

Factors Affecting Customer Switching Behaviour in the Telecom Industry in Kerala.

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Abstract - The telecom industry in India, particularly in Kerala, has evolved into a highly competitive sector driven by technological advancements, Mobile Number Portability (MNP), and shifting consumer priorities. The rapid market expansion and competitive pricing have increased customer churn. This study investigates the key determinants influencing customer switching behaviour in the Kerala telecom market. A sample of 243 respondents was surveyed, and stepwise regression analysis was employed to assess the relationship between switching behaviour and selected independent variables such as price, network coverage, technology, availability of alternative plans, offers, responsiveness to complaints, service quality, customer care services, and switching cost. The findings reveal that switching cost significantly affect switching decisions. Insights from this study can assist telecom operators in formulating targeted customer retention programs and minimising churn in a dynamic and competitive environment.

Keywords — Customer Switching Behaviour, Telecom Industry, Churn, Kerala

I. INTRODUCTION

Indian Telecom is a high-growth industry and has become the world's fastest and most competitive telecom market (Banik & Sinha, 2020). Following the launch of Reliance Jio in India, mobile user behaviour shifted towards data usage. Many mobile operators have shifted their operations because of non-profitability, mainly because of the loss of their consumer base. Mobile industries must use a strategy to reduce consumer churn to ensure the company's long-term progress (Bhale & Singh Bedi 2020). To reduce churn, a thorough understanding of factors leading to switching is necessary. Customer churn in India has accelerated due to fierce competition among players and the introduction of Mobile Number Portability. Telecom operators face two types of financial losses when a customer churns 1. Loss of revenue 2. Loss of investment in acquiring the customer. A longer and more efficient way of reducing attrition is to be able to understand the pattern of customers prior to churning, finding out the reasons for the same and designing the strategies to prevent churn. This is a reactive measure to reduce attrition (Geetha, Jensolin & Abitha Kumari, 2012). Customer attrition in the cellular service is a serious problem across the globe and it causes a huge revenue loss to the service provider. Any customer signing a new subscriber is probably coming from a competitor. In this situation, the intention is to retain our existing and profitable customers and to increase our subscriber base. Several studies on consumer switching behaviour have identified different determinants of switching. But the studies were undertaken in settings outside Kerala's telecom sector. This scenario warrants a context-specific study that will contribute, in one way or another, to clarifying this ambiguity.

STATEMENT OF THE PROBLEM

The telecom sector has witnessed remarkable growth over the past two decades, transitioning from a monopolistic structure to one of the most competitive markets in the world. The survival and growth of telecom firms depend on the pool of customers it has and their ability to retain them. Brand switching has become common due to MNP, and it undermines profit maximization. There is often not just one single reason for a customer to switch services. The factors that lead to the final decision to switch have to be recognised, and the company's need to adjust its actions to them (Panama, Ugiagbe & Aguwamba 2023). However, a large number of studies were conducted to study the factors affecting brand switching of telecom customers and their findings not totally relevant to a typical economy like Kerala. Therefore, it is expedient to carry out a context-specific study. The main objective of this study is to empirically investigate the factors that influence customer switching behaviour in the telecommunication industry in KERALA.

REVIEW OF LITERATURE FACTORS AFFECTING CUSTOMER SWITCHING

Several studies have been conducted to analyse the factors influencing customer attrition. Telecom services are now in the saturation stage. Mobile companies are facing severe churn problems due to mobile number portability, allowing users to switch mobile phone carriers without changing their mobile numbers (Hao-En-chuch, 2011). Indian telecom industry is facing a huge problem of customer attrition network and services, tariffs, technology, advertising, reward programs, and external factors are the main reasons

for customer switching (Chandra & Bhandari, 2015). Complaint management, multi-brand attitude, factors other than pricing, service quality and the moderating effect of multi-brand attitude can influence customer churn (Triyafebrianda & Windasari, 2022). Tariffs, product offerings, Transparency, and personal characteristics influence churn. Enhancing customer service quality, improving customer-based approaches, and offering customer-oriented services can increase satisfaction levels and reduce churn, and implementing attractive reward programs for current and loyal customers can help increase retention rates. Mobile models do not affect churn decisions; young customers are likelier to churn than old ones. And pre-paid customers are more likely to churn than post-paid customers. (Hamelin, Nassali, & Hacar, 2010).

Connectivity of network, customer service, tariff of mobile services, variety of plans, value-added services, and technology are the factors that customers consider in their decision-making process while selecting a mobile service package. (Tripathi & Siddiqui, 2010). The key factors that significantly influence consumer churn are digital experience, service delivery, consumer interaction, monetary benefits, and product promotions (Bhale & Singh Bedi, 2020).

