

Determinants Analysis of Customer switching Behavior in Ghanaian Telecommunication Industry, An Exploratory and Inferential study

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ABSTRACT

The Mobile Telecommunications industry in Ghana has over the years seen telecommunication firms such as Ghana Telecom (GT) now Vodafone Ghanahas faced a lot of competition from the its competitors. Even though Vodafone the then Ghana telecom was the incumbent but was over taken by Scancom Ghana (now trading under the brand name MTN).Due to the increase in competition among the telecommunication industries has made it important for the companies to focus on the factors customer retention. The paper outlines the causes of customer churn behavior as outlines in her study of service industry identification of additional factors to the telecommunication industry in Ghana, Susan Keaveney (1995). The main aim of the paper is to identify the most important factors that causes customer to switch and also access the relationship that exist between the factors and the switching likelihood. Using descriptive statistics, relative importance index of the various factors were also computed to obtain the most important factors. The paper then present chi-square test of independence between then customer switching likelihood against the factors that causes switching. The paper reported that the high tariff was the most important factor most Ghanaians consider when considering to switch from one network to another. hidden charges, service disruptions, unreliable help lines, inadequate or incomplete information provided by service providers and finally attractive features offered by other networks were the first five factors ranked to be the most important factors. the confirmatory test of independence using chi-square test of independent confirm the truth that the factors truly contribute to customer churn.

The paper finally made recommendation the telecommunication industry in Ghana on their customer retention strategies.

Introduction

The Mobile Telecommunications industry in Ghana has over the years seen telecommunication firms such as Ghana Telecom (GT) now Vodafone Ghana, as the incumbent and the sole provider of telecommunication access to both its colleagues in the industry and the general public. NCA, (1997) Vodafone Ghana provides operations in both fixed telephone and mobile communication across the entire country. They had the necessary infrastructures to function as a network operator and a service provider. It also saw the private sector come into active participation in the Telecommunication industry of Ghana in the year 1992. Millicom Ghana limited (now trading under the brand name Tigo) was the first mobile company. Followed by Scancom Ghana (now trading under the brand name MTN); CellTel Ghana (now trading under the brand name Expresso) and Westel Ghana (now trading under the brand name Airtel) were established under the approval of NCA who supervised and controlled the activities of all these operators. NCA, (2010) .The truth remains that, other key players like MTN had already started enjoying the competitiveness of the market with TIGO, EXPRESSO, and AIRTEL on the market. GLO a new occurrence on the market is putting the necessary structures, infrastructures and technology in place to aid its emergence into the telecommunication market of Ghana. With this changing environment in the industry, more is therefore desired from the operators than just the traditional way of providing services and product unto the Ghanaian market by NCA, (2010). Companies do not only compete within the boundaries of their existing industries but they compete to shape up the future structure of that industry taking strategy of the firm as the key indicator in considering strategic architecture in relation to competition. Hamel and Prahalad (1994), The problem of how researcher to asked questions and seek insight into how firms create their lead on the mobile telecommunication market. Saunders, et al (2009). In the mobile telecom industry, customers are able to choose among multiple service providers and actively exercise their rights of switching from one service provider to another. In this fiercely competitive market, customers demand tailored products and better services at lower prices, while service providers constantly focus on acquisitions as their business goals. Given the fact that the telecom industry experiences an average of 25-30 percent annual churn rate and that it costs 5-10 times more to recruit a new customer than to retain an existing one, customer retention has now become even more important than customer acquisition Geppert,(2002). For many incumbent operators, retaining high profitable customers is the number one business pain. Pricing is the third largest reasons for churn behavior, even though pricing may be the sole factor motivating the churn behavior, many other factors that also influence the act Keaveney (1995). The sole purpose of a business is to create a customer. However, keeping the customer has become regarded as equally, if not more important, since a 5 percent increase in customer retention generated an increase in customer net present value of between 25 per cent and 95 per cent across a wide range of business environments. While the precise definition and meaning of customer retention varies between industries and firms, Drucker (1973), customer retention as the continuous attempt to satisfy and keep current customers actively involved in conducting business. Harris (2003). The process of attracting and retaining customers has a connection with forming strong customer bonds and defined customer retention as the intent to develop stronger bonds with the customer. Kotler *et al* (2006) Customer retention is increasingly being seen as an important managerial issue, especially in the context of a saturated market or lower growth of the number of new customers Ahmad *et al*(2003). From the industrial marketing perspective, There is growing evidence that customer perception of service quality affects their behavioral intentions Johnson and Sirikit, (2002). Certain customer behavioral responses provide a strong indication that they are bound to the organization. For instance when customers show a preference for one organization over others, or when they praise the organization. It has also been argued that service excellence enhances customers' inclination to buy again, to buy more, to buy other services, to become less price sensitive, and to tell others about their positive experiences Bolton *et al.*(2000).Service quality has a positive impact on customer's repurchase intentions and intentions to recommend the company to others Boulding *et al.* (1993). The idea of service quality influences different intentions, such as giving recommendations, doing more business, and willingness to pay more. Zeithaml and Bitner (2000)

