

An Interrogation of Causes of Customer Defection in Zimbabwean Mobile Telecommunication Industry

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ABSTRACT

Although several industries suffer from customer churn, it is more pronounced in the telecommunication sector where customers are acquired and also defect in a short space of time. Controlling customer defection is the major problem facing the telecom industry nowadays. The focus of the study was to investigate whether customer switching is a serious challenge in the Zimbabwean telecommunication industry. Secondly, the thrust of the research was to explore the underlying causes of customer switch behavior in the industry. Primary data was gathered from three mobile telecommunication operators using case study design. Data was gathered from key informants who comprised telecommunication subscribers, employees and management. This comprised the population of the study. Stratified and purposive sampling was used in this study as a form of triangulation. Findings from the study showed that customer defection in the industry is fuelled by competitor promotions, poor service quality, and customer dissatisfaction among other factors. It is recommended that Zimbabwe telecom firms should collaborate with rivals in the industry when launching marketing-mix elements and other strategies. In addition, the industry should benchmark their service standards with international principles. Furthermore, the industry should regularly carry out market research in the form of customer surveys in order to understand customer needs, wants and preferences. This will reduce customer switching behavior. The industry should investigate underlying causes of customer switching in the industry so that they will be able to implement relevant strategies to either prevent or reduce it. It is also recommended for telecom firms to procure quality products for sale to their customers.

Keywords: Customer, defection, Deregulation, Retention.

1. INTRODUCTION

Due to rampant customer switching behavior, one of the most serious challenges Zimbabwean telecommunication firms face is how to maintain customer loyalty. Loyal customers reduce costs associated with customer education and marketing, especially when they become promoters of your firm.

Customer retention is of paramount importance to firms in order to generate profits and for sustainability. Customer defection adversely affects telecom revenue, market share, margins and firm competitiveness. Due to its direct effect on revenues of companies, especially in the telecom field, firms seek ways to predict potential customers who churn. Customer churn is a serious concern in service sectors with high competition. The objective of this study is firstly to investigate whether customer defection is a problem in the sector. Secondly, to investigate the underlying causes of customer switching in the industry.

Telecommunication is the suite of technologies, devices, equipment, facilities, network and applications that support communication at a distance. These days, consumers consider telecommunication in terms of products and services. Globally, telecommunication industry is growing very fast due to globalization, deregulation, technology, competition and customer demand for better products and services. The telecommunication industry has been transformed by vigorous competition in an environment of rapid change. McDonough (2017) also observed that the U.S Telco Industry has been shaped by the interplay of technological change, free enterprise, politics, public pressure, and government regulation. Countries across the world are liberalizing their telecommunications network by privatizing their incumbent state-owned firms and introducing competition (Wallsten, 2001). Deregulation refers to the abandonment, relaxation, and deletion of rules, laws and regulations affecting a business or a particular industry. Deregulation is one of the economic policies focused on improving national economy, ensuring efficiency and effectiveness in utilization of resources, reduction in government debt burden, improved revenue generation and encouraging competition in the industry (Chidozie, Odunayo & Olutosin, 2015).

Historically, the Zimbabwean telecommunication industry used to operate as a monopoly until the wave of deregulation, liberalization swept across the industry in year 2000. A monopoly exists when only one company can supply essential products and services in a given region or country because of significant barriers to entry for any competitor. In the absence of competitors, a monopoly can arbitrarily raise prices, restrict its production, and even ignore customer service demands by customers.

1.1 Telecommunication Liberalization and Deregulation

Telecommunication liberalization means the introducing of competition into the telecoms sector by allowing commercial enterprises to establish new telecom businesses provided they comply with government-defined policies, rules and regulations (Moir, 2007). Objectives of liberalization differ from country to country, but they include;

- a) Attracting new investment.
- b) Upgrading national infrastructure.
- c) Improving national efficiency in an increasing global market place.
- d) Delivering macro-economic benefits such as job- creation.
- e) Contributing to improving universal access.
- f) Encouraging innovation and differentiation of services.
- g) Improving services, pricing and choice for the end-user community (Moir, 2007).