The active usage of mobile money services acts as a mediator between customer satisfaction, trust, and customer continuance intention. Mobile operators can prevent churn by offering mobile money products and services that cater to customers' daily needs services (Yeboah-Asiamah, Nartech and Mahmoud & Manhumoud, 2018).

The specific factors leading to customer attrition are the functional capability of handsets, membership card programs, and customer status (Jae-Hyeon Ahn, Sang-Pil Han & Yung-Seop Lee, 2006).

Customer tenure, usage intensity, and age are the main factors that reduce the negative effect of price increases on the customer's decision to churn (Somosi, & Stiassny et al, 2021)

Customer service factors, call quality, billing, and brand image affect churn intentions and loyalty. (Uner, Guven & Tamer Cavusgil, 2020)

Customers churn for a variety of reasons competitive pricing, network service, quality, discounts, and promotions are the primary reasons. The influence of social networks on leaving a service is important. When people leave service, they also influence the social circle around them with their actions (Marcos P B, Jse L. M.M., 2018)

Service delivery or service performance is the major factor affecting customer experience for cellular mobile services, so, the service providers must stress on perfect service delivery. Service delivery consistent with the quality of voice service, network coverage, data connectivity, and speed are also important in customer retention (Sujatha Joshi 2014). In a study, it was found that switching costs and value-added services do not affect customer churn. Customer satisfaction is the main factor in reducing churn, satisfying customer expectations significantly affects customer satisfaction (Refaie, AL-Tarawneb, & Nour Bata, 2018). In a study conducted in the Danish Telecommunication industry, it was found that age is an

important factor influencing churn and the service provider should upgrade subscription plan offers to retain existing customers and focus on service quality, customer satisfaction, and network coverage (Saleh, Saha, 2023). A study to analyze customer churn determinants in an ISP company in Indonesia found that service quality and switching cost have no direct relationship with customer churn (Salma, Aprianingsih, 2021). The major and most often the cause of churn is non-satisfaction with the service by a provider or more affordable and enhanced service by a competitor. Customer initiated churn is complicated and factors for churn vary for each customer (Ahmed, & Maheswari Lien, 2017). Customer acquisition and customer attrition are accountable for service growth. The firm should determine the optimum acquisition and retention spending that maximise customer equity (Ben Rhouma and Zaccour 2017). Proactive education could be an appropriate means of building positive mental frames to reduce churn. (Becker, Spann and Barrot, 2020). In a study conducted to analyse consumers switching behavior, explores the applicability of the push-pull-mooring (PPM) paradigm to service switching. It provides a unifying framework for understanding consumers switching behavior. The study found that there are push variables, variables at the origin that might act to push them away, and pull variables, variables at the destination that might act to draw migrants towards it, and person-specific variables that act either to facilitate or to hamper the migration decision known as mooring variables (Bansal, Taylor & James 2005).

SWITCHING COSTS AND SWITCHING INTENTIONS OF MOBILE SERVICE USERS

Switching costs are one time costs that customers associated with the process of switching from one provider to another. These costs are seldom explicitly assessed, but became evident when consumers are faced with a reason to consider switching. There are three types of switching costs, procedural switching costs, financial switching costs and relational switching costs and these are affected by market characteristics, consumer investments and domain expertise (Burnham, Frels & Mahajan 2003). Switching intention in a service context refers to the likelihood of changing from the current service firm to another. IMC - Integrated Marketing Concept – advertising and sales promotion have effects on consumer behaviour, which affects switching intention. By working on these concept company will be able to create brand awareness, brand personality and brand image which influences customer expectations, increases customer satisfaction, continuance commitment and switching cost. (Thaichon & Quach (2016). The customers care more about distributive justice of a loyalty program, it means how costs and rewards are shared by group members. So the prices, loyalty rewards and the basis of the loyalty programs should be more distinctive to limit the switching (Babri- Ammari, Bilgihan 2017) A study conducted in Ghanaian telecommunications industry found that there is a significant relationship between service quality and switching intention and service providers ensure good service quality as it can increase the market share and profitability (Ofori, Harbi-siaw & Addae 2015). Brand personality plays a pivotal role in consumer switching behaviour in the mobile industry. (Nikshashemi, Valaei, Tarofder 2017).

The following are the major factors affecting customer switching behaviour identified from a review of the literature: price, network coverage, technology, and Number of alternative plans, response to complaints, offers, service quality, customer care services, and switching costs.

