Brand Switching In Telecom Industry

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Abstract

Due to concentrated competition in telecommunication industry customers of this industry recurrently switch over from one brand to another. This study is going to investigate brand switching phenomenon in outlook of telecommunication industry. This study tried to find out the aspects that made the customer to switch over to a new service provider in telecom industry. The telecom industry is one of the most essential industries of the world. In order to gain competitive advantage as rivalryis getting more and stronger, the companies are bound to innovate and do their best for the customer satisfaction.

Keywords: Telecom industry, customer satisfaction

1. Introduction

The technology in telecommunication industry is booming with fast pace thus carrying the changes in the sizes and forms of network services. Multiple tariffs plans are frequently offered by the network service providers to play in their menu plans and to provide the quality of service. In the telecom industry the service providers try to draw the large number of customers to exploit the consumer's preference heterogeneity. The need to understand that why, customers switch to another service providers have commonly become a key area of study. The switching behavior has to be analyzed to identify the possible drivers leading to customer switching behavior. It's entirely apparent that when a customer decides to switch over to another network they try to figure out that which service provider offers them best. The switching costs also affect the customer switching behavior. The customers switch when they find that their potential savings relatively exceeds switching cost. The deep understanding of the customer's switching behavior in the telecom industry has an important proposition for the service providers.

2. Review Of Literature

It is argued that switching is related to poor service quality in banks (Benkenstein and Stuhlreier, 2004); reaction to high price (Gerrard and Cunniningham, 2004); and customer satisfaction (Bowen and Chen, 2001). In terms of classification, Burnham, Frels and Mahajan (2003), classified switching cost as procedural switching costs, financial switching costs, and relational switching costs. These costs were found to be negatively correlated to consumers' intention to switch service providers. Klemperer (1995) developed three types of switching cost: artificial cost, learning cost and transaction cost. Research evidences indicate that customers can stay with a service provider when they perceived the service quality to be high and behave conversely when the service is perceived to be low (Keaveney, 2001; Jones and Sasser, 1995). Roos, Edvardsson and Gustafsson (2004) and Gerrard and Cunningham (2004),

Switching Cost-Switching costs are the costs that a consumer pays as anoutcome of changing brands, suppliers or products. Although most prevalent switching costs are monetary in nature, there are also psychological efforts and time based switching costs.

Breaking down switching Cost

Successful companies classically try to employ strategies that result high switching costs on the part of consumers to stop them from switching to a competitor's product, brand or services. Many cellular phone carriers charge very high cancellation fees for canceling contracts in hopes that the costs involved with switching to another carrier will be high enough to prevent their customers from doing so.

Types of Switching Cost-

There are three common types of switching costs:

- Procedural — the loss of time and effort resulting from training, service interruptions, troubleshooting, transportation, etc.
- Financial — the loss of money, such as replacement.

- Relational — discomfort experienced by customers of a new supplier when adapting to the change.

These costs exist to various degrees when an organization switches suppliers. For example, when the organization switches from using an existing computer equipment provider to a new one, the change can introduce many time-consuming and costly activities, as well as personal stress.

Switching costs are significant in a highly competitive market with a high level of consolidation; however, they are relatively low in a fragmented market with no dominant players. A market that consists of suppliers with specialized products and few substitutes would incur higher switching costs than a market with undifferentiated products and many substitutes.

Consumer decision making process is usually guided by already formed preferences for a particular alternative. This means that consumers are likely to make the choice between alternatives based on limited information search activity and without detailed evaluation of the other alternatives (Alba and Hutchinson, 2000; Chernev, 2003). The researcher found that many decision strategies used by consumers can change due to person, context and task specific factor (Dhar,Nowlis and Sherman, 2000).It is widely accepted that the traditional problem solving approach involving, rational decision making to the study of consumer choice may not be suitable for all situations, or is at least incomplete understand choice behavior. Limited information search and evaluation of alternatives led to a situation in which consumer choice is also driven by hedonic considerations (Dhar and Wertenbroch, 2000).

According to Li (2008), five emotions perceived by customers as below are satisfactory:

(1) Satisfaction: the products can be accepted or tolerated;

(2) Content: the products bring people with a positive and happy experience.

(3) Relieved: the products remove people's negative state.

(4) Novelty: the products bring people with freshness and excitement.

(5) Surprise: the products make customer unexpectedly pleased.

3. Objectives Of Study

The basic purpose of this study is to determine the factors that influence the customers to switch from their particular service providers to others and to know the problems generally faced by the customers and their satisfaction towards the different cell phone service providers.

4. Strategies Of Telecom Sector For Business Success

For these service provider industries should segment their customers on the basis of loyalty and profitability. Their characteristics are-

- **Butterflies-**Good fit of company offering and customer needs.

High profit potential

Actions: Aim to achieve transactional satisfaction, not attitudinal loyalty.

Milk the accounts as long as they are active.

Key challenge: cease investment once inflection point is reached.

- **TrueFriends-**Good fit of company offering and customer needs.

Highest profit potential.

Actions: Consistent intermittently spaced communication.

Achieve attitudinal and behavioural loyalty.

Invest to nurture/defend/retain.

- **Strangers**- Little fit of company offering and customer needs.

Lowest profit potential.
Actions
No relationship investment.

Prioritise every transaction.

- **Barnacles-** Limited fit of company offering and customer needs

Low profit potential
Measure size and share-of-wallet
If share of wallet is low, specific up and cross-selling
If size of wallet is small, strict cost control

5. Factors Effecting Brand Switching In Telecom Industry

Value for Money-One of the major reasons for brand switching is "not enough value" being provided by your brand against the price being offered to the customer. This value can be monetary, it can be an emotional value or it can be targeted towards the buyer. Increase the value offering to stop the customer from brand switching.

Marketing mix – A very basic concept but one on which a complete company can be built. Many companies in their marketing mix have kept the price very high, or by having an inferior product, or by not reaching the proper distribution channel. The people of the company matter too. Hence, marketing mix can be one of the reasons for brand switching by customers. If price is too high, a low cost variant can be offered. Similarly, if product is premium, then there is a need to reach the premium channel of distribution.

Improper service- Offer proper service to your customers, so that they don't switch brands. Sometimes the response of customer support is not proper or else there is no customer support.

Outdated tariff plans or connection speed– A brand is made by innovators and technology is the one thing which immediately attracts the innovator type of customers. Hence, if the technology or tariff plan or the speed and connectivity are outdated, it is highly likely that customers might switch to other brands.

6. Conclusion

The present paper identifies factors affecting the consumer brand switching behavior in telecommunication industry. By providing best value, establishing good relationship with customers through efficient customer services, enhancing brand loyalty and simply by keeping the price fairness of services compatible a telecom service providers can control consumer brand switching behavior and can retain the customers while establishing long term profitable relationship with customers.

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