ABSTRACT

Customer loyalty is vital in any relationship marketing effort. With little or no product and service differentiation in the telecom sector, retaining the loyalty of customers is a big challenge. Service providers are investing substantial amounts in a variety of CRM strategies. While on one hand customer loyalty is a function of good products and services, resulting in increased levels of satisfaction, on the other hand customers’ social and demographic profile plays a key role in determining a customer’s loyalty to his service provider. Four types of loyalty measures were categorized and relationships with the demographic variables studied. This paper explores whether customer loyalty and demographic factors are linked in the telecom sector and to what extent. The findings and interpretation are similar to what other researchers have arrived at in the past, in that there is no significant relationship between demographic factors and loyalty. This study will have a huge impact on CRM investments in the telecom sector and will make service providers rethink their customer loyalty strategies.

Keywords: Brand, CRM, Customer, Demography, Loyalty, Relationship, Telecom

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1. INTRODUCTION

The Indian telecom market is the second largest in Asia, after China. According to the India Brand Equity Foundation (IBEF) research paper the sector grew at 20 per cent annually in the last five years and has close to 900 million customers, which is approximately 3 per cent of the country’s GDP. Telecom markets around the world are generally highly competitive, resulting in increased focus on value-added services and intense price war (Qi and Zong, 2013). The Indian telecom market has been showing signs of maturity. Though the urban markets may continue to add more users through offers of multiple SIMs, tariff-based competition will continue to exert immense pressure on service providers’ customer relationship strategies (Haridasan and Venkatesh, 2011).

The rapid adoption of smartphones and tablets has been a significant social, communication, technology and business trend, making it more challenging for service providers to match customers’ expectations with specific services. When the Indian government introduced Mobile Number Portability (MNP) in 2010 with a view to offer customers better choices while retaining the same number, it practically sounded the death knell for a customer’s loyalty, as service providers faced the risk of loss of high-end post-paid subscribers, and a dramatic fall in profits. This view is echoed by Reichheld and Sasser (1990) who had predicted that customer churn adversely affected telecom companies because they stood to lose high-value customers. However, disengagement problems have not been fully addressed in most telecom-related brand loyalty literature published so far (Ahn, Han and Lee, 2006; Jahanzeb, et.al., 2011; Adjei and Denanyoh, 2014), and only the extent to which communication strategies play a role in a relationship-loyalty context has been outlined by Prasaad and Mishra (2012). In this scenario loyalty is no longer seen as an absolute customer value.

For the purpose of this study four types of loyalty were considered based on LaPointe (2006)’s categorization of loyalty.

1. **Contractual loyalty**, where a customer’s relationship is defined by a mutually-accepted rigid business agreement.
2. **Transactional loyalty**, where a relationship is based on factors such as price, value and convenience.
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