Methodology

Based on the reviewed relevant literature and the factors mentioned in Susan Kenaveny's(1995) study of the service industry and personal knowledge in Ghanaian cellular industry, the author wishes to explain the switching behavior of client in cellular industry of Ghana. The paper focuses on identifying the most important variable the cellular industry in Ghana which the purpose of helping cellular industry in Ghana to help manage the problem of churn. It will also help reduce churn and maintaining effective customer retention techniques. Paper will also inform companies in devising effective methods of client acquisition by concentrating on the variables that matter the most to clients in the cellular industry in Ghana. Non-Probabilistic convenience sampling method was deployed as the researcher intended to have an in-depth analysis of the case. Also a structured interviews were conducted which generated qualitative data. Random sampling was used to sample executives across the firms in the industry. Sample sizes of two hundred and sixty one mobile phone users were interview from the Kumasi Metropolis in Ghana.

The paper begins by outlining the descriptive statistics used for the analysis of the demographic and other relevant question directed towards attaining the purpose of the work. Relative important index (RII) of the factors was computed to find the relative position of these factors within the context of the valued customers. Chi-square tests of independence are done to find how these factors are likely to cause a churn.

Finding and discussion

The final sample consist of two hundred and sixty one (261) respondent's, of these 166 respondents are males representing 63.6% and 34.5 are female representing 34.5% of valid respondents. Table 1-4 shows the age to level of education distribution of the respondents.

Out of the 261 valid respondent, 50(19.2) respondents were civil servant, 61 respondent (26.1%) respondent were students, 39(14.9%) of the respondent were business men and women, 24(9.2%) of the respondent were unemployed while 87(33.3%) of the respondent were in to other means of survival.

The research also sort for the level of income of the respondents, 30(11.5%) respondents have monthly income of below hundred Cedis, 43(16.6%) respondents were within monthly income range of 100 and 300 cedis, 49(18.8%) respondents were found within monthly income range of 300 and 500 cedis while fall into the income bracket of above 500 cedis monthly.

Out of the 261 valid respondent, 9(3.4%) of the respondent were below the age of 18, 92(35.2%) of the respondent were between the age of 18 and 24, 135(51.7%) of the respondent were between the age of 25 and 40 while 20(7.6%) of the respondent were between the age of 41-60 with one missing observation .Table 4 below shows the frequency of the age distribution of the respondents.

The author tried to find out which of the network greater percentage of the respondent considered there main network. Out of the 261 valid respondents 60(23%) were mainly subscribed to Tigo, 115(44.1%) of the respondent were mainly subscribed to MTN, 33(12.6%) of the respondent were main subscriber of Vodafone while 49(18.8%) of the respondents were main subscriber of Airtel. Table 7 below shows the respondents frequency distribution of their main networks

The paper reported that the high tariff was the most important factor most Ghanaians considers when considering to switch from one network to another. Hidden charges, service disruptions, unreliable help lines, inadequate or incomplete information provided by service providers and finally

attractive features offered by other networks were the first five factors ranked to be the most important factors. Table 1.9 shows the relative important index of the factor that influence switching. The chi-square test of independence was conducted to see if there is relationship and dependence on the switching likelihood against the various factors that influence switching. The confirmatory tests of independence using chi-square test of independent confirm the truth that the factors truly contribute to customer churn with $p\text{-value} < 0.0001$.

Except lack of trendy phones which found not to contribute significantly to customer churn ($p\text{-value} > 0.05$).

Conclusion

This paper deals with the problem of customer switching in Ghanaian telecommunication industry. Knowing the importance telecommunication companies in providing various services of electronic systems to transmit messages through telecommunication devices. It's therefore important to investigate the importance of the factors that lead customers to switch from one network another. The most important factor that influence customer switching is the high tariffs which does not agree with the Susan Keaveney's(1995) which saw core service failure such as billing error, service mistakes and service ruins. least important factor that influence customer switching is impolite customer service personnel. Though impolite customer service personnel was found to be the least factor that influence customer switching yet it has significant influence on customer switching. The factors were found the positively influence customers likelihood of switching. Lack of trendy phones was found not to influence customer switching significantly. As a contribution, the level of education, income category of the customer were also found to contribute significantly to customer switching such that the switching likelihood of the customers is also dependent on level of education of the client and the income categories of the client.

