

A Study on Peoples attitude towards purchasing new SIM cards: A Study with reference to Hyderabad



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ABSTRACT

Indian mobile market is one of the fastest growing markets and is forecasted to reach 887.47 million users by 2013. India has seen rapid increase in the number of companies which caused the tariff rates to hit an all time low. Telecommunication authorities have made effort to promote market competition by reducing switching cost. This allowed the companies to target the low income population thereby increasing the market share. The availability of a number of subscriber options for consumers and varied tariff rates of each player, lead the consumers to purchase SIM cards between service providers. As the increase in penetration rate consequently diminishes the pool of consumers who can newly enter the market, it has become more important for companies attract customers away from competitors while retaining their own subscribers. The objectives of the study are to find the factors that influence the consumers in purchasing new service provider and to explore into finding out the likeliness of purchasing the service provider. The type of research used for this study is descriptive research design. The area covered under this study was Hyderabad due to availability of well mixed population base in Andhra Pradesh. A well structured questionnaire was designed and administered to collect samples across Hyderabad. Due to high population and need for variety of respondents, Cluster Sampling method was chosen. The sample size was 120. The variables considered for the study are Consumer demographics, Consumer satisfaction with existing service provider, Factors influencing the purchasing attitude for new SIM cards and factors that affect the purchasing behavior of consumers and these were grouped into 4 categories namely customer service, service problems, usage cost and SMS package others. The results from the study reveal that call rates plays the most important role in purchasing the service provider followed by network coverage, value added service and customer care while advertisement plays the least important role. It is found that there is a relation between switching and purchasing new service provider and the factors (customer service, service problem, usage cost, etc.). After analyzing the findings of the study, I propose that the mobile providers concentrate on increasing network stability and setting tariff rates competitively.

Key words: Purchasing new SIM cards attitude, Mobile service provider, network stability, New tariff rates

Paper Type: Research Paper

INTRODUCTION

The Indian Mobile Market Dynamics and Forecast (2008-2013) report analyses the latest developments in the fast growing mobile market of India by the main players and provides a market forecast until 2013. ROA Holdings and

Optimus forecast that India's mobile market is to reach as high as 868.47 million users by 2013, with an estimated compound annual growth rate (CAGR) of 20.45%. During 2008, more than 112 million subscribers were added, increasing the penetration from 20.31% to 29.76% in 2008. However, the subscriber base in the rural areas is quite low in India, about 13% as of May 2009. The government has put regulatory mechanisms in place to encourage rural telephony and the service providers are eyeing rural India as the next area of growth. The rural mobile tele density is expected to reach about 36.25% by 2013.

Not only due to the increasing focus on the rural market, but also thanks to such factors as local consumer durable and electronic companies entering the domestic mobile handset segment, and lower handset prices. The Indian mobile market continues to be dominated by prepaid subscribers, which accounted for more than 89% of all mobile connections in 2007 and is expected to grow to more than 96% of the connection base by 2013. The total services revenue for prepaid connections is expected to grow at 21.9% CAGR for the period 2009-2013 and the total services revenue for post-paid connections is expected to grow at 19% CAGR during the same forecast period. By end of 2013, the prepaid subscriber base will cross 783 million and post-paid subscriber base will exceed 63 million subscribers. The mobile phones are progressively becoming cheaper and affordable for people in the country with the increase in disposable income that improves the quality of life in India. People are showing interest in new technologies like the option to access internet using a mobile phone. Besides, mobile service providers are also adding new schemes, offers and technology advancement in their services. This has resulted in more and more consumers are buying mobile phones and switching and purchasing between different service providers.

The Indian telecom sector, seen as providing the most affordable services in the world, has grown by leaps and bounds in the last decade. Switching and Purchasing behaviour is a consumer behavior where the behaviour of the consumers differs based on the satisfactory level of the consumers with the providers or companies. Switching Purchasing behaviour can be enunciated as the process of being loyal to one service and switching to another service, due to dissatisfaction or any other problems. Even if a

consumer is loyal to a particular brand, if the brand does not satisfy his/her needs, the consumers switch to a competitor brand. There are different factors and determinants which affect the consumers in switching their service from one service to another. The cost which is incurred during the switching process is called switching cost. Consumer loyalty is defined as “the degree to which a Consumer exhibits repeat purchasing behaviour from a service provider, possesses a positive attitudinal disposition toward the provider, and considers using only this provider when a need for this service arises” (Gremler and Brown, 1996, p. 173). Losing a consumer is a serious setback for the firm in terms of its present and future earnings. In addition to losing the benefits discussed above, the firm needs to invest resources in attracting new consumers to replace the ones it has lost (advertising, promotion, initial discounts). Peters (1987) shows that it can cost five times more to acquire a new consumer than to retain an old one. Consequently, retaining the current consumer base is much more attractive and viable than searching for new consumers.

