
Evaluating the Factors Influencing on Customer Retention in the Mobile Telecommunication Industry - Special Reference to Dialog Axiata PLC in Colombo District

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Abstract

The aim of this qualitative study is to evaluate the factors influencing on customer retention in the mobile telecommunication industry, Special reference to Dialog Axiata PLC in Colombo district. This study adds many other supporting materials especially for the literature review; a model is used by this study to find the effect of the factors on customer retention.

An in-depth interview survey has been done by the researcher among 50 retained customers. The data was collected from the customers in Colombo who are having 10 years of relationship with Dialog Axiata PLC. The data is analyzed with the help of the Microsoft excel work sheet. Out of two variables, it is found that payment equity has the influence on customer retention. However, the loyalty program has no significant impact on customer retention. This study also provides evidence that payment equity has a little influenced on customer retention.

This current study has its own limitation since this research is only conducted in Colombo district. Therefore the findings of the study are unable to be generalized for the whole

population of mobile users in Sri Lanka as the sample size is measured small. The findings can help the service providers to find the effect of loyalty program and payment equity towards the customer retention.

Key Words: customer retention, loyalty program, payment equity, telecommunication industry.

1. Background of the Study

In the last couple of decades, a large portion of growth of the service industry in Sri Lanka was attributed to the development of Mobile Telecommunications industry (Silva and Yapa, 2009).

At the same time the number of mobile phone connections increased by 8.9% while fixed access telephone connections fell by 1.0% in 2014. It plays an integral part in the lives of numerous. It is also a key component of the commercial world. Notably, the domestic telecommunications sector has been charting exponential growth, and continues to enjoy promising prospects. The dynamic nature of the telecommunication sector allows little respite for industry operators. The

government's liberalization of this industry can be seen as the main driving force behind the rapid development of the country's telecommunication infrastructure and services.

With the competition becoming tough, service providers realized that retaining one's existing customer base is important as much as the acquiring of a new customer (Coyles and Gokey, 2005).

In that context, service providers realized the importance of knowing the customer retention when they provide the services to its customers. Customer retention refers to the percentage of customer relationships that, once established, a business is able to maintain on a long-term basis. Customer retention is a simple concept happy customers who feel important and are regularly communicated with in the right way will keep coming back. It is a major contributing factor in the net growth rate of businesses. In case of Dialog Axiata PLC, it is the largest and fastest growing mobile telecommunication network in Sri Lanka and they did an awesome job by introducing latest mobile trends to the island. Dialog infrastructure is very stable and network is really widen they are very innovative and fast in new technology. It's however noted that the customer retention in the telecommunication industry, especially in Dialog Axiata PLC is an important aspect to survive in the industry. Numerous authors talked about the customer retention and its determinant factors on their previous studies. It shows that there are several

factors influencing on customer retention of telecommunication industry. In this study the researcher is going to consider only the two factors. They are loyalty programs and payment equity of employees. For the purpose of evaluate the above understanding the researcher focuses on evaluating the factors influencing on customer retention in the mobile telecommunication industry, Especially in Dialog Axiata PLC.

2. Statement of the Problem

Customer retention is a term which is very popular and widely used at the moment. Most successful companies are working with various different customer retention activities and methods. Customer retention is not a new thing in the business world. Successful companies are constantly working in the field of customer retention, because without customer retention it isn't and wasn't possible to be successful in the long term. Only the systematical implementation of customer retention activities guarantees the maximum benefit. Similarly in the telecommunication industry customer retention is an important part to be successful in the long term. Telecommunication providers have discovered and research studies have shown that retaining current customers is cheaper than attempting to attract new ones. So that they have come to realize that in order to develop successful long-term relationship with customers they should focus on the factors which are influencing on customer retention.

This has encouraged the researcher to investigate into the phenomenon.

3. Research Questions

1. What are the factors influencing on customer retention in the telecommunication industry, especially in Dialog Axiata PLC?
2. Which factor of customer retention highly influence on the telecommunication industry of Colombo district?
3. Is there any interaction between the factors of customer retention and the telecommunication industry of Sri Lanka?

4. Objectives of the Study

1. To identify the factors influencing on customer retention in the telecommunication industry, especially in Dialog Axiata PLC.
2. To evaluate the factor of customer retention that highly influence on the telecommunication industry of Colombo district.
3. To examine the interaction between the factors of customer retention and the telecommunication industry of Sri Lanka.

