Exploring the Factors of Customer Retention in Mobile Sector

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ABSTRACT

The development of effective relationships is increasingly recognized as an important component of marketing strategies. Developing and maintaining satisfactory customer relationships can help increase customer retention. From the customer’s perspective, the determinants of relationship satisfaction include factors such as trust, service quality, price perception, inertia, indifference, and switching barriers. The aim of the study is to examine the factors which influence and contribute to customer retention. Mobile industry in Greece was selected to find how customer relationships impact marketing practices in the Greek mobile sector, as well as the effect on customer retention. A questionnaire survey was used to collect the primary data. The author used factor and regression analysis and all tests had a 95% confidence level. A statistically significant relationship was found between the dependent variable Customer Retention and the independent variables concerning Price Perception, Inertia, and Customer Satisfaction.

Keywords: Competition, Customer Retention, Inertia, Price Perceptions, Satisfaction, Service Quality, Trust

1. INTRODUCTION

In a global economy, firms must satisfy the demands of customers and demonstrate great flexibility if they are to survive the international competition and adapt to change. To succeed in 21st century marketplace, customer retention should be given special attention by organizational management (Rust et al., 2003). One of the main reasons why retention is essential is that retaining a current customer can better cover operational costs and other expenses. Obtaining a new customer is not profitable for the first two or three years due to the extra costs of customer acquisition to the organization (Grönroos, 1995).

Because today most customers can choose between a variety of products and are aware of the circumstances prevailing in the market, customers are not so easily fooled. Therefore, firms can usually only survive and expand offering favorable terms to retain customers. The “golden rule” for acquiring and retaining customers is anticipating: “what does the customer really need?” Organizations must constantly be improving offerings and relationships with customers to do well.

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Quality service is considered to be satisfactory only if it is perceived to be so by the customers. The performance and success of a firm should be assessed from a customer’s point of view. To retain customers, sending them occasional tactful reminders about the offerings of good service is often a wise strategy for an organization. Naturally customers expect a firm to provide them with solutions, so it is important that they realize the advantages derived when they buy the products of a firm.

On the other hand, the arrays of services strategically offered by mobile phone providers are often influenced by customers’ behavior. The result is a fruitful relationship with the customer where providing quality service is the main concern of a firm. Mobile telephone companies’ first priority must be to achieve customer satisfaction if they are to hold their share in the market and operate successfully in highly competitive markets. On the one hand, the mobile phone providers must also focuses on cost reduction at the same time they seek to forge relationships with customer by creating a network which covers a wide range of services.

Cost reduction can be achieved by adopting strategies which aim at forging relationships with customers and at creating a network of shops or premises all over the country. As described earlier, keeping an old customer is profitable to an organization. Since discontent may lead a customer to withdraw his/her custom from a firm, it is advisable to develop practices which aim at keeping customers satisfied. Customer service behaviour aimed at increasing customer satisfaction and fulfilling needs of a customer make up an essential part of a successful organization Zeithaml et al. (1996).

According to White and Yanamandram (2004), surviving a constantly increasingly global and competitive market requires firms to acknowledge that their existence, development, and progress are directly related to customer satisfaction. The continuously changing customer needs are related to the flexibility that companies will show in quickly adapting to the shifting needs of their customers. While the marketing relationships may be a firm’s important driver towards the satisfaction of its customers, trust, switching barriers, price perceptions, inertia and indifference are also likely to influence retention. Furthermore, while the main effects of the factors on retention are quite apparent, and have indeed been supported in the existing literature, their interaction effects have not been examined to date in a holistic research.

This paper describes a comprehensive model that incorporates the main effects of satisfaction, trust, switching barriers, price perceptions, inertia and indifference. We believe that such an approach may uncover little researched effects on retention. In particular, it offers a continuous analysis on the role of the above factors in improving overall service and it may also uncover alternative means of retaining customers.

Recent research has shown that while satisfaction and trust are closely related they are also conceptually different, has some distinct antecedents and also have different empirical effects on retention. It has also been shown that switching barriers may have interaction effects on retention and if they are high, service firms may continue to retain customers even if they are not highly satisfied. While Cronin’s research (2000) involving six industries showed that quality service was closely related to customer behavior, Gremler and Brown (1996) established that inertia is one of the factors that may stop customers migrating to another provider. Additionally, Fornell (1992) argued that even if the level of satisfaction is low there still exists an element which can positively contribute to customer retention; this element is closely related to the fact that the customer may simply be indifferent to take his custom elsewhere.

We tested our model with the mobile telephony industry in Greece, since such an industry is particularly suited to the aims of this study. Customer-provider relationships in this sector are generally medium to long term which provides a suitable context in which to study the factors. Finally, these sectors provide an environment of high customer-staff contact.

At the present time, mobile telephone companies’ first priority is to strive for customer
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