Lessons learnt in several countries indicate that the efficient and effective regulation of the sector result in greater economic growth and development, incremental investment, job creation, lower prices, better quality of services, and more rapid technological innovation . Its potential benefits are to promote competition that would result in affordable prices, provision of quality products, variety and protection of consumer interests.

The widely accepted objectives of regulation are;

- a) To optimize the use of scarce resources, such as frequency spectrum, telephone numbers and rights of way.
- b) To promote competitive markets that are characterized by efficient supply of telecommunication services.
- c) To promote universal access to basic telecommunication and broadcasting services.
- d) Where competitive markets do not exist or fail, to prevent abuse of market power in the form of excessive pricing and anti- competitive behavior by dominant firms.
- e) To create a favorable climate for investment and the expansion of telecoms and broadcasting services.
- f) To protect consumer rights, including freedom of expression and the rights to privacy (MISA, 2007).

After the deregulation of the industry, the industry is now regulated by Postal and Telecommunications Regulatory Authority of Zimbabwe (POTRAZ).POTRAZ was formed through the Postal and Telecommunications Act, Chapter 12:05 of 2000 and it commenced business in September 2001.The functions of the organization are too many to mention including the promotion of development of telecommunication industry, licensing and regulatory functions, to ensure that customer demands are fulfilled and to promote effective competition.

After the advent of telecommunication deregulation, liberalization and regulation was the entry of several service providers comprising Econet Wireless, Net One, Telecel, Tel One, Telecel and Africom. The Zimbabwean mobile telecommunication is highly competitive and is dominated by three companies namely, Econet Wireless, Telecel and NetOne. Tel One retained its monopoly in the provision of fixed lines services. Just like in other countries, the deregulation of Zimbabwean telecommunication industry opened the ‘Pandora box’ in terms of competition for customers. After the deregulation of telecommunication industry globally, there is intense competition that is fuelled by multiple technologies.

Other challenges facing the sector is how to modernize operations, and to diversify products and services to keep abreast with fast changing consumer needs and wants and technological dynamism. Due to macroeconomic instability characterized by recession and inflation, the sector encounters foreign currency shortages and high operational costs that affect their sustainability. Prevailing economic challenges in Zimbabwe have caused market shrinkage, decline in consumer confidence and deterioration in customer loyalty. Economic recession has reduced consumer-spending power for telecom products and services. Besides this, telecommunication firms import most of their equipment from overseas and they outsource services from international vendors who need to be paid in foreign currency.

Currently the Zimbabwean telecommunication industry is quite a competitive market due to undifferentiated offerings, low switching costs and customer demand for better products and services. This is evidenced by customer switching from one service provider to the other. Despite the fact that all telecommunication firms in Zimbabwe purport to implement CRM in order to improve profits, revenue and customer retention, the majority of subscribers own multiple SIM cards of different operators, making it very easy to switch to another operator. Besides this, telecom subscribers switch to Over-the-Top platforms on the Internet because they perceive them to be cheaper, convenient and provide more features and content. Currently, we are living in the midst of the fast evolving age of convergence whereby the distinction between television, telephone and Internet are fast blurring. Customer switching in the Zimbabwean telecom sector has also been fuelled by adoption of Mobile Portability Number which enables subscribers to retain their numbers even if they change service providers. Even though this brings consumer convenience and choice, it worsens competition.

