Relationship Marketing: A Tool for Competitive Advantage and Long term Customer Management in Indian Telecom Industry

Short Title

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SUBJECT: MANAGEMENT

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Abstract

Relationship Management is the buzzword that has gained much importance amongst the companies and researchers as well. Major Objective of Relationship Marketing is to develop mutually beneficial and long term relationship with the customer of the organisation. The present paper explains how Relationship Marketing has played key role in customer loyalty and customer retention related areas in Indian telecom industry. Indian telecom industry is passing through the intense and cut throat competition as of now. This paper also describe as how companies can gain competitive advantage with the use of Relationship Marketing practices in Indian telecom industry.

Keywords: Competitive Advantage, Customer Management, Telecom Industry, CRM

1. Introduction

Telecommunication is one of the prime support services needed for rapid growth of any developing economy and is one of the fastest developing sectors in India. Telecommunication sector in India can be divided into two segments: Fixed service providers and Cellular service providers. Fixed line services consist of basic services like national or domestic long distance and international long distance services. Cellular services can be further divided into two categories: global system for mobile communication (GSM) and Code division multiple access (CDMA).

The GSM service is dominated by Airtel, Vodafone, Reliance Jio, Idea Cellular and the state run BSNL while CDMA service is dominated by Reliance infocomm and Tata Indicom. A decade ago, India was at the bottom of the pyramid in the world telecom market. But after the opening up of telecom sector for competition, through liberalization, disinvestments, privatization and demonopolization initiatives adopted by the government of

India, the industry, especially the mobile segment is experiencing a tremendous growth and today we are the second largest telecom market in the world. The composition of the telecom sector too has witnessed a structural change, with the private sector accounting for 88% of the total connections.

2. Literature Review

Phavaphan Sivarasks and Donyaprueth Krairit (2011) examines and measures the outcomes of electronic customer relationship management system implementation in the with banking industry from customers' perspectives. According to **Newell (2000)** there are often three distinct types of relationship customers: the top, middle and lower groups. The top group (top 10 %) consists of customers with excellent loyalty and high profitability for the organization. CRM is needed to retain and offer them the best possible services in order to avoid them defecting to hungry competitors. Middle group customers (next 40% to 50%) are ones delivering good profits and who Show good potential for future growth and loyalty. These are the customers who are probably giving some of their business to competitors.

Prahalad, & Ramaswamy (2002) map the evolution and transformation of customers from passive audience to active players in their article. They categorized this transformation from 1970s to beyond 2000 in four parts. From 1970s to 1990s customers were seen as passive buyers with a predetermined role of consumption but beyond 2000 customers are considered as part of the enhanced network; they co-create and extract business value. They are also considered as collaborators, co developers, and competitors.

Shrivastava & Khandai (2002) explores customer satisfaction with mobile services by expanding the expectation and desire disconfirmation model and incorporating constructs of perceived customizability and self-efficacy. Customer Relationship Management emphasize upon the effective management of relationship with customers, hence it is focused upon customer retention
(Light 2001) and this idea of Customer retention helps in maintaining the existing customer rather than creating new ones

(Payne e.al.,1999 & Reichheld, 1996). **Berry (1983)** stresses that the attraction of new customers should be viewed only as intermediate step in the marketing process. Solidifying the relationship, transforming indifferent customers into loyal ones and serving customers as clients should also be considered as marketing. He has outlined five strategy elements for practicing customer relationship management: developing a core service around which to build a customer relationship, customizing the relationship to the individual customer, augmenting the core service with extra benefits, pricing services to encourage customer loyalty and marketing to employees so that they, in turn, will perform well for customers.

The objective of customer relationship management is to unite and join information technology and business processes in a fashion that enables the firm to acquire new customers, to retain existing customers, and maximize the lifetime value of its customers **(Peppard, 2000).**

As defined by **Kumar & Reinartz (2012, p. 5)** ―CRM is the practice of analyzing and using marketing databases and leveraging communication technologies to determine corporate practices and methods that maximize the lifetime value of each customer to the firm.

 Sin, Alan, & Yim (2005) developed a reliable and valid scale to measure the four dimensions of CRM i.e. key customer focus, CRM organization, knowledge management and technology based CRM. Since this study was conducted in Hong Kong only, the generalizability of the CRM scale has to be tested in other countries. This is the first study to provide a comprehensive, psychometrically sound, and operationally valid measure of a firm's CRM**.**

Khaligh et al. (2012) investigates the impact of CRM on customer loyalty and retention in the Iranian telecom industry. This study says that flexibility and explicitly of the pricing policies is an important factor to increase customer loyalty and benefit of the telecom companies.

