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# Prospect of Switching Mobile Services in Pakistan

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## ABSTRACT

Cellular market of the telecom industry has seen a constant change from monopolistic to environment to a highly competitive one. This sector is playing a vital role in Pakistan's economy and covers about 5% of the GDP. In the highly competitive market, subscribers' retention & acquisition of subscribers has become the main focus of service providers. The objective of this research in this regard is to find out the important factors that influence a person to switch one's mobile phone service. Factors studied in the research were taken into consideration after analyzing previous research in the same field. The data was collected from a sample of 50 people with the help of a precise questionnaire and analyzed through regression analysis technique. The study showed that lower call rates, lower SMS rates, better service quality and service reliability (consistent and trouble free service) are the factors that affect consumer's level of satisfaction resulting in either customer retention or switching to another better service. No significant impact of variety like value added services, special offers for promotions, network coverage and customer support service was found on switching behavior.

**Keywords:** Cellular, Telecom, Switching, Mobile number portability, Coverage

## 1. INTRODUCTION

Pakistan telecom sector is becoming one of the fastest growing sectors in the country. The revolution in telecom world started in 2004 when Pakistan Telecommunications Authority (PTA) introduced two types of licenses for ISPs – regional and nationwide, and also exempted them from Central Excise Duty.

Pakistan telecom market hosts some of the biggest and most successful multinational companies in the world. Cellular market of the telecom industry has seen a constant change from monopolistic environment to a highly competitive one. The current cellular companies providing network service are Mobilink, Telenor, Ufone, Warid, and Zong. Due to consistent and unwavering growth patterns, the number of mobile subscribers in Pakistan reached the 100 million landmarks in FY 2009-10 and is expected to continue its growth momentum due to the relatively low penetration rate. In this quarter, BMI has attuned our mobile forecasts and we forecast 136.078 million subscribers in Pakistan by end-2015, representing a penetration rate of 70.3%. Mobilink at the end of FY 2009-2010 reported a figure of 32.2 million subscribers followed by Telenor at 23.8 million. Mobilink has been the market leader since long. But if we look at the growth, Telenor subscribers have grown by 14% as compared to Mobilink's growth of 10.7%.

It is essential to mention here that the telecom industry is the one of the largest contributor of Foreign Direct Investment (Rs. 4.966 million in the year 2009-10) and almost five per cent of the GDP of the country is produced by the industry. Furthermore, cellular density in the country has reached 64.08% with 3.5% increase in FY 2009-10. The total telecom sector revenues reached Rs 357.7

billion in 2009-10 with investment of over \$ 1.13 billion showing 11 percent growth over last year. As of Today, cellular tele-density has reached 62.5% from just 3.3% in 2004 while almost 92% of areas and more than 10,000 cities/towns/villages are under the umbrella of cellular services. From only 2000 cell sites to 30,417 in just six years, cellular services have reached to every nook and corner of the country. Average Revenue per User (ARPU) is one of the key indicators to the financial status of telecom market in any country. Pakistan's cellular companies had to face a tough time by the end of last year due to amplified fixed investments and global recession. However, the cellular industry has bounced back from this temporary shaky period and industry ARPUs are on the rise ever since. The industry reached a collective ARPU of US\$ 2.48 by the end of FY 2009-10 and currently, Pakistan's cellular sector is best known for low-cost mobile connection charges, reduced tariffs, almost complete coverage area and better mobile services for the general public throughout the country.

Altogether, Pakistan's Cellular industry faced tough fiscal year 2009-2010. Hiked pricing, lower buying power, power crisis, currency devaluation and price war remained major strikers for the cellular companies in year 2009-2010. Industry's growth is slowing down over the period of time, which means that new subscribers' addition is reducing and future competition will be focused more towards launch of innovative products/services to increase revenue streams. Subscribers' retention & acquisition of subscribers is already on the top of to-do lists, along-with, customer support is going to play pivotal role in coming days. Another matter of the fact that normally people prefer to use a single network and they do not like to frequently change their services, but

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majority has used more than one cellular service and switched to another network due to one of the factors studied in this research.

This research has been conducted in the same connection to find out the importance and significance of different factors that influence a person to switch one's mobile phone service. Factors that make people to switch their mobile phone are considered after reviewing of literature and previous studies in the same area. Importance of these factors has been investigated and significant factors have been identified in the result section. The research concludes with the implications of these factors and impact on customer retention for cellular service providers.

## 2. LITERATURE REVIEW

A number of studies have been carried out to find out the factors that influence the decision to retain with the same product or service or to adopt another product or service. Various studies revealed that customer switching behavior greatly depends on the level of satisfaction or dissatisfaction. Ranaweera and Prabhu studied a relation between customers' satisfaction and switching behavior and found that customer satisfaction plays a vital role in customer retention, and on the contrary dissatisfaction results in switching to the better product or service. Similarly Ali et al (2010) in relation with customer satisfaction and customer retention found that there is a significant relationship between customer satisfaction and customer retention which means the more the customer satisfaction, the more will be the chances of customer retention while the lesser the customer satisfaction, the more will be chances of switching to other service.

