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Customers' Switching in Mobile Phone Service Providers in Pakistan

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ABSTRACT

Customer's loyalty leads to long-run profitability of an organization, which is a base for retaining the loyal customers. Marketing strategies pertaining to customer loyalty / satisfaction are examined for five major mobile services providers in Pakistan. 292 respondents were randomly selected. The inclusion criteria are mentioned in the section 3. Results reveal that Ufone has a maximum market share of 48.3%, Telenor has 17.1%, and Zong has 14%. Mobilink and Warid have a market share of 5.8% and 8.9% respectively. Customer satisfaction ultimately results into customer retention.

Key words: *Mobile phone service providers, market share, satisfaction, customers, brand loyalty, Pakistan*.

1. INTRODUCTION

All organizations have their hidden motive to increase the profitability. Successful organizations are attracting customers by raising their expectations and are delivering performances over and above the customer expectation levels. Successful organizations are investing heavily on promotion to increase the customer expectations and are devising their strategies to delight the customer. In customer satisfaction process, if the performance falls short of expectations, the customer is dissatisfied. If the performance matches the expectations, the customer is satisfied. If the performance exceeds expectations, the customer is highly satisfied or delighted. Long-run satisfaction leads to customer retention / loyalty. Customer attraction, satisfaction and retention have become a hard task in today's competitive environment. Mobile phone market in Pakistan is highly competitive. Market comprises Mobilnk, Ufone , Telenor, Warid and Zong. Previously Mobilink being the pioneer was the market leader, now the scenario has changed. There is a fierce competition in the segment. Companies are investing heavily to raise customers' expectations and to tangibalize their services quality.

Teledensity in Pakistan has reached to 59.80% (PTA-May 2010). Total number of mobile phone users is 98million. All mobile phone operators have shown customer wise growth trend, while only Ufone has registered a profit of Rs. 1.70billion for the year ending June 2009. This non-profitable trend is due to decrease in average revenue per user (ARPU). In 2003 ARPU was US$9 per month, which has now decreased to US$2.48 in 2009. Out of 98 million users, 98% of the teledensity is enjoying the pre-paid connections and majority of the pre-paid connections are used by low income group. Keeping in view the current situation of the market it is inevitable that mobile phone service providers should evolve their marketing strategies to attract maximum number of the customers, by using effective CRM strategies for customer satisfaction and retention.

This paper focuses on customer satisfaction parameters by analyzing the relationship the claims made by mobile service providers' and customers' perception / trust after use. This paper focuses on the following dimensions of customer satisfaction and trust.

- Average mobile expenditure of the customer's on mobile phone usage per month.
- Duration for the current usage of particular brand.
- Level of customer's satisfaction on their mobile phone service providers
- Future intentions of the customer's regarding switching or retaining their brand etc.

The paper is organized as follows: after introduction which is provided in Section 1 above, literature review is carried out in Section 2. Methodological framework is explained in Section 3. The estimation and interpretation of results is mentioned in Section 4. Section 5 concludes the paper.

2. LITERATURE REVIEW

Ranaweera and Prabhu (2003) have concluded that customers' satisfaction, trust and switching barriers play a major role in customers' retention. They adopted a holistic approach that examines the combined effects of satisfaction, trust and switching barriers on customer retention in a continuous purchasing setting. Islam (2008) has highlighted several factors for building the customers' satisfaction and customer loyalty. Trust is the major determinant for this. In addition to trust, switching cost & corporate image are responsible for customer loyalty and satisfaction in mobile phone operator industry in Bangladesh. Oyeniyi and Abiodun (2009) argues that customer satisfaction positively affects customer retention and that switching cost affects significantly the level of customer retention. Bhatty *et al* (2001) has argued in the same context, and added some other factors like staff attitude and availability, delivery on promises, accurate product information, ability to handle problems, consistency and meeting expectations are the major drivers for building a long term relationship with the customers. Customer satisfaction depends on how customers perceive service quality. Researchers studying customer satisfaction related to retention behavior in wireless service markets identified three pertinent factors—call quality, price, and customer support. In a telephone survey of wireless service customers in Germany, Gerpott *et al.* (2001) found that network quality and price were significant in affecting customer satisfaction, but not customer support, while Kim *et al.* (2004) in a survey of South Korean customers found that call quality, value-added services and customer support were significant, but not price, handset, and convenience in procedures. Berry (1995) has mentioned that quality of services, increased recognition of the potential benefits for the firm and also for the customers, along with technological advances are the main contributors of trust in Services Marketing.

