

Influence of Brand Oriented Factors on Customer Loyalty of Prepaid Mobile Services

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Abstract

The Indian telecom industry is a very dynamic industry with very stiff competition amongst existing service providers in the telecom market. One of the major drivers of this industry has been mobile telephony. But due to increasing competition, maintaining a loyal consumer base seems to be a challenge for the Indian cellular service providers. Customer loyalty and retention towards a specific brand have become important goals for them. In this context the present paper focuses on the influence of brand oriented factors to ensure customer retention and enhancing loyalty. Literature review was carried out covering the theoretical and empirical work. Exploratory interviews were conducted on 500 customers and factor analysis was conducted to determine the factors which influence customer loyalty towards a specific brand of prepaid cellular service provider. Regression analysis was further done to understand the relation of the identified branding factors to customer loyalty.

Keywords: Branding, Cellular Mobile Service Industry, Customer Loyalty, Customer Retention

1. Introduction

The Indian telecom industry is undoubtedly a high growth industry as of today. India has now become the world's most competitive as well as the fastest growing telecom markets. Due to the addition of more than one million users in March, the subscriber base has reached an astounding figure of 933 million. (Telecom Regulatory Authority of India in March 2014.)²³ One of the major drivers of this industry continues to be mobile telephony.²⁴ The total revenue from mobile services market in India has reached a figure of US\$29.8 billion in 2014 and it is forecasted to reach a figure of US\$37 billion in 2017, registering a compounded annual growth rate (CAGR) of 5.2 per cent.²⁴

As a result of the high growth and stiff competition, the telecom operators have to come up with innovative strategies in order to make their services attractive such that it results in customer satisfaction and retention. As telecom markets mature and competition increases, it is no longer enough to simply acquire the 'best' customers.

To remain profitable, telecommunication companies need to identify and retain their profitable customers. It is estimated by telecom operators that the cost of new customer acquisition is seven times more expensive than the cost of retaining an existing customer.

Frederick Reichheld and W. Earl Sasser¹⁷ discussed several benefits of customer retention. According to their study, loyal customers tend to buy more, are more favourable to premium pricing, they tend to give positive recommendations and are comparatively easy to serve. They established that when customer retention increases by even five percent, it leads to a twenty five percent increase in the profitability of an organization.

As a result of increasing competition, telecom operators are facing a major challenge of how to retain customers. Customer loyalty and retention towards a specific brand have become important goals for mobile service operators. In this context the present paper focuses on the influence of brand oriented factors on customer retention and enhancing customer loyalty.

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2. Literature Review

2.1 Brand and Customer Loyalty

Jacoby and Chestnut¹¹, define brand loyalty as the response of a decision making unit (customer) towards one specific brand out of a set of available alternate brands which is the based on behavioral and psychological processes. Successful organizations are those who are able to capture customer attention towards their brands. Customer loyalty towards a specific brand helps reduce marketing costs for a company. According to Rosenberg and Czepiel¹⁹, it is six times costlier to attract a customer than it is to retain one.

Moreover, as proved by Krishnamurthy and Raj¹³ and Reichheld and Sasser¹⁷ customers loyal to a brand do not mind paying premium prices as they are less sensitive towards price. They give organizations a leverage to trade upon and also give ample time for them to tackle competitor's strategies. Aaker¹.

Research studies by Ganesh et al⁸; Zeithaml et al²² have pointed out that customers who are loyal tend to spend higher than those who are not loyal. They become brand advocates, and hence are considered as the most valuable group by the organization.

Researchers are of the opinion that reiterated that retaining a customer is more profitable proposition than acquiring a new one. According to Reichheld¹⁸, this happens because of various costs involved in new customer acquisition such as advertising and promotion costs, cost of sales, other operation expenses. On the contrary as expressed by

Buzzell et al⁶; Raj¹⁵; Reichheld and Sasser¹⁷, companies who have a large loyal customer following end up having higher market shares which in turn leads to higher returns on invested capital. Hence customer loyalty offers greater advantage in the form of customer retention to the marketers.

According to Lee¹⁴, every year the operators stand to lose about 30 per cent of their subscriber base and since acquiring new customers involves huge expenses, it becomes essential for the cellular service providers to devise new strategies to retain existing customers.

Researchers such as Duffy⁷, Griffin⁹, Kandampully¹² reiterate the same opinion that creating customer loyalty is very essential for service firms for their continued existence and growth.

Cellular service providers have to realize that if customer loyalty is consistently high, then it helps foster

customer relationship for a longer period of time which in turn results in competitive advantage for them. Bharadwaj⁴ reiterate the same when they opine that for service organizations customer loyalty is one of the main drivers for attaining competitive advantage. According to Reichheld and Sasser¹⁷ if customer attrition is decreased by 5 per cent, it will lead to a rise in profits to the tune of 25 per cent to 85 per cent (subject to the service industry type).