Atul Parvatiyar & Sheth, (2001) pointed that company should select its appropriate and profitable customers and tailors its program and marketing strategy according because some customers are more profitable to the company and some are less**.**

 Agrawal (2001) emphasizes that service marketers need to build up long-term relationship with their customers by understanding the cause behind their problem and recovering them fast to build deeper and long term relationships. Further he strengthened the marketing principle, focusing on the repeat customers, which cost less in comparison to attract ones. He studied the change in customers' attitude after solving their complaints. One of the most important studies conducted in this field is by

Reichheld and Sasser (1990), which showed the large impact on profitability of small increases in customer retention rates, which made the marketing community more conscious of the need to manage customer relationships in the long term as well as prior to the first sale.

3. Objectives of Study

i) To analyze the relationship of CRM practices on customer satisfaction in the telecom sector

ii) To explore the most important CRM component on customer satisfaction in the telecom sector

iii) To examine the impact of customer satisfaction on customer loyalty and customer retention practices in the telecom sector.

4. Hypothesis of Study

i) **H1:** There is a significant and positive effect of CRM practices on customer satisfaction in the telecom sector

ii) **H2:** Related CRM components have greater influence on the customer satisfaction in the telecom sector

iii) **H3:** Customer satisfaction is significantly and positively associated with customer loyalty and customer retention practices in the telecom sector.

5. Research Methodology

This descriptive research design has been completely depends on the primary data and the data were collected from customers who have been using the telecom services at least for last 2 consecutive years.

The primary data were collected through the questionnaire. Through this questionnaire, an attempt was made to study the overall impact of CRM practices in the telecom sector on customer satisfaction. In order to examine the CRM practices, it was categorized into customer upgrading capability (eight parameters), customer orientation strategies (three parameters), customer value (six parameters), customer interaction management practices (eleven parameters), customer contact programmes (three parameters) and CRM technology (three parameters).

Moreover, the above mentioned CRM practices studied its impact on customer satisfaction (four parameters), customer loyalty (nine parameters) and customer retention practices (seven parameters) in the telecom sector and also examined the relationship of customer satisfaction towards customer loyalty and their retention practices. The responses against these parameters were collected through the five-point likert scaling technique. The variables about socio-economic characteristics of the customer like gender, age group, educational qualification, occupation, monthly income, and place of living were included in the questionnaire. The responses of 500 customers were considered for the final study and the customers were selected from various types of telecom service providers. Multi-stage sampling technique is the most suitable for the present study. The theoretical inputs of the study were collected from journals, books and websites. The primary data were collected during the months of July- November, 2017. Cross tabulation, Pearson correlation (r), multiple regression and F test were used to draw the inference of the study.

6. Data Analysis

Table-1: Demographic data			
Character		No. of Customers	%
Gender	Male	280	56
	Female	220	44
Age group(in years)	Upto 25	80	16
	26-40	39	19 5
	40-55	180	36
	Above55	45	9
Educational Qualificatio	School education	175	35
	Higher education	245	49
	ITI/Diploma	80	16
Occupation	Employed	120	24
	Self-employed	290	58
	Professional	90	18
Monthly Income (in Rs.)	Upto Rs. 10,000	110	22
	Rs.20,001-Rs.30.000	155	31
	Above Rs. 30,000	235	47

Ho1: There is a significant and positive effect of CRM practices (customer relationship upgrading capability, customer orientation strategies, customer value, customer interaction management practices, customer contact programmes and CRM technology) on customer satisfaction in the telecom sector.

The above said hypothesis has been analyzed with the help of 'r' co-efficient and it is used to find the association level of CRM practices to the customer satisfaction in the telecom sector. The correlation level is +0.2 to less than +0.6 = Moderate positive effect and vice-versa +0.6 to +1.0 = Strong positive effect and vice-versa Less than +0.2 = Low positive effect and vice versa (Table.2)

Customer relationship upgrading capability	Overall Satisfaction	0.529**	This CRM practices have significantly correlated with customer satisfaction at 1% level (p<0.01) but moderate positive effect
Customer orientation strategies		0.435**	This CRM practices have significantly correlated with customer satisfaction at 1% level (p<0.01) but moderate positive effect
Customer value		0.216*	This CRM practices have significantly correlated with customer satisfaction at 5% level (p<0.05) but moderate positive effect
Customer interaction management practices		0.795**	This CRM practices have significantly correlated with customer satisfaction at1% level (p<0.01) but strong positive effect
Customer contact programmes		0.488**	This CRM practices have significantly correlated with customer satisfaction at 1% level (p<0.01) but moderate positive effect
CRM technology		0.521**	This CRM practices have significantly correlated with customer satisfaction at 1% level (p<0.01) but moderate positive effect