Trust is considered as the most important factor for building long-term relationships, for enhancing customer loyalty. Bolton et al (2000) has questionably highlighted that loyalty reward programs have positive impact on customers' evaluation and behavior. These loyalty programs help in increasing the duration and usage levels. Customer satisfaction is the key to customer retention. Dissatisfied customers will switch-over to other services. Seo *et al* (2008) has mentioned that switching cost plays a significant role in customer retention. Switching costs include all costs incurred by the customer when a customer switches between different brands of products or services. Switching costs consist of loss and gain costs. Loss costs occur when customers leave their service provider, while gain costs occur when the customer starts to subscribe to a new service or gains a new product. Organizations can increase loss costs to retain customers and manipulate gain costs to attract new customers. According to Becker *et al* (2009), CRM activities have got positive impact on the customer and company's relationship. Eshghi *et al* (2007) continued with the same argument and suggested that providing better service can lead to increased customer satisfaction and ultimately will reduce the need to look out for the new customers. Liang and Wang (2008) give this aspect of the CRM a new dimension by arguing that suppliers' efforts can lead to trust building. Suppliers / services providers have to sacrifice for the customer satisfaction. Jan and Wajidi (2007) have highlighted offering of various packages as a major tool to survive the competition and to increase the market share. Besides this instant connectivity and low call rates are also important to attract and retain maximum number of customers. It is also emphasized that the mobile phone service providers should understand customers' behavior and preferences.

This particular study is being undertaken to determine the trust as the major factor for customers' attraction, retention and satisfaction for the mobile phone service providers in Pakistan. At this moment five mobile service providers are operating in Pakistan, namely Mobilink, Ufone, Telenor, Warid and Zong. These companies are sharing a market ratio of 31.5%, 19%, 23%, 19.4% and 7.1% respectively. According to the data of June-Nov. 2009, Mobilink and Telenor has increased their market share. This also shows that the four major competitors are running neck to neck. It is very difficult to attract, retain and satisfy the customers in this very competitive environment. It is the element of trust (believability) that can make a significant difference in building a long term productive relationship with the customers.

3. MATERIALS AND METHODS

To find out the loyalty status and satisfaction level, 292 University students between the ages of 18-25 years were randomly selected. A structured questionnaire was used. Out of 292 respondents only 17 respondents gave incomplete information, therefore they were excluded from the study. In Pakistan, there are five (5) cellular phone services providers, namely Mobilink(1), Ufone(2), Telenor(3), Warid(4) and Zong(5). Respondents were divided into five groups on the basis of their monthly expenditure on mobile phone usage.

Group 1(Rs. 1-500), group 2 (Rs. 501-1000), group 3 (Rs. 1001-1500), group 4 (Rs. 1501-2000) and group 5 (Rs. 2000 and above). Data was also collected for the customers, who have used any particular service (out of five) at beginning and if changed as the current users. Duration for the current usage was divided into group-I(less than one year), group-II (1 to 2 years), group-III (2 to 3 years), group-IV (3 to 4 years) and group-V (more than 4 years), respectively. Satisfaction level was determined as highly satisfied, satisfied, average, dis-satisfied and highly dis-satisfied. Future intentions for changing the current services were also explored as, to continue with the current network, thinking about to change, not yet decided and others mixed opinion. Only two options were given to the respondents whether they will recommend their present services provider to the peers as yes or no.

4. RESULTS AND DISCUSSION

The data was analyzed through Statistical Package for Social Sciences (SPSS-10), and was tabulated below as per criteria mentioned above in materials and methods. The respondents were divided on the basis of gender, monthly expenditure of mobile usage, users of the first and if changed, then current users, duration of usage for the current package, level of satisfaction, intentions for the future usage and if satisfied enough then recommendation for the usage to the peers.

Table 1: Respondents' Classification on Gender Basis

GENDER (M 1, F 0)

		Frequency	*Percent*	*Valid Percent*	*Cumulative Percent*
Valid	0 (F)	92	31.5	33.5	33.5
	1 (M)	183	62.7	66.5	100.0
	Total	275	94.2	100.0	
Missing	System	17	5.8		
Total		292	100.0		

Table 1 reveals that there are 292 sample respondents, out of which 17 has not answered all the questions, therefore, missing entries in a system are 17. Total 275 respondents are answered the questions, out of which 92 are female while 183 are male.