5. Scope of the Study

This research is mainly focus on the factors influencing on customer retention in the mobile telecommunication industry, Especially in Dialog Axiata PLC of Colombo district. It

considered only Dialog Axiata PLC and its two customer retention factors. The research is done considering the people who used Dialog Axiata PLC services above 10 years as retain customers. Consequently the sample size of this research was 50 customers who used Dialog Axiata PLC above 10 years. The researcher has done this research in a qualitative way. The in-depth interview has been carried out by the researcher in Colombo district. The in-depth interview has been conducted by the researcher from several organizations and places to cover the Colombo district.

6. Literature Review And Theoretical Framework

Customer retention has a direct impact on long term customer lifetime value, which is a more profitable avenue for business that seek to pursue growth and sustainability or that seek to protect themselves from market shrinkage resulting from a contracting economy. Keeping the customers can be challenging but as markets mature and successful retention strategies are becoming more essential element of competitive advantage for many different industries. In mobile telecommunication industry, customer retention and the factors determine the customer retention is playing a dramatic role to ensure the deduction of switch of customers toward competitors' products and services. The literature was offered in order to predetermine objectives of the study.

6.1 Theoretical Framework

Most previous researches conducted based on the factors influencing customer retention has focused on the customer's point of view. This is mainly due to the fact that several researchers perceive customer retention as the propensity for customers to stay with their service providers (Ranaweera and Prabhu, 2003). Therefore in this section of the research, frameworks and models are illustrating the factors that influence on customer retention. One theory has been selected Ranaweera and Prabhu's (2003) holistic approach.

6.1.1A Holistic Approach to Satisfaction, Trust and Switching Barriers.

Ranaweera and Prabhu (2003) drafted a holistic approach that examines the combined effects of satisfaction, trust and switching barriers on customer retention. The authors here define customer retention as the propensity for customers to stay with their services providers. The framework provided has two functions; its first function is to examine the main effects of the three variables on customer retention independently and its second function is to examine the interaction effects that trust and switching barriers has on customer retention in the presence of satisfaction. According to that the researcher, these factors are mostly suitable for service sector like telecommunication industry.

6.1.2 Customer Retention

Customer retention is the action that an offering association attempts with a specific end goal to lessen customer rebellions. Fruitful customer retention begins with the first contact an association has with a customer and proceeds all through the whole lifetime of a relationship. The significance of customer retention was quantified by Reichheld and Sasser (1990) for the first time. Customer retention is the number of customers doing business with a firm at the end of a financial year, expressed as percentage of those who were active customers at the beginning of the year. There exists a direct positive relation between customer retention and repurchasing. According to Gruber (2009) the more positive relationship between the customer and the company, leads to buy products from the company more often, which has a positive influence on the turnover.

Factors Influencing on Customer Retention

- **Satisfaction** - Customer satisfaction and customer retention are the two most important factors regarding the long term success of a company. Customer satisfaction can be experienced in a variety of situations and connected to both goods and services.
- **Effective Commitment** - The most prominent customer retention perception representing the strength of the relationship is affective commitment and calculative commitment (Moorman, Rohit and Gerald, 1993; Morgan and Hunt, 1994). Powerful

commitment of managers and workers are the basis for telecommunication industry to hold the clients.

- **Loyalty Programs** - There are various views about the effectiveness of loyalty programs. Bolton (1998) claimed that loyalty programs increase operating costs by adding expenses for administering the program without acquiring a competitive edge if all companies are forced to offer loyalty programs just like other short-term promotional programs.
- **Service Quality** - Building and maintaining a successful long term-customer relationship as well as survival in today's competitive market place demands the delivery of service quality to customers (Zeithaml, Berry and Parasuraman, 1996; Claycomb and Martin 2001).
- **Payment Equity (PE)** - Bolton and Lemon (1999), discussed that payment equity is other important construct with respect to the evaluation of a supplier's offerings.

Payment equity is a vital component which influences on customer retention in telecommunication industry that taking into account the installment framework; customers are changing from service suppliers to other suppliers. Customers are moving towards minimal effort service suppliers to acquire advantage. In the event that they are fulfilled on organization's Payment equity then they stay at long term in the organization.