RESEARCH METHODOLOGY

The study was descriptive and analytic in nature. The study population comprises mobile users who have switched their service providers at least once within Kerala. A total of 243 respondents were selected as the sample using convenience sampling. A structured questionnaire was used to collect primary data from respondents. Secondary information was collected from journals, telecom reports, and TRAI publications. The tools of analysis are stepwise regression analysis. It is an automated statistical method for building a regression model by iteratively adding or removing independent variables based on their statistical significance. This model employed the backward elimination method, which starts with all potential variables and removes them one by one based on their statistical insignificance.

MODEL SPECIFICATION

$$CSB = \beta_0 + \beta_P + \beta_{NC} + \beta_T + \beta_{NP} + \beta_{RTC} + \beta_O + \beta_{SQ} + \beta_{CCS} + \beta_S + E$$

- Where CSB Customer Switching Behaviour
- β_0 = Constant
- P = Price
- NW = Network Coverage
- T= Technology
- NP = Number of alternative Plan
- RTC = Response Towards Complaint
- O= Offers
- SQ= Service Quality
- CCS= Customer care services
- SC = Switching Cost
- E = error term.

ANALYSIS AND RESULTS

Interpretation of the stepwise regression analysis results

Model summary

model	R	R Square	Adjusted R Square	Std. error of the Estimate
1	.495	.245	.241	.733239

Predictors (constant) SWITCHING COST
 Dependent variable. CUSTOMER SWITCHING BEHAVIOUR

The Table above shows that switching cost (SC) explains 24.5% of the variance in customer switching behaviour, which is a moderate level of prediction. The adjusted R²= 0.241, confirming the model is reliable

ANOVA

MODEL 1

	SUM OF SQUARES	df	MEAN SQUARES	F	Sig
Regression	3799.136	1	3799.136	70.663	<.001 ^a
Residual	11720.551	218	53.764		
total	15519.686	219			

Dependent variable. CUSTOMER SWITCHING BEHAVIOUR

Predictors. (Constant).SC

The ANOVA results show that the regression model is statistically significant (F= 70.663, P<.001). This means that the predictor variable switching cost significantly predicts customer switching behaviour and the model performance is good.

COEFFICIENTS

MODEL	UNSTANDARDIZED B	COEFFICIENTS STD ERROR	STANDARDIZED COEFFICIENTS Beta	t	Sig
constant	12.016	2.536		4.739	<.001
Switching cost	.219	.026	.495	8.406	<.001

The regression equation

$$CSB = 12.016 + 0.219 (SC)$$

The coefficient B =.219 means for every one unit increase in switching cost, customer switching behaviour increases by 0.219 units. The standardised coefficient B = 0.495 indicates switching cost has a moderate influence and is the strongest predictor

Excluded variables

model	Beta In	t	Sig.	Partial Correlation
price	-.088	-1.497	.136	-.101
Network coverage	.044	.071	.944	.005
technology	-.023	-.398	.691	-.027
No. of alternative plan	-.084	-1.425	.156	-.096
Response towards complaints	-.064	-1.074	.284	-.073
offers	-.072	-1.209	.228	-.082
Service quality	-.106	-1.798	.074	-.121
Customer care services	-.101	-1.711	.089	-.115

This table lists variables that were initially entered but removed from step wise regression because they did not significantly improve the model. Since p>.05 none of the variables showed a significant contribution. Service quality and customer care services were close but not significant. This confirms that switching cost was the only significant predictor of customer switching behaviour.

DISCUSSION

The purpose of this study was to identify the factors that lead to customer switching behaviour in the mobile telecom industry in Kerala. According to the existing literature, the following factors are found to be major influences on customer switching: price, network coverage, technology, number of alternative plans, service quality, customer care services, response to complaints, and switching costs. But the findings of the study provide a different situation. Stepwise regression analysis revealed that switching cost was the only significant determinant of customer switching in Kerala. This indicates that customers in Kerala are likely

to switch when the perceived costs- financial, procedural, and relational are low. Price and network coverage are found to influence customer switching (Banik and Sinha, 2020; Bhale and Bedi 2020) did not show statistical significance in KERALA. Service quality and customer care services were close to significance; consider these factors are important, but not enough to affect switching independently. This aligns with a previous study, service quality affects satisfaction, which in turn affects customer switching (Joshi, 2014; Geetha and Jensolin, 2012).

The study provides that more competitive and saturated telecom market in Kerala, switching cost plays a major decisive role in customer switching.

CONCLUSION

The study tried to find out the key determinants of customer switching in KERALA's mobile telecom sector. As per step-wise regression analysis, switching cost emerges as a key determinant of customer switching behaviour. Variables such as price, network coverage, technology, and number of alternative plans, response towards complaint, offers, customer care services, service quality and switching cost are significant in previous studies and are found to be insignificant in Kerala's context.

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