LITERATURE REVIEW

An Empirical analysis of consumers & switching decisions in the mobile service industry
 By Jiyoung Kim

Richard Lee, Jamie Murphy, University of Western Australia (2005), their study investigates determinants that cause mobile phone Customers to transit from being loyal to switching. It concluded that there are different factors which affect the Customers to switch from loyalty to switching intentions such as price, technical service quality, Functional service quality, switching costs, etc. But, the rating was given that price is the most important factor which affects the Customers to switch loyalties to another provider.

Mohammed Sohel Islam (2008), in his study examined the relationship between switching cost, corporate image, trust and Customer loyalty. The research finds that although all the independent variables, switching cost, corporate image, and trust have certain degree of relationship with the dependent variable, Customer loyalty, only trust has the strongest relationship with Customer loyalty.

Conor Twomey (2008), Department of Statistics, University College Cork, Ireland, they try to identify hysteresis in the switching patterns of Customers in the Irish mobile phone industry. It was not until the introduction by the Communication Regulator of full-number portability that Customers began to take advantage of the savings that switching mobile phone operator could produce. Through the use of experimental economics and by modelling switching behaviour using the Preisach model, along with observed and market data suggests that the average Customer is misguided and misinformed in his/her decision to switch to bill pay. More realistically though, one can attribute this unexpected result to the enhanced services and mobile phone subsidies that a Customer receives as a bill-pay Customer.

Mitja Pirc, Universitat Pompeu Fabra(2006), Spain, the Mobile telecommunications service sector, in spite of providing high service quality and striving for Customer satisfaction, is characterized by dynamic Customer activities and provider switching. By using the consumption system perspective on mobile services and mobile phone, he provides the explanation on the factors of Customer switching. It is found that the mobile services usage effect on switching intentions is curvilinear (positive linear and negative quadratic) and that only the budgetary constraint regarding the service matters and not the one related to the mobile phone. Past mobile service providers switching experience also contributes to the intention to switch. Mobile phone ego involvement has positive impact on Customer retention; however purchase involvement (both mobile phone and mobile services) increases Customer risk.

Problem identification

- Consumers have every chance of purchasing & switching the mobile service provider due to industry expansion.
- Mobile industry is growing technically and becoming economical due to competitor’s innovative and attractive services.
- Number of companies in this sector is increasing, so each one of them wants to overplay others to attract the consumers.
- Mobile industry has become economic with the end result that consumers have less switching cost.

Objectives

- To find the major influences that goes into the decision of purchasing a SIM card.
- To find the most preferred service provider in Hyderabad.
- To identify the factors that affects the consumers into switching the service provider.
- To find the likeliness of switching the service provider.

Scope

- The present study can be extended to other geographical areas.
- It can be extended to study the usage of mobile services of different age groups and accordingly new plans can be formulated.
- This study can be extended to understand the switching behavior of a particular cellular service provider.

Research methodology

Research Design

The research design used in this study is Descriptive research design.

Data Collection

In this survey, the primary data was obtained by administering structured questionnaires. The secondary data was collected through various literature reviews and articles.

Sampling

For this study, Hyderabad is geographically divided into four broad regions: North Hyderabad, Central Hyderabad, South Hyderabad and West Hyderabad. The respondents are randomly drawn from each region.

Table 6.1: No. of samples

Region	No. of Samples
Central Hyderabad	30
South Hyderabad	30
North Hyderabad	30
West Hyderabad	30
Total	120

So, cluster sampling method is used for data collection. The sample size was 120, in which 116 were validated and remaining 4 were not included due to incompleteness.

ANALYSIS AND DISCUSSION

Factors affecting the consumers in switching and Purchasing the Mobile service provider

Friedman Test Table 6.1.1: Mean rank

Ranks	Mean Rank
Call Rates	1.55
Network Coverage	1.6
Value Added Services	3.7
Consumer Care Services	3.75
Advertisement	4.4

Hypothesis:

H0: The factors are random and are independent of each other.

H1: The factors are related to one another.

So, the factors are in fact related to one another. The 5 factors are interrelated and from their mean ranking, it is found that Call rates is the most important factor for switching behavior followed by network coverage, value added service, Customer care and finally advertisement which plays the least important role.

Relation between the switching and Purchasing of Mobile service providers and the factors*.