Several authors such as Reichheld and Sasser¹⁷, Aaker¹ have expressed several other benefits of customer loyalty such rise in sales growth, consistent cash flow, and better profits. As per Raman¹⁶, loyal customers do not just act as advocates and spread positive word but they also help reduce cost as companies need not spend on awareness as they are already aware of company brand.

From the above we can summarize that developing customer loyalty is indeed an important strategy for the survival and success of cellular service providers in the existing stiff competition in the Indian telecom market.

As a result, there is an increasing focus by researchers on the concept of customer loyalty and customer retention. Though the literature pertaining to customer loyalty and retention is rich in theoretical and empirical studies, but very few studies are focused specifically on mobile services especially prepaid services. Prepaid services contribute to approximately 80% of the revenue of telecom operators. Hence the purpose of the present paper is to gain practical insights of the subject through review of literature and by conducting exploratory interviews with the prepaid cellular mobile customers. The study also provides useful guidelines to cellular service providers for devising methods of enhancing their loyal customer base. Finally, based on the observations, this paper presents a rich research agenda for further research.

2.2 Measures of Brand Loyalty

Five major criteria of brand loyalty measures were considered for the purpose of this study. Behavioral Measures, Attitudinal measures, Brand oriented measures, Individual oriented measures and affective component measures. These five measures were considered as these appear frequently in the literature of marketing (studies by Jacoby and Chestnut¹¹ and Bloemer⁵, and are also related to the particular requirements of conceptual definition of brand loyalty as stated above. Behavioral measures are those which specify brand loyalty based on the real number of purchases done in a specific period of time. Advantage of

these measures is that they take into consideration real purchase experiences which have a direct relation to performance of an organization. The attitudinal measures are the ones which are related to stated preferences, consumer commitment or intention to purchase, thus stressing on the cognitive component of brand loyalty.

Brand oriented measures, according to Aaker¹; Rossiter and Percy²⁰, are considered to be a part of the brand's features or also as a perception of consumer based on information received as specified by Hafstorm, Chae and Choung¹⁰; Sproles and Kendall²¹. Hence in this paper we segregate the brand loyalty factors as "Brand oriented factors" and "Individual oriented factors".

And lastly, the Affective Component represents consumer's emotional aspects or feelings with respect to a particular brand. These feelings can be positive, negative etc.

3. Hypotheses Formulation

In this study for formulation of hypotheses, a combination of the five factors as stated above has been considered. Brand oriented behavioral factors, (Consumers prefer brands based on their Behavioral measures in terms actual purchase experiences which is directly related to the performance of the firm usually based on behavior over a period of time). Brand oriented attitudinal factors: (Consumers prefer brands based on the attitudinal component such as their attitude towards the brand, stated preferences, their commitment or intention to purchase). Individual oriented behavioral measures, (Consumers evaluate brands based on their individual experience or expectations from the service provider). Individual oriented attitudinal factors: (consumers evaluate brands based on individual stated preferences or requirements). Affective factors: (This factor considers emotional element or feelings of a consumer towards a brand).

Hypothesis 1

Consumers undergo an intricate process of evaluation before selection of a brand for purchasing a prepaid mobile service from a Cellular Mobile Service Provider.

Hypothesis 2

Brand oriented factors are important factors that influence customer loyalty towards a specific brand of prepaid mobile service provider.

4. Research Methodology

4.1 Research Design

This study aims at understanding the factors which affect customer loyalty towards a specific brand of prepaid mobile cellular service provider. For this purpose Exploratory research design was used by the researcher for this study. The main purpose of the study which involved an exploratory survey was to comprehend which factors affect the customer loyalty towards a specific brand of prepaid service provider. For this purpose the different attributes, or measures or factors that affect brand loyalty of a customer towards a specific prepaid mobile service provider were derived from literature review.

4.2 Primary Research and Sample Size

Primary survey was administered to a sample size of 500 prepaid mobile customers in City of Pune, Maharashtra. This was done through a structured questionnaire. A set of 20 parameters or attributes were considered for record purpose and responses were measured on an importance scale. Additional relevant information was also recorded for study purpose.

5. Analysis

Factor analysis was used to group the twenty attributes of brand loyalty into common factors that affect the consumer brand decision choice for prepaid mobile services. The responses collected on the 20 parameters of brand loyalty (on a scale of one to five) were converted into "factors" or "constructs" that influence consumer loyalty.