1.1.1 Objectives

- a) To establish whether customer defection is a challenge in Zimbabwe Telecom industry
- b) To identify underlying causes of customer defection in Zimbabwe telecom industry

1.1.2 Literature Review

Customer churn is often referred to as customer attrition or customer defection which is the rate at which customers are lost to competitor firms. Customer defection refers to the gradual loss of customers to rival service providers due to several factors. The churn rate in developing markets ranges from 20% to 70%. In some of these markets, more than 90% of all mobile subscribers are on prepaid. Some operators in developing markets lose in aggregate of their entire subscriber base in a year. Telecommunication companies apply churn as key business metrics to predict the number of customers who will leave the service provider. According to Hughes (2010) the average churn rate in the telecom industry is 1.9% per month across the four service providers but could rise to as high as 67% annually for prepaid services. Since the cost of acquiring new customer is up to 25 times higher than the cost of retaining them, fostering loyalty is key. A rise of 5% in customer satisfaction is followed by a 95% increase in sales.

Customer churn is significant in the telecommunication industry because it directly affects the competitiveness of the service provider (Sundararajan, & Gursoy, 2020). In the telecommunications market, competitiveness is measured by churn. Customer churn in the telecom industry poses one of the most significant risks to loss of revenue. It is important to be able to proactively determine customers who are most at risk of defecting and then take preventive measures against this through understanding their needs and also through providing positive customer experience. They need to know who is leaving and why.

To survive in this competitive environment telecom firms should adopt three strategies (a) Acquire new customers (b) Up sell to existing customers (c) Increase the retention period of customers. Retaining customers with high churn risk is considered to be the toughest challenge facing the telecommunication industry today. It has been proven by research that it costs five times more to attract a new customer than it does to retain an existing one. Furthermore, increasing retention rates by 5% can increase profits by 25% to 95% according to research by Bain & Company.

The deregulation of the telecommunication industry has increased competition and the situation has been made worse by the fact that customers have more choices than ever (Alman, Aksoy & Alzahrani, 2014). Omni.sci. (2021) proposes that customer churn in the telecommunication industry can be reduced by (a) network optimization (b) managing customer lifetime value (c) customer complaint analytics and (d) Using big data analytics. Customer defection can be controlled by addressing the following aspects in the telecommunication industry (a) Service quality. (b) Availability of features and content (c) Lower cost substitutes from competitors (c) Negative customer experiences from customers (Bhanot, 2020).

With low switching costs and an abundance of alternative providers, customer satisfaction is the most effective means of reducing customer churn. Hyper- competition, availability of several subscriber options, diverse tariff rates compel customers to switch service providers.



1.1.3 Results and Discussion

Zimbabwe Telecommunications staff and management were asked this question, ‘Indicate that the following reasons for defection apply to your customers?’ .As alluded earlier, customer switching appears to be a common practice in the telecommunication sector. One sample test was done and the reasons for customer defection were outlined on table 6.7 below,

Table 1.1.3: Table One-Sample T-Test: Customer Defection in the telecom industry.

	Test Value = 3				95% Confidence Interval of the Difference	
	T	Df	Sig. (2-tailed)	Mean Difference	Lower	Upper
Indicate your agreement that customer defection is a common problem in your company	8.902	62	.000	1.063	.82	1.30

Research findings confirm that customer defection is a serious problem in Zimbabwe telecommunication industry since majority of subscribers own multiple SIM cards of several service providers in order to take advantage of promotions and other lucrative offers.

1.1.4 Causes of Customer Defection in Zimbabwe Telecommunication Industry

Indicate your agreement that the following are causes of customer defection in telecom industry	Mean	Std Deviation	t	Df	Sig.(2 tailed)
7.1.1 Poor Customer service	3.83	1.009	6.495	62	.0000
7.1.2 Poor network coverage	3.86	.895		62	.0000
7.1.3 Competitor promotions	4.27	.653	6.495	62	.0000
7.1.4 Ineffective promotions	3.89	.969	7.598	62	.0000
7.1.5 Fake products and services	3.63	1.126	15.442	62	.0000
7.1.6 Customer dissatisfaction With services	4.00	.950	7.281	62	.0000
7.1.7 slow internet connection	4.06	.965	4.476	62	.0000
7.1.8 Poor call quality	4.06	.948	8.352	62	.0000
7.1.9 Ineffective communication with Customers	4.00	1.000	8.747	62	.0000
7.1.10 Expensive tariffs	3.94	.965	8.902	62	.0000
7.1.11 Poor Customer service of switching costs	4.00	.898	7.937	62	.0000
7.1.12 Poor relationships with telecommunications firms	3.94	1.061	7.702	62	.0000
7.1.13 Poor complaint handling procedures	3.95	.923	8.187	62	.0000
7.1.14 Poor network quality	4.02	.992	8.130	62	.000