Based on the previous literature, there are many factors influence customer retention. But in case of this research the researcher picks out two variables from the literature of Jayantha and Geetha (2014), they are loyalty programs and payment equity. Altogether these two variables are stated as independent variable of this research as well as the dependent variable is customer retention. According to these variables the researcher has developed the conceptual model for the study in the following way;

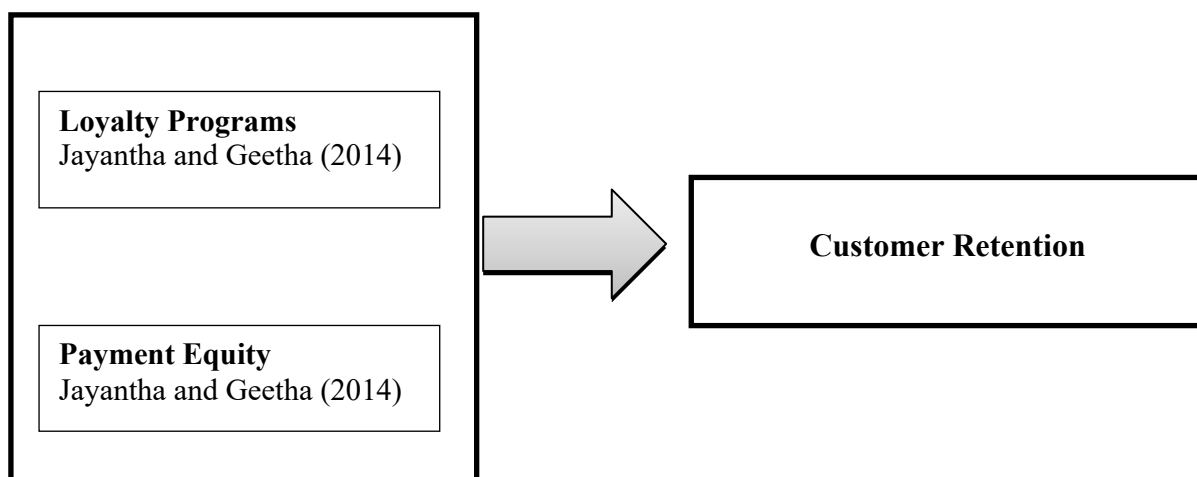


Figure 01: Conceptual Model

Source: Developed by the Researcher

Loyalty Programs is a rewards program offered by a company to customers who frequently make purchases. A loyalty program may give a customer advanced access to new products, special sales coupons or free merchandise. Customers typically register their personal information with the company and are given a unique identifier, such as a numerical identity card or membership card, and use that identifier when making a purchase.

Payment Equity is a degree to which the actual pay for per call matches what a customer thinks to deserve. High pay equity means high satisfaction with product or service, low pay equity increases the potential for pricing policies, flexible payments and reasonable call rates. Also it's called payment satisfaction.

Customer Retention is the activity that a selling organization undertakes in order to reduce customer defections. Successful customer retention starts with the first contact an organization has with a customer and continues throughout the entire lifetime of a relationship.

7. Methodology

Primary data is collected through the in-depth interview that was conducted among the retained customers of Dialog Axiata PLC. The

retained customer refers in this study as individuals who are utilizing Dialog services over ten years, data has been gathered from them. The in-depth interview consist of 33 small questions, those are structured according to the independent and dependent variables of the study. The respondents rated the above mentioned 4 factors in a 5 point Likert scale, 1 being the strongly disagree to 5 being the strongly agree. Researcher considers the customers who are taking benefits from Dialog Axiata PLC over 10 years as sample of this research. The sample size of this study is 50 retained customers of the company. The percentage analysis is used to analyze and determine the outcome of the data for the study. Under the percentage analysis, graphical methods such as pie chart, bar chart, column chart and doughnut are done by the researcher to find the outcome.

8. Data Analysis And Findings

Initially, the researcher analyzed the preference of the customer's network. As predetermined way the researcher has made an in depth interview from the customers who are using Dialog network. According to that survey fifty interviewees have been selected by the researcher from the customers of Dialog Axiata PLC. Figure 02 shows that 100% of interviews have been succeed from the Dialog users.