Table 2: Monthly Expenditure on Mobile Phone Usage Basis

		Frequency	*Percent*	*Valid Percent*	*Cumulative Percent*
Valid	1. Rs. 1 - 500	164	56.2	59.6	59.6
	2. Rs. 501 - 1000	68	23.3	24.7	84.4
	3. Rs. 1001 - 1500	14	4.8	5.1	89.5
	4. Rs. 1501 - 2000	21	7.2	7.6	97.1
	5. Rs. 2000 and above	8	2.7	2.9	100.0
	Total	275	94.2	100.0	
Missing	System	17	5.8		
Total		292	100.0		

Table 2 illustrates the monthly expenditure of mobile usage per person. Monthly expenditure was divided in five categories. '1' indicates the range of Rs. 1-500; '2' indicates Rs. 501-1000; '3' indicates Rs. 1001-1500; '4' indicates Rs. 1501-2000 and '5' is more than 2000. Table shows that 164 respondents has a monthly expenditure on mobile phone usage is in between 1 to 500. This is almost 60% of the total respondents. Similarly, 68 respondents has a monthly expenditure is in the range of 5001 to 1000. 14 respondents are lying in the 3rd category, where they spend their monthly expense on mobile usage is in between 1001-1500. 21 respondents are categorized in 4th category which is in the range of 1501-2000. Finally, 8 respondents are placed in the fifth category where they spend more than 2000 monthly income on mobile usage.

Table 3: Percentage of Respondents' as First Users

		Frequency	*Percent*	*Valid Percent*	*Cumulative Percent*
Valid	1. Mobilink	68	23.3	24.7	24.7
	2. Ufone	106	36.3	38.5	63.3
	3. Telenor	50	17.1	18.2	81.5
	4. Warid	31	10.6	11.3	92.7
	5. Zong	20	6.8	7.3	100.0
	Total	275	94.2	100.0	
Missing	System	17	5.8		
Total		292	100.0		

Table 3 shows five categories of mobile company's users. '1' shows Mobilink users, '2' shows Ufone users , '3' shows Telenor users, '4' shows Warid users and '5' shows Zong users. Ufone users are almost 36.3%, while Mobilink users are 23.3%, 17 percent mobile users for Telenor, Warid users are 10.6% while Zong has just 6.8%. This table clearly illustrates the preference of mobile phone companies as a first user.

Table 4: Current Mobile Services Users' Status

		Frequency	*Percent*	*Valid Percent*	*Cumulative Percent*
Valid	1. Mobilink	17	5.8	6.2	6.2
	2. Ufone	141	48.3	51.3	57.5
	3. Telenor	50	17.1	18.2	75.6
	4. Warid	26	8.9	9.5	85.1
	5. Zong	41	14.0	14.9	100.0
	Total	275	94.2	100.0	
Missing	System	17	5.8		
Total		292	100.0		

Table 4 shows the current user of the telecom package, which showing the deviating behavior of the consumers after uses telecom packages as a first user. The share of Ufone is greater and almost 48.3%, which snatch the share mainly from Mobilink. Mobilink decreases their share from 23.3% to 5.8% which is drastically decline. Zong surprisingly increasing their share from potential consumers and it is increases their share from 6.8% to 14%.

Table 5: Duration of usage for current package

		Frequency	*Percent*	*Valid Percent*	*Cumulative Percent*
Valid	1 (less than 1 year)	67	22.9	24.4	24.4
	2 (1 to 2 years)	59	20.2	21.5	45.8
	3 (2 to 3 years)	47	16.1	17.1	62.9
	4 (3 to 4 years)	99	33.9	36.0	98.9
	5 (4 to 5 years)	2	.7	.7	99.6
	more than 5 years	1	.3	.4	100.0
	Total	275	94.2	100.0	
Missing	System	17	5.8		
Total		292	100.0		

Table 5 illustrates duration of current user package from less than one year (option 1); 1 to 2 years (option 2), 2-3 year (option 3); 3-4 year (option 4) and more than 4 years (option 5). Table 5 clearly states that 34% current package user use their package from last 3 to 4 years. While option 1 avail almost 23%, option 2 avail 20.2%, option 3 avail 16.1% and finally only 0.7% users use their mobile package from more than 4 years.

Table 6: Level of Satisfaction for the current usage (percentages)

		Frequency	*Percent*	*Valid Percent*	*Cumulative Percent*
Valid	1 (highly satisfied)	68	23.3	24.7	24.7
	2 (satisfied)	146	50.0	53.1	77.8
	3 (average)	55	18.8	20.0	100.0
	Total	275	94.2	100.0	
Missing	System	17	5.8		
Total		292	100.0		

Table 6 shows that maximum number of respondents are satisfied with their current packages, and fall within three categories of highly satisfied, satisfied and average.

Table 7: Future Intention

		Frequency	*Percent*	*Valid Percent*	*Cumulative Percent*
Valid	1 (continue)	168	57.5	61.1	61.1
	2 (thinking about change)	37	12.7	13.5	74.5
	3 (not yet decided)	67	23.9	24.4	100.0
	Total	275	94.2	100.0	
Missing	System	17	5.8		
Total		292	100.0		

Table 7 shows future intention of user for continuing the same package (option-1) or thinking change (option-2) or not yet decided (option-3). 57.5% users are decided not to change their mobile package, this clearly shows that they are satisfied with their current package and they are brand loyal. 12.7% users has thinking change and they want to change their current package while only 23.9% users are not yet decided what to do.