The authors have selected variables in their study on the basis of previous studies in this field. Many researchers analyzed different factors that may affect the consumer choice and level of satisfaction. Researchers studying customer satisfaction related to retention behavior in cellular service markets identified three pertinent factors—call quality, price, and customer support. In a survey in Germany, Gerpott et al. (2001) found that network quality and price were significant in affecting customer satisfaction, but not customer support. However, Kim et al. (2004) in a survey of South Korean customers found that call quality, value-added services and customer support were significant, but not price, handset, and convenience in procedures. Berry (1995) has mentioned that quality of services, increased recognition of the potential benefits for the firm and also for the customers, along with technological advances are the main contributors of trust in Services Marketing. Similarly Bolton and Drew (1991) reciprocated the relationship by affirming that satisfaction situates influence on professed quality. Pollack (2009) also suggests different dimensions of service quality to increase customer loyalty. Another study in Finland related to same area

examined seven factors of mobile phone services choice that include innovative services, outside influence, price, and reliability (Karjaluoto et al. 2004). Lee and Murphy (2005) concluded in their study that among different factors price is the most important factor which affects the Customers to switch loyalties to another provider.

From the perspective of Pakistan, conclusions of researches related to finding factors of switching are almost identical to those of other locations. For example, Ali et al (2010) in their research concluded that fairness of price, call clarity have a great impact on customer satisfaction whereas customer support services; value-added services, user friendliness and processing of customer complaints have no major impact since in Pakistani cellular industry as the level of providing such services is almost the same. Ayesha et al (2011) in their research concluded that fair prices, prompt customer services, commitment with customers and anger free service play a significant role in consumer switching intention. Wajidi et al (2009) concluded in their research for Quetta that the mobile phone users are highly sensitive to the connectivity problem and they give value to those packages which are low in costs. Mohsin and Ernest (2009) in their study recognized that Price and network coverage are the two most important components contributing to the customer satisfaction. Customer service and ease of usage are two other components.

Summarizing the facts from the literature, factors that were considered in researches pertinent to mobile phone consumer switching behavior include price, quality, and network coverage, value added services, anger free or reliable service and customer support and services.

## 3. RESEARCH METHODOLOGY

In the beginning, a critical review of literature was carried out to identify the factors that impact on customer satisfaction resulting in switch over to another service. For this purpose previous research was taken into consideration and variable were determined from those research. From these variables, some common considerable variables were selected that might affect the consumer satisfaction in the context of Karachi city.

After determining the variables, a precise self-administered questionnaire was developed that represented both switching intentions and level of satisfaction to existing mobile phone services. A six point Likert scale, rating from 1-strongly disagreed to 6-strongly agreed, was used to measure the preference of respondents to switch to other service due to various factors. A sample of 50 people was selected to conduct this research. People were selected through convenient sampling method and the questionnaire was distributed in two ways i.e., personally by hand and online via email. Thirty Four of the total responses were

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obtained from manual distribution of questionnaires and the rest from email.

Regression analysis technique was used to find out the significance of the factors under consideration and their relationship with switching patterns, where switching preference was taken as dependent variable and nine factors were taken as independent variables.

## HYPOTHESIS QUESTIONS

Based on the literature review, following hypotheses are developed for the research in order to find which of these have a relationship with the consumer switching pattern.

- H<sub>1</sub>:** There is a significant relationship between Low call rates and consumer switching pattern.
- H<sub>2</sub>:** There is a significant relationship between Low SMS rates and consumer switching pattern.
- H<sub>3</sub>:** There is a significant relationship between variety of value added services and consumer switching pattern.
- H<sub>4</sub>:** There is a significant relationship between different special offers from the service provider and consumer switching pattern.
- H<sub>5</sub>:** There is a significant relationship between service quality and consumer switching pattern.
- H<sub>6</sub>:** There is a significant relationship between reliability (consistency of good services) and consumer switching pattern.
- H<sub>7</sub>:** There is a significant relationship between network coverage and consumer switching pattern.
- H<sub>8</sub>:** There is a significant relationship between customer services and consumer switching pattern.