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APENDIX I

Table 1.0 Gender

CATEGORIES	SAMPLE SIZE	PERCENTAGE -BREAK-UP
Male	166	63.6
Female	90	34.5
Total	256	98.1
Missing System	5	1.9
Total	261	100

Table 1.2 Age group

CATEGORIES	SAMPLE SIZE	PERCENTAGE -BREAK-UP
Below 18 years	9	3.4
18-24 years	92	35.2
25-40 years	135	51.7
41-60 years	20	7.6
Total	256	98.1
Missing System	5	1.9
Total	261	100

Table 1.3 Occupation

CATEGORIES	SAMPLE SIZE	PERCENTAGE -BREAK-UP
Civil servant	50	19.2
Student	61	23.4
Business man/woman	39	14.9
Unemployed	24	9.2
Other	87	33.3
Total	261	100

Table 1.4 Level of education

CATEGORIES	SAMPLE SIZE	PERCENTAGE -BREAK-UP
Secondary	68	26.1
Tertiary	188	72
Total	256	98.1
Missing System	5	1.9
Total	261	100

Table 1.5 Monthly Income

CATEGORIES	SAMPLE SIZE	PERCENTAGE -BREAK-UP
Below Ghc 100	30	11.5
Ghc 100 - Ghc 300	43	16.5
Ghc 300 - Ghc 500	49	18.8
Above Ghc 500	74	28.3
Total	196	75.1
Missing System	65	24.9
Total	261	100

Table 1.6 Main Network

CATEGORIES	SAMPLE SIZE	PERCENTAGE -BREAK-UP
MTN	115	44.1
Tigo	60	23
Vodafone	33	12.6
Airtel	49	18.8
Total	257	98.5
Missing System	4	1.5
Total	261	100

Table 1.7 Minutes spent on phone calls

CATEGORIES	SAMPLE SIZE	PERCENTAGE -BREAK-UP
Less than 20 minutes	90	34.5
20 - 50 minutes	87	33.3
50 - 100 minutes	42	16.1
100 -150 minutes	20	7.7
Total	239	91.6
Missing System	22	8.4
Total	261	100

Table 1.8 How likely to switch from current network

CATEGORIES	SAMPLE SIZE	PERCENTAGE -BREAK-UP
Very Unlikely	65	24.9
Unlikely	79	30.3
Neutral	29	11.1
Likely	39	14.9
Very likely	25	9.6
Total	237	90.8
Missing System	24	9.2
Total	261	100

Table 1.9 Relative Importance Index

SWITCHING FACTORS	RELATIVE IMPORTANCE	
	INDEX	FACTOR RATING
High tariffs	0.690421456	1 ST
Hidden charges	0.671875	2 ND
Service disruptions	0.663601533	3 RD
Unreliable helpline	0.66015625	4 TH
Inadequate or incomplete information provided by service providers	0.6390625	5 TH
Attractive features offered by other networks	0.636015326	6 TH
Long waiting time at customer service Centre	0.625	7 TH
Unreliable reception	0.62421875	8 TH
Inadequate or incomplete resolution	0.6015625	9 TH
Billing errors	0.596168582	10 TH
Inconvenient customer service hours	0.5703125	11 TH
Inconvenient office locations	0.546875	12 TH
Unhappiness with the provision of service like internet	0.5421875	13 TH
Lack of trendy phones	0.531746032	14 TH
Influence from family and friends	0.527969349	15 TH
Unknowledgeable employees	0.496551724	16 TH
Impolite customer service personnel	0.477394636	17 TH

Table 1.10 Chi-Square Test of Factor significance

Switching factors	SWITCHING LIKELIHOOD		
	Chi-square Test statistics	Cramer's V Statistics	P-Value
High tariffs	1.06E+02	0.334	<0.0001
Hidden charges	75.515	0.285	<0.0001
Service disruptions	1.12E+02	0.343	<0.0001
Unreliable helpline	1.33E+02	0.379	<0.0001
Inadequate or incomplete information provided by service providers	1.19E+02	0.358	<0.0001
Attractive features offered by other networks	74.826	0.281	<0.0001
Long waiting time at customer service Centre	94.906	0.32	<0.0001
Unreliable reception	83.656	0.3	<0.0001
Inadequate or incomplete resolution	1.01E+02	0.329	<0.0001
Billing errors	1.50E+02	0.398	<0.0001
Inconvenient customer service hours	1.27E+02	0.37	<0.0001
Inconvenient office locations	87.043	0.306	<0.0001
Unhappiness with the provision of service like internet	9.07E+01	0.313	<0.0001
Lack of trendy phones	5.964	0.291	>0.001
Influence from family and friends	1.00E+02	0.325	<0.0001
Unknowledgeable employees	1.20E+02	0.355	<0.0001
Impolite customer service personnel	1.16E+02	0.35	<0.0001