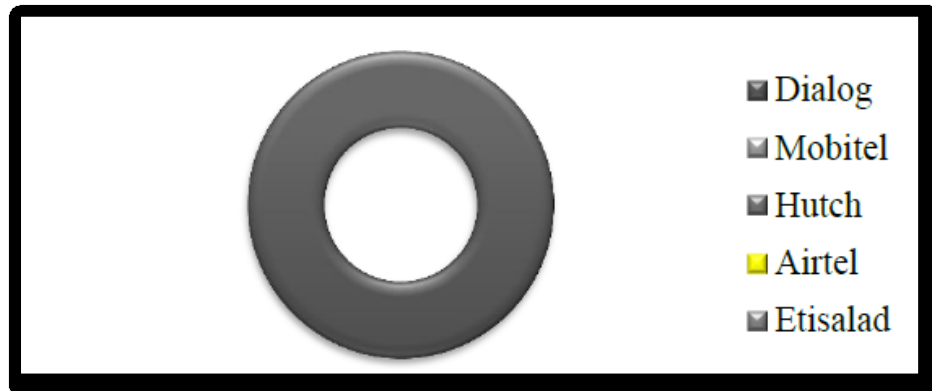


Figure 02: Uses of network

Source: Survey Data

At the same time, customers are using this network for three type of use such as business, personal and both. From the fifty retain customers, 46% of them using Dialog network for personal use, 18% of customers using it for

business use only and 36% of them using it for personal and business use. Therefore, most of the customers are using Dialog services for their personal use than the business usage.

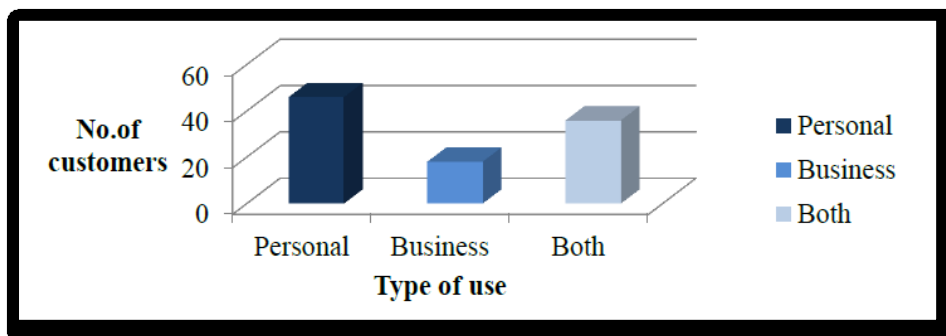


Figure 03: Types of use

Source: Survey Data

Furthermore, the researcher has considered the 50 numbers as sample as retained customers who have more than 10 years of relationship with the company. The in-depth interviews have been conducted among customers who

have been retained over 10 years in the Dialog Axiata PLC. According to that the 100% of interviews have been conducted from the retained customer of Dialog Axiata PLC.



Figure 04: Retained Customers

Source: Survey Data

Analysis of Personal Information

According to that, 23 in depth interviews were conducted from male and 27 were from female which means 46% from male and 54% from female. Therefore, 8% of data has been conducted more from female than male.

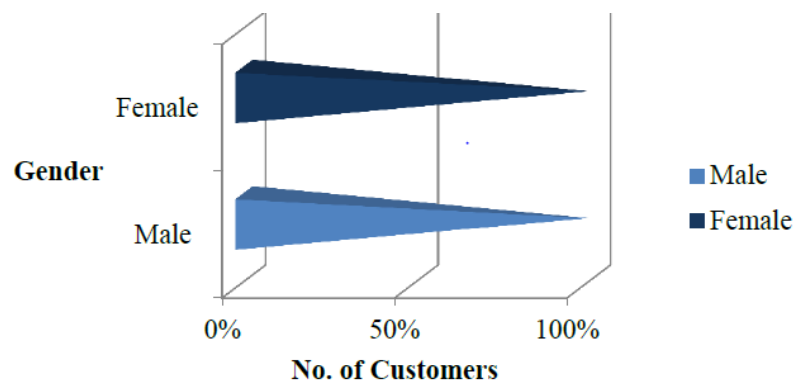


Figure 05: Gender Information

Source: Survey Data

In the meantime, researcher considered the age group of the customers as 18-32, 33-47, 48-62, 63-77 and over 77. Figure 06 shows the frequency of age below;