## 4. RESULTS

The data for this research was analyzed through PASW Statistics (Statistical software of SPSS Inc.) using Regression Analysis technique. A total of eight switching factors were taken for study. The equation for the function can be expressed as:

$$\hat{Y} = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_5X_5 + \beta_6X_6 + \beta_7X_7 + \beta_8X_8$$

Where,

$\hat{Y}$	=	Switching Preference
$X_1$	=	Low Call Rates
$X_2$	=	Low SMS Rates
$X_3$	=	More Value Added Services (VAS)
$X_4$	=	Frequent Special Offers
$X_5$	=	Better Service Quality
$X_6$	=	Reliability (Consistency of Good Service)
$X_7$	=	Network Coverage
$X_8$	=	Customer Service

Results from the analysis are given below:

**Table 1:** Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.887 <sup>a</sup>	.787	.721	.677

a. Predictors: (Constant), Customer service, Special Offers, Network Coverage, Better Quality, Low Call Rates, More VAS, Low SMS Rates, Reliability

**Table 2:** ANOVAb

Model	Sum of Squares	df	Mean Square	F	Sig.	
1	Regression	61.687	8	7.711	16.805	.000 <sup>a</sup>
	Residual	18.813	41	.459		
	Total	80.500	49			

a. Predictors: (Constant), Customer Service, Special Offers, Network Coverage, Better Quality, Low Call Rates, More VAS, Low SMS Rates, Reliability

b. Dependent Variable: Switching Preference

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Table 1 - Model Summary shows the goodness of the model. The model is considered good if R square value is equal to or greater than 0.8. Since here  $R^2$  is 0.787, it represents nearly a good model and shows that 78.7% of change in switching preference is represented by the factors under consideration, moreover the model is considered significant if P-value of the model is less than  $\alpha$  at 95%

confidence interval (that is 0.05). Since from Table two it is obvious that P-value 0.000 is less than 0.05, the overall model is said to be significant.

The results of hypotheses tests for different variables (factors) are shown from the below table:

**Table 3:** Coefficients <sup>a</sup>

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	-.110	.468		-.236	.815
Low call rates	.194	.086	.211	2.267	.029
Low SMS rates	.330	.102	.386	3.227	.002
More VAS	-.054	.092	-.060	-.587	.560
Special offers	.091	.120	.065	.758	.453
Better quality	.247	.108	.228	2.294	.027
Reliability	.331	.163	.284	2.032	.049
Network Coverage	-.046	.087	-.046	-.532	.598
Customer service	-.049	.093	-.043	-.526	.602

a. Dependent Variable: Switching Preference

Since we know that to accept any hypothesis the P-value of the variable must be less than  $\alpha$  (0.05), it is obvious from Table 3 that:

- P-values of four variables – Low Call Rates, Low SMS Rates, Better Service Quality and Service Reliability are less than 0.05 which means that these variables have a significant relationship with Consumer Switching Behaviour.
- P-values of other variables – Value Added Services, Network Coverage, and Frequent Special Offers by cellular service providers and Customer Service are greater than 0.05 which means that these variables have no significant impact on the Switching Behaviour.

## 5. CONCLUSION

In the contemporary market of mobile phone service providers, there is a highly competitive environment. Mobile phone service providers are now introducing more and more competitive product and services on nearly daily basis in order to sustain their business in Pakistan. Customer retention becomes one of the biggest challenges for these firms. Since services are available at very low rates, affordable by everyone, and switching cost or subscription charges to new services are likely negligible, people can easily switch to other service or use various SIMs at the same time. This is due to the fact that people are not fully

satisfied with all the services provided by a single service provider and use different SIMs to get benefits as much as possible. For example, if service providers offer lowest call rates, they are for on net (same) networks whereas call rates are higher for off net (other) networks. Since people have to contact via both on net and off net networks, they use different SIMs to call on respective networks in order to gain lowest call rate advantage. Similarly, if people feel that they have lower call rate benefit from one network and lower SMS rate benefit from another network, the use both networks.

From the statistical results it is concluded that people heavily focus on lower call and SMS rates. They choose among numerous call and SMS packages according to their requirement, but the main driver is cost effectiveness. It means that people tend to switch to that network service that provides a variety of low rate packages according to user requirements. From the service provider's perspective, a variety of low rate packages that provide customers benefit at all levels and in all times according to their varying requirements, will help in customer retention.

Besides low tariffs, mobile phone network service equability which includes clear voice, smooth SMS traffic, signals or coverage etc. , and service reliability (consistency in providing good service) play a vital role in consumer retention and switching from one service to another. If a consumer faces signals coverage problem while calling, beyond time SMS delivery or receipt, or frequent

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disturbances in service quality, he/she will prefer greatly to switch to the network with better and consistent quality services. So, Service providers need to focus on the quality too with offering cheaper rate packages.

Although service providers offer special offers to their customers like extra free minutes, free SMS, extra balance, prizes, and many more, but consumers do not consider these promotional activities and they do not play a considerable part in long run customer retention. Similarly, companies in the contemporary cellular business are continuously introducing a variety of value added services like fun messaging, news alerts, tunes, internet, mobile banking, etc. But these services do not have much importance in the eyes of people. The reason might be high or hidden charges, complex procedures, or ineffective promotional advertisement. Network coverage which seems to be a major driver of a cellular service is not preferred by the respondents for switching to other service which might be due to the fact that all service providers provide same level of network coverage and people need not to think about it while selecting or using a service. Customer support service is also not given considerable importance by people. The reasons behind this may be mainly people have no day to day interaction with customer support services. They usually contact customer centers for SIM purchase, activation, blocking, or any kind of complaint which are one or two times activities.

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