



An Investigation on Consumer Switching Behavior in an Asian Telecommunication Market

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Abstract

The paper investigates the determinants of consumer switching behavior in the Indian telecom industry, overcoming the scarcity of research from emerging economies. The study collected data using a questionnaire instrument directly from the customers and was selected through purposive sampling. Binomial probit regression technique was used for modeling purposes. The study concludes that the critical services, service specification, loyalty, and user engagement-related factors influence customer churn. The study specified the key sub-factors directly influencing these four factors. The findings are presented as a set of four different models. The article is the first exploration of the idea of proposing function-specific models and the use of purposive sampling. The study attempts to provide models that are convenient to administer, require specific data, specific to functional area, economic data collection, and may be used based on the context of an investigation. The paper suggests how to perform a convenient investigation using a small dataset.

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Introduction

“Your most unhappy customers are your greatest source of learning.” -Bill Gates (Walter, 2020)

The gale-force winds of competition have been jeopardizing the telecommunication business in many economies across the world and depend on the level of competition in the market. The telecommunication sector is characterized by the minimum to no switching cost, and this paves the way for a free movement of the customer base in the sector. The effort in retaining existing customers is less and is a more economical option for the firm compared to acquiring new customers (Coussement, Benoit, and Van den Poel, 2010). Some estimation in India suggests that it may take over 19.85 USD to acquire a new customer and the firm faces a three times loss in revenue when the customer chooses to churn (Sengupta, 2019). One of the effective initial therapies

for the churning customer is to discover them as early as possible as late discovery or ignoring may cost the telecom company heavily (Elfergany and Adl, 2020). Thus, prediction churn and devising retention strategy became popular among the firms and developed a rich extant literature.

“Customer churn in the telecom industry is a major concern for operators. In some instances, almost 30% of an operator's customers can turn over in a year. This imposes high costs on an operator,” -Rajan Mathews, Director General of COAI¹(Sengupta, 2019)

This paper studied the burgeoning and developing economy of the Republic of India. The choice of the economy was based on the importance of the Indian economy in the world business. India was the world's fifth-largest economy in 2019 and continued its growth to become a larger economy (PTI, 2019). The Indian telecommunication business influences many other economies due to foreign investment in Indian businesses and other macroeconomic factors. Further, the extant literature has a scarcity of researches in a developing nation context. Thus, it forms the rationale behind the choice of an Indian context. The article attempts to address the following question, as tabulated in Table 1.

Table 1. Research questions and relevance

Research question	What are the determinants of customer churn behavior (switching behavior) in the Indian mobile telecommunications service industry?
Purpose	To develop a churn model and empirically test it using primary data from an actual customer. To help the firm make better decisions in general.
Ultimate potential value	Firm productivity Societal productivity The basis for future research

The organization of the manuscript is as follows. First, the next section details the research methodology, which is followed by a brief discussion on customer churn behavior and the extant literature. Then the econometric model is discussed, and churn prediction models are proposed. Towards the end of the paper, the 'conclusion' section concludes the study while specifying research limitations.

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