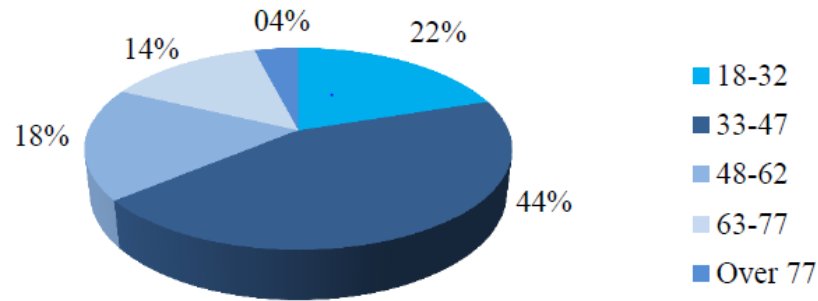


Figure 06: Age

Source: Survey Data

According to the research conducted in depth interviews, 10 of them were between 18-32, 22 of them were between 33-47, 9 of them were between 48-62, 7 of them were between 63-77 and 2 of them were over 77. The researcher also has mentions those figures in percentage as 20.0, 44.0, 18.0, 14 and 4 respectively. Therefore, we can say present and growing generation is using Dialog services mostly than the other similar networks. So there is an opportunity available for Dialog Axiata PLC to get more market share and retain customers in future.

Similarly, researcher analyses the status of employment of retain customers of Dialog Axiata PLC. According to the analysis, 38% of customers are full time employees, 14% of them are doing part time employment, 24% of customers and 8% of customers are retired and not working respectively, finally 16% of interview was conducted from students. Therefore, it is proved that the old and new generation have an affection on Dialog Axiata PLC than other Mobitel, Hutch, Airtel and Etisalat networks.

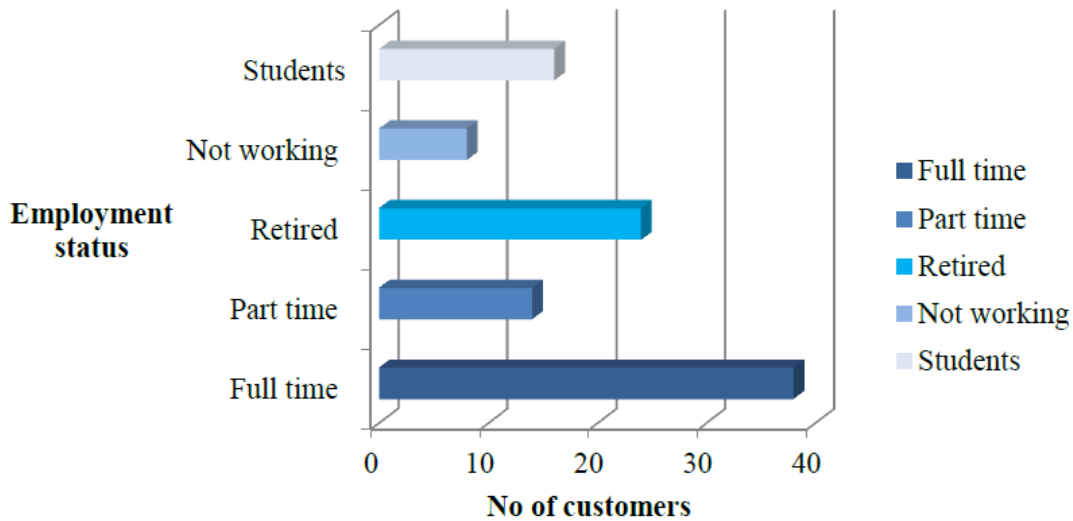


Figure 6:

Figure 07: Employment Status of Customers

Source: Survey Data

Furthermore, the researcher analyzed about the educational level of the retain customers of Dialog Axiata PLC. For that the category of the education had divided into five parts such as Below Ordinary level, Ordinary level, Advanced level, Bachelors and Master/ upper. According to the analysis, 11 interviews have

been conducted from Below Ordinary level customers which means 22% from these people at the same time 7 interviews from Ordinary level, 27 from Advanced level, 9 from Bachelors and 15 from Master/ upper. The percentages of these educational levels are 14%, 34%, 12% and 18% respectively.