Moreover, for every respondent a "factor scores" was created using factor analysis. The initial extracted factors went through varimax rotation. After which the 20 attributes in the questionnaire grouped into 5 factors. Regression analysis was further carried out to confirm the relationship of the branding factors on the main factor under consideration i.e. customer loyalty. Regression analysis was done to confirm that a linear relationship exists between customer loyalty and the identified branding factors. The results of Factor analysis and Regression analysis was used to validate the above stated Hypotheses which helped in arriving at appropriate conclusions.

5.1 Outcome of Factor Analysis

5.1.1. Principal Component Analysis

Based on factor analysis outcome, *Factor 1 (Brand oriented behavioral factor)* comes out as the most critical factor that explains 23.89% of the total variation (Table 1). This is followed by *Factor 2 (Brand oriented attitudinal factor)* that describes 20.58% of the total variation (Table 1). This is followed by *Factor 3 (Individual oriented behavioral factors)* which explains 15.32% of the total variation (Table 1). *Factor 4 (Individual oriented attitudinal factor)* which describes 15.28% of the total variation (Table 1). *Factor 5 (affective component factors)* which describes 10.61% of the total variation (Table 1). Secondly, all the five statistically significant factors explain 86.20% of the variation. This indicates that 86.20% of the influence of branding factors on customer loyalty towards a specific brand can be explained by these five factors. Factor scores of all attributes are more than 0.7 which indicates that they are highly significant (Table 1).

5.2 Statistical outcome of Regression Analysis

In this research study, customer loyalty is identified as the dependent variable and the 20 identified attributes are called as independent variables.

The model summary shows that R square in this study is 0.938 (Table 3) which signifies that 93% of the variation was explained by the branding factors. As this is between 0 and 1 R square value is significant. The table Coefficients provides information on the confidence with which we can support the estimate the p value of Brand oriented behavioral factor is 0.003 (Table 4) which is less than 0.05 signifying 95% confidence in the value of the estimated coefficient. The p value of Brand oriented attitudinal factor, Individual oriented behavioral factor, Individual oriented attitudinal factor, Affective component factor is 0.000 (Table 4) which is less than 0.01 signifying 99% confidence in the value of the estimated coefficient. The results of factor and regression analysis helped to validate

Table 1. Total variance explained

Component	Initial Eigenvalues			Rotation Sums of Squared loadings		
	Total	% Variance	Cumulative %	Total	% of Variance	Cumulative %
1	5.138	25.689	25.689	4.778	23.890	23.890
2	4.064	20.322	46.011	4.118	20.589	44.479
3	3.089	15.446	61.457	3.065	15.323	59.802
4	2.816	14.079	75.536	3.057	15.287	75.089
5	2.133	10.664	86.200	2.222	11.111	86.200

Table 2. Outcome of rotated component matrix

Brand oriented behavioral factor	Brand oriented attitudinal factor	Individual oriented brand factor	Individual oriented attitudinal factor	Affective component factor
SIM card rates	Brand Image	Customer care	Clarity of schemes	Customer's loyalty
Billing	Brand Ambassador	Complaint handling	Tariff plan	Polite behavior of employees
Ease of documentation process	Value added services	Company responsiveness	Information on latest schemes	Feel valued
Innovativeness	Brand Visibility			
Validity				
Network Coverage				
Quality of service				

Table 3. Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics		
					R Square Change	F Change	df1
1	.969 ^a	.938	.937	.308	.938	1664.370	5

Table 4. Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	
		B	Std. Error	Beta	t
1	(Constant)	2.935	.013		224.442
	REGR factor score 1 for analysis 1	-.039	.013	-.032	-2.989
	REGR factor score 2 for analysis 1	-.062	.013	-.050	-4.718
	REGR factor score 3 for analysis 1	.047	.013	.038	3.604
	REGR factor score 4 for analysis 1	-.107	.013	-.087	-8.161
	REGR factor score 5 for analysis 1	1.186	.013	.962	90.615

the above stated hypotheses and arrive at appropriate conclusions.

6. Hypotheses Testing using Factor Analysis

Hypothesis 1

Consumers undergo an intricate process of evaluation before selection of a brand for purchasing a prepaid mobile service from a Cellular Mobile Service Provider.

Hypothesis 2

Brand oriented factors are important factors that influence customer loyalty towards a specific brand of prepaid mobile service provider.

The output of the factor analysis mentioned 5 underlying factors as: Brand oriented behavioral factors, Brand Oriented attitudinal factors, Individual oriented behavioral factors, and Individual oriented attitudinal factors, Affective component factors. This pinpoints that there are five basic factors which customers evaluate while selecting a particular brand of prepaid mobile service provider. Moreover the output of regression analysis shows that R square of the attributes of 5 factors in this study is 0.938 (Table 3) which signifies that 93% of the variation was explained by the 5 factors. This signifies the acceptance of

the 1st Hypotheses “Consumers undergo an intricate process of evaluation before selection of a brand for purchasing a prepaid mobile service from a Cellular Mobile Service Provider”.