The mean values of each factor shows level of agreement .All factors under consideration were causes of customer defection in the sector. Research findings demonstrated that most customers defect service providers due to competitor promotions (M=4.27) followed by slow internet connection (M=4.06), followed by poor call quality (4.02). Other causes of customer churn in the sector include low switching costs (M=4.00), ineffective communication with customers (M=4.00) and customers dissatisfaction with services (M=4.00). Customers switch services providers because of poor complaint handling procedures (M=3.95), expensive tariffs (3.94) and poor relationships with customers (M=3.94).Customer defect from service provider because of ineffective promotions (M=3.89), poor network coverage (M=3.86), poor customer service (M=3.84). There were several causes of customer defection in the telecommunication sector.

According to Shah, Husnain and Zubairshah (2018), switching behavior in the telecommunication industry is influenced by price perception, customer satisfaction, customer service, inconvenience, perceived expectations, perceived quality and brand image. The results indicate that customer loyalty

in Zimbabwe telecommunication sector has been deteriorating as evidenced by (a) customer switching and (b) several customer grievances and complaints registered at telecommunications firms. Within the sector, ownership of multiple SIM cards and switching was quite a common phenomenon and trendy.

Zimbabwe telecommunication subscribers also confirmed that customer defection was a serious problem in Zimbabwe telecommunication industry .Due to increased number of service providers, there was intense competition in the Zimbabwean telecommunication sector. This was worsened by the impact of globalization, technological advancement deregulation and dynamic changes in consumer tastes. Consequently ,telecommunication sector was finding it difficult to retain customers as they constantly switch services providers .Customer retention strategies are concerted efforts by telecommunication firms to reduce customer defections. It is a strategic process to maintain and retain profitable customers with high life- time value.

With regards to service delivery, customers had grievances regarding expensive tariffs, poor network coverage, insufficient customer service, sudden disappearance of airtime. Customers also complained that once they change service providers, they forfeit their cell numbers. Customers suggested the adoption of Mobile Portability Number (MPN) whereby they retain their numbers even if they switch service providers. Due to current economic challenges adversely affecting the country like cash shortages, poor liquidity and inflation, customers switch telecommunication firms in order to cut costs, enjoy conveniences and take advantage of loyalty programs offered by different service providers.

CONCLUSION

Service providers should use predictive analytics to derive actionable insights in order to reduce churn. Ideally, they should use customer data to get insights about those customers with propensity to switch and take actionable strategies. Telecom firm should exploit business intelligence in this regard. Zimbabwe telecommunication firms should not engage in aggressive competition but collaborate with each other in setting tariffs. Furthermore, they should improve service quality through continuous training of staff. Zimbabwe telecom firms should benchmark their quality standards with global trends. In addition, these firms should upgrade their network. Most importantly, they should improve the way they solve customer queries through self-service, use of technology and customer surveys. Zimbabwe telecommunication firms should launch credible promotions and find ways to lock-in their customers to reduce switching. Zimbabwe telecom firms should compare their tariffs with regional standards. The problem of poor network coverage in Zimbabwe can be solved by infrastructure-sharing. This would improve network coverage, customer satisfaction, reduce costs, and improve efficiency. Zimbabwe mobile telecommunication operators should delight their customers through quality products and services in order to achieve customer satisfaction. This will enable them to retain customers and control switching behavior.

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