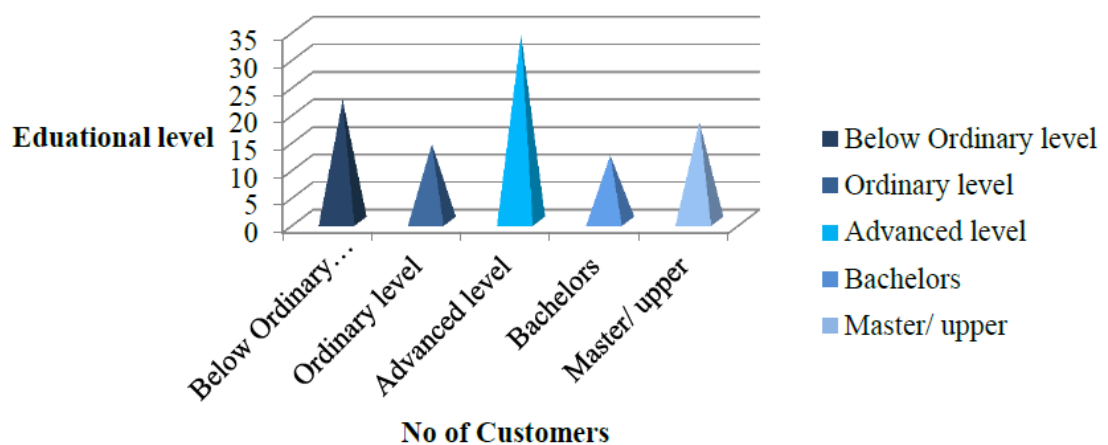


Figure 08: Educational level

Source: Survey Data

Loyalty Program and Customer Retention

Table 01: Customer responses of Loyalty Program

	Strongly Disagree	Disagree	Agree	Strongly Agree	Total
No. of Preference	50	98	38	14	200
Percentage	25%	49%	19%	07%	100%

Source: Developed by researcher from the output

The outcomes in table 01 indicate the results related with loyalty program and customer retention. It shows that among the 200 responses from the 50 respondents, 50 responses from the retain customers are strongly disagree regarding the company's loyalty program at the same time 98 responses are disagree about the loyalty program, which

means 25% and 49% of the retain customers are not satisfied with the loyalty program of the company respectively. On the other hand, 52 were favorable for loyalty program, which means 38 responses were agree and 14 responses were strongly agree with the loyalty program of the Dialog Axiata PLC. This indicates 19% and 07% respectively.

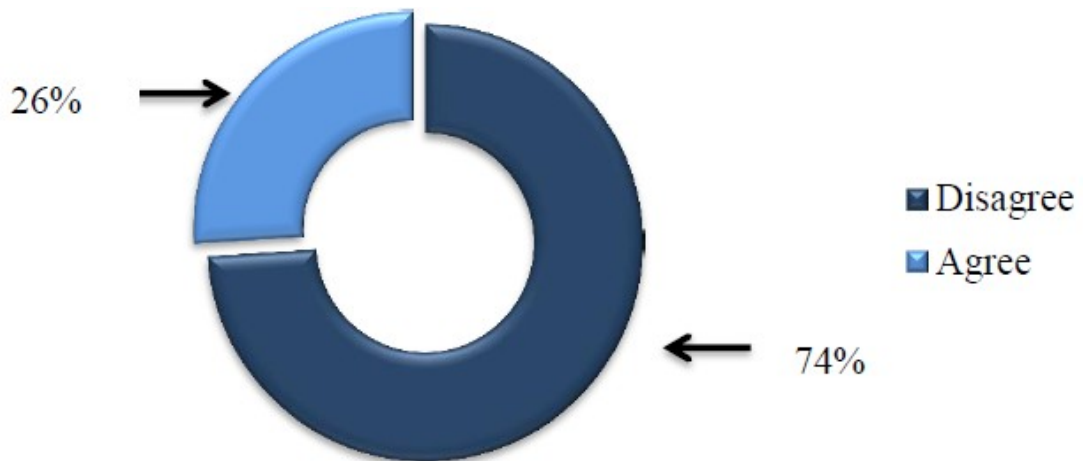


Figure 09: Loyalty Program

Source: Survey Data

Altogether 74% of retained customers did not accepted regarding the loyalty program and 26% of respondents agree with the loyalty program of the Dialog Axiata PLC.