According to the statistical factor analysis output, Factor 1, Brand oriented behavioral factors (23.89% variance) (Table 1) came out as the most important factor affecting customer loyalty towards a specific brand of prepaid service provider. Regression output shows that the p value of this factor is less than 0.05 (Table 4) signifying 95% confidence in the value of the estimated coefficient. Factor 2, Brand oriented attitudinal factors (20.58% variance) (Table 1) came out as the second most important factor affecting customer loyalty towards a specific brand of prepaid service provider. Regression output shows that the p value of this factor is less than 0.01 (Table 4) signifying 99% confidence in the value of the estimated coefficient. Moreover these two factors account for 45% of the total variation. This signifies acceptance of the 2nd Hypotheses that “Brand oriented factors are important factors that influence customer loyalty towards a specific brand of prepaid mobile service provider”.

6.1 Statistical Significance of the Factor Analysis

In the above mentioned reliability statistics, it is clear that Cronbach’ Alpha showcases high reliability level (more

than 0.7) (Table 5) for all 5 constructs. Moreover, the extracted five factors explain 86% (Table 1) of the variance cumulatively. Explanation of total variance as well as the reliability test validate the five constructs thus specifying Consumers *undergo an intricate process of evaluation before selection of a brand for purchasing a prepaid mobile service from a Cellular Mobile Service Provider and that Brand oriented factors are important factors that influence customer loyalty towards a specific brand of prepaid mobile service provider.*

7. Limitations of the Research

The study was limited to prepaid mobile customers only. A second limitation of the study was that it was restricted to the city of Pune, Maharashtra and did not include other regions.

8. Managerial Implications of the Research

The findings of this study can be used by Cellular service provider to formulate their branding strategy, their marketing communication strategy and strategy for retaining customer retention. The findings of this study communicate an important message to cellular service providers that branding factors play an important role in influencing a customer to remain loyal to their brand. Customer loyalty will lead to customer retention.

A manager must understand that brand oriented behavioral factors and brand oriented attitudinal factors are very important to influence a customer to remain loyal to their brand.

a) Brand Oriented Behavioral Factors

Consumers prefer brands based on their Behavioral measures in terms actual purchase experiences which directly affects the performance of the organization. Thus while formulating the branding strategy managers should consider

the 7 attributes related to this factor such as SIM card rates, Billing, Ease of documentation process, Innovativeness, Validity, Network Coverage, Quality Of service.

b) Brand Oriented Attitudinal Factors

Consumers prefer brands based on the attitudinal component such as their attitude towards the brand, stated preferences, commitment or purchase intentions. Thus while formulating the branding strategy managers should consider the 4 attributes that contribute to this measure like brand image of the company, brand ambassador for the service, value added services, and brand visibility.

A well formulated marketing strategy suited to satisfy the customer will lead to customer retention. In addition to the above managers should also consider the remaining three factors mentioned in the factor analysis output namely individual oriented behavior factors, individual oriented attitudinal factors and affective factors.

c) Individual Oriented Behavior Factors

According to individual oriented behavior factors consumers evaluate brands based on their individual experience or expectations from the service provider. So while formulating marketing communication strategy managers should be able to communicate better experience to the customers by highlighting their customer care service, showcasing responsive behavior and quick response to complaints.

d) Individual Oriented Attitudinal Factors

As per the individual oriented attitudinal factors, consumers evaluate brands based on individual stated preferences or requirements. So while formulating marketing and communication strategy, company should clearly communicate their schemes, tariff plans and inform the customers promptly their latest or new schemes.

e) Affective Component Factor

As per the 5th factor, Affective component factor, companies must consider emotional element or feelings of a consumer towards a brand. So while formulation the

Table 5. Reliability test using Cronbach Alpha

Factor	Cronbach Alpha	Number of items
Brand oriented behavioral factors	0.921	7
Brand oriented attitudinal factors	0.860	4
Individual oriented behavioral factors	0.857	3
Individual oriented attitudinal factors	0.802	3
Affective component factor	0.812	3

marketing communications strategy company should be able to communicate to the customer that his loyalty is valued, a feel good factor and by showcasing polite and good behavior on part of all personnel who are touch points with the customer.

9. Scope for Future Research

The present research is limited in its scope wherein it explores the factors that influence customer loyalty towards a specific brand of prepaid service provider. As this research was limited only to prepaid service providers the same research can be extrapolated to other verticals of telecom industry such as equipment vendors, Personal computer industry, smart phone manufacturers, and Value added services providers, Direct to home service providers, broadband service providers etc.

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