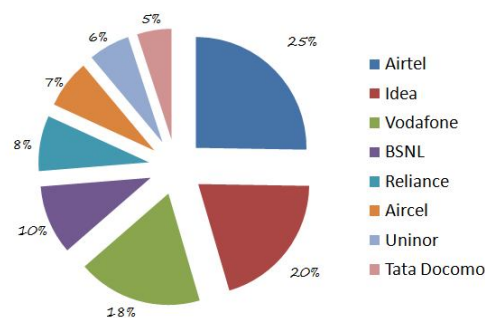
K TEST

H0: There is no relation between the switching of service providers by consumers and the factors* that affect it.

H1: There is a relation between the switching of service providers by consumers and the factors* that affect it.

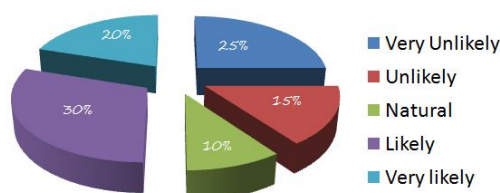
(*Factors – Improper Consumer Service, Unknowledgeable Employees, Long Wait Times for Consumer Service, Error in Billing, Poor Network Coverage, Frequent Network Problems, No new Schemes, Unsuitable plans for different age groups, Costly Value Added Services, High Call Rates, Hidden Charges, High SMS Charges, High Internet Charges, Unavailability of Recharge Facilities, Better Features offered by Competitors, Influence from Families and Friends, Fancy Number, High Service Charges for recharges)

Most preferred service provider in Hyderabad
Chart6.1.2– Current Mobile service Provider



From the chart 6.2.1, it is clear that majority of the consumers who undertook the survey use Airtel (25%) in Hyderabad. So, it is found out that the most preferred service provider is Airtel. Idea occupies the second place with Consumer preference of 20%, followed by Vodafone (18%),BSNL (10%),Reliance(08%), Aircel (07%), Uninor (6%), and the least preferred service provider is Tata docomo (5%)

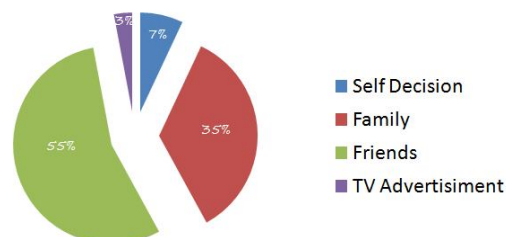
Likelihood of switching the service provider
Chart 6.1.3 – Switching your service provider



From the chart 6.3.2, it is obvious that 50% of consumers are likely to switch to a competing service provider. About 40% of consumers do not prefer switching their service provider. And 10% of consumers have a neutral stance when it comes to switching their service provider.

Major influences that swing the decision to purchase a new SIM card

Chart 6.1.4 – Influencing factor



From the chart 6.4.3, it is found that majority & nearly 60% of the consumers are influenced by their Friends to

select their service provider and around 35% of the consumers are influenced by their Family. Only 3% of the consumers are influenced by Television Advertisement.

- Mobile service provider should accept valid feedbacks from consumers regularly and make sure that they satisfy the consumers.

FINDINGS:

- Call rates play the pivotal role in Purchasing and switching the service provider followed by Network coverage, value added service, Customer care and advertisement which plays the least important role.
- It is found that there is a relation between purchasing and switching the service provider and the factors (Customer service, service problem, usage cost, SMS package etc.).
- Poor network coverage, Frequent Network Problems, High call rates, Influence from family and friends are the most important factors which affects the switching behavior and for buying new service provider.
- According to the study, the most preferred service provider is Airtel (25%). Idea occupies the second place with Consumer preference of 20%, followed by Vodafone (18%), BSNL (10%), Reliance (8%), Aircel (7%), Uninor (6%) and the least preferred operator is Tata Docomo (5%)
- 50% of consumers are likely to switch to other service provider. About 40% of consumers do not prefer switching their service provider. And 10% of consumers have a neutral stance on switching their service provider.
- It is found that majority of the consumers are influenced by the Friends to select their service provider and a sizeable number of the consumers are influenced by their Family.

SUGGESTIONS:

- From the study, it is abundantly clear that Call rates lead the consumers to switch the service provider. So, mobile service providers need to satisfy the Consumer with minimum call rates.
- Mobile service providers should invest more on improving their network coverage in order to retain their consumers.
- Mobile service providers have to provide more offers for family and friends. Enticing offers still hold a major sway.
- Mobile service provider should satisfy their current consumers by providing them innovative offers.

CONCLUSION

The study reveals that call rates plays the most important role in purchasing new SIM cards followed by network coverage, value added service, Customer care service and TV-advertisement which plays the least important role. After analyzing the findings of the study, I suggest that Mobile service providers concentrate more on increasing network stability and setting tariff rates competitively. The findings also suggest that managers of these mobile operators should shift focus on building corporate image and analyze more carefully the reason for consumers to switch brands in this industry in order to increase loyalty among these consumers.

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