According to the above statement, figure 4.8 clearly shows there is no significant relationship between loyalty program and

customer retention which means the customers of Dialog Axiata PLC are maintaining their relationship with the company over 10 years, not because of loyalty program but for the other retention factors that influence on Dialog Axiata PLC.

Payment Equity and Customer Retention

Table 02: Customer responses of Payment Equity

	Strongly Disagree	Disagree	Agree	Strongly Agree	Total
No. of Preference	27	84	99	40	250
Percentage	10.8%	33.6%	39.6%	16%	100%

Source: Developed by researcher from the output

To evaluate the influence of payment equity on customer retention, in depth interview that has been done by the researcher. For that, 5 questions have been asked to the 50 customers who are using Dialog services over 10 years. Altogether 250 responses have been collected from those customers. It explains that, from the 250 responses of 50 retained customers, 40 responses were strongly agreed. That indicate 16% of retain customers are gratifying by the payment equity of the company. And also, 99 outcomes have confirmed that the retain customers are agreed with the payment equity of Dialog Axiata PLC that denote 39.6% of

retain customers satisfied with the payment equity. Quite the opposite, 27 responses from the retain customers were strongly disagree regarding the company's payment equity at the same time 84 responses were disagree about the payment equity, which means 10.8% and 33.6% of the retain customers are not satisfied with the payment equity of Dialog Axiata PLC respectively. Taken as a whole 55.6% of retain customers are showing positive reply to payment equity and 44.4% of respondents disagree with the payment equity of the Dialog Axiata PLC.

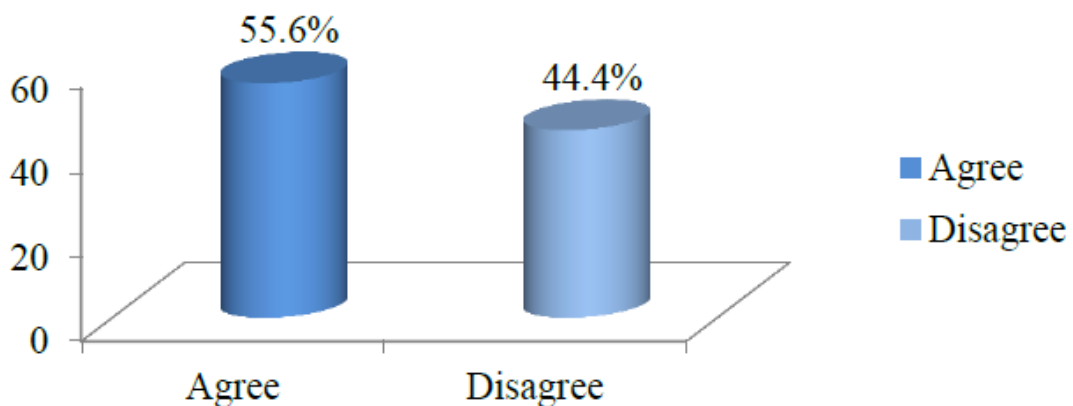


Figure 10: Payment Equity

Source: Survey Data

It shows that the retain customers are not very much satisfied with the payment equity of the company but comparing with the other telecommunication service operators, they are unquestioning about the payment equity method of Dialog Axiata PLC. However, the researcher has the responsibility to follow the outputs of the research which are generated by themselves, based on that the payment equity has a significant influence on customer retention of Dialog Axiata PLC

Finding and Discussion

In this part, the researcher explains the findings in terms of two major categories such as

loyalty program and payment equity of employees.

Dialog Axiata PLC is maintaining long term relationship with the customers in last few decades to survive in the telecommunication industry of Sri Lanka. It is using several types of techniques which are suitable to retain its customers. Based on that point of view, researcher has selected these four variables as independent variables of the research. With the help of the in depth interview, data has been analyzed by the researcher.

