loyalty brand switching can happen for five reasons but mainly based on price consideration. The overall global averages are:

- Better price (41%)
- Better quality (26%)
- Better service segment (15%)
- Better service (10%)
- Better features (8%)

Due to the dominant rate of pricing, market tactics like penetration pricing have evolved to offer a convincing incentive for switching. Along with these are factors like service inconvenience, poor location, ethical issues like hard selling or unsafe products and changes in consumer's income level. Another approach is the advertisement of vaporware that focuses on new or better features than an established player.

OBJECTIVE OF THE STUDY

The objective of this paper is to build a conceptual model on the basis of various empirical studies done in the past on factors affecting customer switching behavior in the Indian telecom industry.

RESEARCH METHODOLOGY

The study was conducted in the area of Punjab to understand the factors causing brand switching behavior of customers. The following significant factors which have bearing on brand switching behavior of the customers were considered in the questionnaire:

- Price
- Inconvenience
- Service failure
- Customer satisfaction
- Service quality
- Corporate reputation
- Customer loyalty

A total of 697 respondents participated in the study.

ANALYSIS AND FINDINGS

Price: Price is the amount which consumers pays for any product or services while purchasing or using of that product or service. Price plays a vital role in the marketing of product or service. It directly affects sales. Kollmann (2000) also states that prices play a vital role in the telecommunication market especially for the mobile telecommunication service providers. Therefore, service affordability and porting speed ("Push determinants") are one of the main factors influencing the mobile subscriber's intention for switching the service provider. The results suggest there's a significant relationship between "Push determinants" and switching intention. Kotler and Armstrong (2010) found that price has a positive impact on brand switching. Satish et al (2011) explained that price is an important factor which influences consumer purchase decisions.

Inconvenience:-means feeling of dissatisfaction or slow respond regarding associated services or facilitation. These are unethical issues with various conditions like subscriptions of SMS/MMS and Call Packages. Or packages are activated automatically without intimation or intention to the customer, charged an extra amount against subscription of the package (Lee and Cunnigham (2001) and Ahn et al (2006)

Service Failure: Service failure related to many symptoms like network busy, less coverage, call drop, signal strength, service coverage, voice quality mean distortion in the voice of interruption during calls and customer density impacted a lot in switching behavior. Ashraf et al explained the importance of net quality, service quality, and coverage and voice clarity most important factor to customers.

Service Quality: The service quality SERVQUAL instrument has been developed specifically for the service industry. It is very difficult to judge and measure the quality of the service sector. As the general attributes of service quality are tangibles, heterogeneous meaning that their performance often varies with respect to providers and customers? It is seen as a criticalfactor in profitability and thereby a firm's success. Venetis and Ghauri(2000) emphasized that service quality is a mean for creating service differentiation and it also has a positive effect on customer's inclination to buy again and to buy more and become less price sensitive. Service quality is the main contributor to getting customer's satisfaction along with the price. (Serkan and Ozer (2005), Fuha (2005) and Kabir et al (2009). Saunders and Petzer (2010) service quality is considered a positive driver for behavior intention of leaving, switching or retaining. Kothari et al see service quality as differentiation in service which can be seen as a valid point because if all the firms are having the same service quality customers will not have any intention to switch to other service behavior. Wahab et al (2010) indicated a strong negative correlation when service quality is related to brand switching.

Customer Satisfaction: Charlas et al (2012) the ultimate objective of any company is to gain customer satisfaction in order to retain them for long. Customer post purchasing behavior shows that if the product fulfills the consumer need then he will stay loyal and continue to purchase otherwise he will switch.

Switching Cost: It means the cost the customers pay when they shift to use products and service of other operators. It includes not only the study cost that consumers pay to use the services of other operators but also the cost of sacrificing the original phone number, value and accumulated scores of services. Serken and ozer (2005) see the switching cost that deters customers from demanding a rival firm's brand. They further remarked that this can be categorized as economical and financial cost, procedural switching cost and psychological switching cost. Padilla et al (2003) define porting costs as a real or perceived expenditure that is incurred when altering supplier but which are not incurred by remaining with the current supplier. Switching costs fundamentally change the way in which firms behave and markets operate

Factors Affecting Customer Loyalty: Reichheld and Sesser (1990) found a significant association among service quality and customer satisfaction. Churchill and Suprenet (1982) proved that customer satisfaction when their expectation match with what they experience. Parasuraman et al (1988) in the SERVQUAL" model identified five parameters that can be used to understand quality in a service product. The parameters are reliability, responsiveness, assurance, empathy, and tangibility. Morgan and Hunt(1984) concluded than brand trust as an important factor in influencing loyalty

Trust: trust is considered to be a significant factor for cultivating the relationship among the customer and the organization. Morgan and Hunt (1999) emphasized trust make the customers closer to the organization.

Brand Loyalty: Brand loyalty is the purchase response of an individual for one or more alternatives brand over a time period. Brand Loyalty is the choosing particular that brand out of one or more alternatives (Jacob 1971). Jehsen and Hensen (2006) suggested that brand loyal customer will do word of mouth publicity positively.

Corporate Reputation: Corporate reputation is a feature or set of features attributed to a company and created companies past action. Yoon et al (1993) stated that the proposition of a company's reputation and its service offering information collectively decide a customer expectation. Rao (1994), Rindova and Kotha (2001) discussed corporate reputation as a history of customer perception about the company.

CONCLUSIONS

On the basis of a review of various previous studies, the researchers propose an analytical model on the factors which has bearing on the decisions of the brand switching behavior of customers. The organizations have to follow an integrated approach to decrease the switching amongst the customers.

Figure 2: Analytical Model for Studying Brand Switching Behavior of Customers

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