Multiple regression analysis has been used to explore the impact of most important CRM components on the customers' satisfaction in the telecom sector. This analysis is made of Y- customer satisfaction, with the explanatory components like X1- customer relationship upgrading capability; X2- customer orientation strategies; X3- customer value; X4- Customer interaction management practices; X5- customer contact programmes; X6- CRM technology; The following regression model is fitted for performance: $Y = Y= bo + b1X1 + b2X2 + b3X3 + b4X4 + b5X5 + b6X6$ e Where, b1, b2,……. are partial regression coefficients; bo constant.

Ho2: Related CRM components have greater influence on the customer satisfaction in the telecom sector (Table 3)

Table-3: Final Frame work towards Relationship level of CRM Components on Customer Satisfaction				
Model	**Unstandardized Coefficients**		**t**	**R^2**
	B	**Std. Error**		
(Constant)	-.441	.170	-2.599*	.759
Customer interaction management practices	.684	.055	12.334**	
Customer relationship upgrading capability	.252	.053	4.792**	
Customer orientation strategies	.182	.059	3.096**	
Dependent Variable: Customers' satisfaction				

Regression Equation: $Y = -0.441+0.252X1+0.182X2 +0.684X4$ It is observed from the Table – 3 that significance of various CRM components on customer satisfaction coefficients is tested by t-statistic. It can be concluded that the coefficients for customer interaction management practices, customer relationship upgrading capability, and customer orientation strategies are significant at 1% level. Further, the coefficient of customer value (t = 1.929; p>0.05), customer contact programmes (t = 0.471; p>0.05) and CRM technology (t = 0.634; p>0.05) has been excluded in the above model because of calculated 't' value is not significant at 5% level. Further, R2 value of regression model comes out 0.759 which is greater than the value of 0.50. Hence, it can be concluded that the customer interaction management practices, customer relationship upgrading capability, and customer orientation strategies are the most important CRM components to customer satisfaction in the telecom sector because of calculated value of 'f' significant at 1% level towards these CRM components to customer satisfaction (f = 100.568**; p

Table-4: Analysis of Variance for Regression				
	Sum of Squares	**df**	**Mean Square**	**F**
Regression	49.833	3	16.611	100.568**
Residual	15.856	96	.165	
Total	65.690	99		

Ho3: Customer satisfaction is significantly and positively associated with customer loyalty and their retention practices in the telecom sector.

It could be collected from the Table that the calculated value of correlation between customer satisfaction to customer loyalty (r = 0.467; p<0.01) and also to customer retention practices (r = 0.870; p<0.01) significant at 1% level. So, accept Ho3 and it can be reported that the customer satisfaction is significantly and positively associated with their loyalty and their retention practices in the telecom sector.

Table-5: Relationship of Customer satisfaction towards Customer Loyalty & Retention Practices in the Telecom Sector		
Independent variable	**Dependent variable**	**r-value**
Customer satisfaction	Customer loyalty	0.467**
	Customer retention practices	0.870**

Above table explains the relationship between customer satisfaction and customer loyalty and customer retention practices in Indian telecom industry in India. It suggests that there is very strong positive relationship between customer satisfaction and customer retention practices. It can be also concluded that there is strong relation between customer satisfaction and customer loyalty.

Conclusion

In this study, we came to know that for any business, it is vital to create customers and equally important is to retain them with you. In a highly competitive market place, the company that has the best understanding of its customers will be able to respond faster to the changing circumstances. Customer Relationship Management aims at increasing customer Value, customer interaction, customer participation and it also helps in customizing products. In service sector, CRM plays a decisive role in the success of any business. It helps the company to differentiate their customers so that they can differentiate their offerings in order to develop a long term relationship with the customers which increases customer loyalty.

Limitations and Future Research Directions

The study exhibits some limitations that should be considered. The limitations are as follows:

i) The sample size of the study was comparatively small. Though this sample size fulfils the minimum requirement for research, a larger sample size will be quiet helpful to explore more about service quality and customer loyalty in the telecom sector in India.

ii) Apart from the factors considered in this study, several other factors might have significant impact on customer loyalty.

iii) The study was limited to the telecom sector of India as a result of which, it has limited implications for practitioners. It may include other service sector to make the service comprehensive and generalized.

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