Table 03: Summary of the outcomes

Independent Variables	Dependent Variable	Agree	Disagree	Result
Loyalty Program	Customer Retention	26%	74%	Less Influenced
Payment Equity	Customer Retention	55.6%	44.4%	Moderately Influenced

Source: Developed by researcher from the output

Loyalty Program

According to the percentage analysis, researcher has finalized that there is no significant relationship between loyalty

program and customer retention of Dialog Axiata PLC which explicate that the customers maintain a long term relationship with the company over 10 years, not because of the loyalty programs of the company. That

explain, the loyalty programs of the Dialog Axiata PLC is not enough to customers to maintain retain relationship or long term relationship. More than 75% of retain customers disagree with the loyalty program of the company even though most of them don't have any idea about the loyalty program. Therefore, the finding shows that the loyalty program is not influenced on customer retention, which means the first independent variable has no significant relationship with customer retention of Dialog Axiata PLC.

Payment Equity

The researcher has taken payment equity as another independent variable of customer retention. Researcher has finalized that there is a significant relationship between payment equity and customer retention. Which shows, based on the payment chargers, only the customers are maintaining their long term relationship with the customers especially in telecommunication industry. If the payment per call or SMS is high then the customers will skip from the particular service provider to another. Therefore, the Dialog Axiata PLC focuses mainly on the payment equity to maintain their customers. However, based on the output of table 03, Dialog Axiata PLC also maintaining the payment equity methods similar as its competitors because the many of the retain customers are not satisfy with the payment methods at the same time they have mentioned that the company's payment charges

are similar to the competitors and even in some cases competitors are providing some benefits more than the company, even though they have maintain their relationship because of the loyalty of the company. But according to the table 4.5, approximately 56% of retain customers fulfilled with the payment equity of the company at the same time 44% of the retain customers expect more flexibility in payment equity. Based on the above result, the researcher has proved that there is a significant influence on payment equity and customer satisfaction.

9. Conclusions and Recommendations

Customer retention, activity that a selling organization undertakes in order to reduce customer defections. Successful customer retention starts with the first contact that an organization has with a customer and continues throughout the entire lifetime of a relationship. This study also conducted for make long term relationship with the customers while using customer retention factors that got from the previous study in telecommunication industry. Each and every organization has the responsibility to retain their customer for life long. Some organization had succeeded in the retention some are not. There are reasons behind these problems. Therefore, the researcher selects a particular sector as telecommunication industry and evaluates those customer retention factors in customers view. Four factors have been selected and

evaluated by the researcher with the help of previous studies regarding the customer retention factors that impact on telecommunication industry in some other country. Similarly, payment equity of the company has a partial impact on customer retention. On the other hand, loyalty programs of the company have no impact on the customer retention in telecommunication industry. Therefore customer retention is an important element in telecommunication industry. According to the research made by the researcher, finalized that payment equity of employees are the key factor of customer retention of Dialog Axiata PLC and customers did not consider about the loyalty program which were conducted by the Dialog Axiata PLC. The customers are maintaining their life time relationship not because of this loyalty programs.

Recommendations of the Study

The researcher provides the following as findings of the present study; further study acclaims the following customer retention factors for telecommunication industry so as to eliminate defection of customer retention;

First of all, the Dialog Axiata PLC has to consider *reducing payment system* to retain more customers in long term and to survive in the industry. According to this study, most of the retain customers was talked about the payment method of Dialog Axiata PLC and customers are expecting low price from the

company. In some cases, customers were comparing the payment equity with the competitors while making the in-depth interview. Therefore, Dialog Axiata PLC should consider the payment method to stay long time in the industry.

Offering incentives is good method to retain the customers in Dialog Axiata PLC. While issuing incentives to customers, they will join to the company to enjoy the benefit. Especially in telecommunication industry incentives are very important to get customers inside of the company. The company can offer incentives with the products which they sell to the customers such as Dialog phones, Dongles, chargers etc.

Getting *customer feedback* is another mandatory thing to retain the customers in long term with the organization. For the Dialog Axiata PLC also it is vital to get feedback from the customers. Based on the information from the customers, company has to make the development activities.

10. Direction for Future Studies

The future researchers can identify new tactics to retain the customers in telecommunication industry. Specially they can do the research with qualitative survey and with the large sample size. For that, they can get the sample from all provinces in Sri Lanka. In addition to that the future researchers can make the research as compare with the competitors as

well. To collect the information from the customers they can issue questionnaires, can observe the customers and their behaviour or can make interviews with the company. Finally, the future researches can consider about new tactics in moderate way.

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