Table 8: Recommend to the other peers

PEER REC.(Yes-1; No-0)

		Frequency	*Percent*	*Valid Percent*	*Cumulative Percent*
Valid	0	93	31.8	33.8	33.8
	1	181	62.0	65.8	100.0
	Total	275	94.2	100.0	
Missing	System	17	5.8		
Total		292	100.0		

Table 8 shows that when the users are satisfied their current package, they are ultimately marketing the same brand to their peers. 62% users are likely to convey their feelings and marketing their current package to some other peers while 31.8% not likely to tell any one about their package.

4.1. Discussions

Companies are seeking for loyal and potential customers for which different tactics like offering low prices, special incentives and also the latest trend of trade shows and the concept of experiential marketing are being used. Do all these tactics matter to create a level of loyalty and satisfaction which may lead to certain level of trust building in the mind of the customers?

By reviewing the available literature related to this to this topic, it can be argued that companies should show empathy for the customers. Did the companies have conducted any proper research to find out the target market for their products? As this paper shows the element of trust as a major determinant of building loyalty and satisfaction in the mobile phone service providers, it is obvious that there is a stiff competition among the companies which are providing mobile phone services in Pakistan namely Mobilink, Telenor, Ufone, Warid and Zong.

As highlighted and discussed by Bhatty et al; (2001), customers prefer certain retailers due to particular reasons. These customers also consider that the retailers should be forgiven for occasional mistakes. It is also highlighted that customers would prefer the retailers already working with over the competition. This is a good reason that the customers are attached with particular customers, but it shold be searched out that why? What are those factors that have built up such level of trust? From the mobile phone service providers perspective certain relationship drivers are being highlighted, which include staff attitude (particularly for CRM purpose), deliver on promises, accurate information, ability to handle problems (again for CRM purpose) and consistency. Furthermore other drivers like staff availability, meeting expectations, and image of the organization also play an important role in building trust in the mind of the customers.

In a developing country like Pakistan, where the market is wide open for mobile companies it has only five players in the field. All these companies should concentrate on the customers; find out the variables that build up the level of trust. Factors discussed earlier, but specifically in relation to the mobile phone service providers, should work out to improve the loyalty and satisfaction level. Eshghi et al; (2007) has highlighted certain factors like access, clarity, innovation, reliability and trustworthiness as the ideal characteristics for determining the customers' loyalty. Certain companies have evolved the element of customer relationship management (CRM), because the importance of customers' acquisition, maintenance and retention has been realized. This is because of the growing competition day-by-day. But the most important factor is the availability of CRM to the customers. Research conducted by Islam (2008) has highlighted that three major factors like switching cost, corporate image and trust as the major determinants of building the customers' loyalty.

5. SUMMARY AND RECOMMENDATION

Mobile phone service providers (MPSP) industry is growing at a very fast rate in terms of the number of customers in Pakistan. It has employed a large number of people, and provides a very quick and cheaper source of communication to the masses. For the time being there are only five players in the market with a very stiff competition. All these MPSPs are providing different packages on regular basis. The big challenge is to attract and retain a large number of customers for a longer period. This particular study is conducted to find out the current market trend in Pakistan, the total number of customers for each MPSP and also switching from one service to the other.

The results show that Mobilink has lost quite a big chunk of customers to Ufone. Furthermore the results also indicate that Mobilink share has decreased from 23% to 5%, while on the other hand Ufone has increased its number of customers from 36.3% to 48.3%. The results also indicate that about 79.7% of the customers prefer to spend less on the mobile phone usage. In terms of satisfaction levels about 50% of the customers indicate that they are satisfied with the current service which is obviously consisting of Ufone customers. All these satisfied customers also tend to use the current service for more than 4-years. Keeping with the same pace and all other indicators 57.5% of the customers responded that they will continue with the same service and package.

5.1. Recommendations

As reviewed in literature and discussed certain factors, can help in building trust, that contribute highly to customers' loyalty and satisfaction. Following are some of the recommendations/suggestions, which can definitely help the mobile companies of Pakistan in building the customers' loyalty and satisfaction:

1. The companies should find out that why the people should trust them and must know the importance of this fact.
2. Capitalize on the unique factors, which should weigh as the major factors.
3. To create factors that should act as the major relationship drivers with the customers for a longer period.
4. To workout on CRM, and practically show to the customers that "YOU ARE # 1".
5. Always deliver on promises specifically for the factors that mainly contribute to the build up of customers' trust.
6. Increase the switching cost, once the customer is bound for a longer period.

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