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Customer experience management: An exploratory study on the parameters affecting customer experience for cellular mobile services of a telecom company

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Abstract

The cellular mobile industry in India is undergoing rapid changes as a result of globalization and liberalization. As a result of fast growth and severe competition, customer retention and managing high churn rate are the most important challenges faced by telecom companies today. Customer retention can be achieved by identifying maximum revenue generating customers and managing the customer experience for such profitable customers.

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Keywords: Consumer Behavior, Customer experience management, Customer retention, Marketing, Strategy.

1. Introduction

In the current century, the Indian telecommunications sector has become one of the most interesting sectors to study as a result of its dynamic nature especially with respect to the ever changing market scenario. Mobile phones have emerged as a household utility with the overall tele-density in the country registering an increase from 70.89 per cent at the end of March 2011 reaching to 79.28 per cent at the end of May 2012. The total telephone subscriber base in India increased to 929.37 Million at the end of May 2012. As a result of its dynamic nature and increased

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competition, cellular service providers have to change their strategies so that they can attract new customers, create customer satisfaction resulting in retention of the revenue generating customers. Customer retention has come out to be one of the major challenges faced by telecom companies today. . The major challenge being faced by Indian cellular operators today is to manage the high churn rate. The monthly churn rates for India range from 3.5 per cent to 6 per cent.¹ Thus, it is essential to develop effective methods to retain the existing customers for any telecom operator which includes two major steps. One is identifying the revenue earning customer and second is managing the customer experience and generating value for the customers who are the high revenue generators for the company. Customer experience is defined as the sum of all experiences that a customer has at every touch-point of the customer-company relationship. It is an intentional effort on the part of the company to develop and maintain good experience which is differentiated from the competition, consistent at every touch point and most importantly valued by the customer. So this study aims at understanding the parameters that affect customer experience for cellular mobile services.

2. Literature review

Experience has been increasingly discussed since the beginning of 2000 (Caru and Cova 2007), but it is rarely defined. Sundbo and Hagedorn- Rasmussens (2008) defined Customer Experience as the customer's direct and indirect experience of the service process, the organization, and the facilities and how the customer interacts with the service firm's representatives and other customers. According to them, Customer experience is one of the major factors influencing the consumer's process for purchase decision. In the opinion of Davidson (1992) customer experience is a method of creating a differential advantage for establishing customer's loyalty.

Barlow and Maul (2000) have suggested that as per the experience economy philosophy, customers expect a positive, emotional and memorable experience at every touch-point or transaction with an organization. The customer experience economy as per O'Sullivan and Spangler (1998, p. 326) refers to individuals or firms whose main purpose is to create such an experience that it will result in differential advantage and benefit for the customers. According to Hongxiang (2011) quality of experience is one of the most important factors that will result in satisfaction of the customers. Statistics has proven that about 82% of the users churn to another network because they are not satisfied with the service quality given by the service provider, and 90% of them leave without complaining to the customer care department. At the same time, one customer can convey the dissatisfaction to 13 other customers, which may have a bad effect on the service provider's brand.

The research done by Belk *et al.*'s (1989) stresses on the importance of understanding the factors affecting experience of the modern consumer. Similarly, Thompson *et al.* (1990) have also reiterated the fact that researchers should do a study on customer experiences. Michela Addis (2005) have defined consumption as a result of the experience which the customer gets after having a series of interactions of the product or service provided by the organization. Van Der Wagen (1994) and Katz (1968) are of the opinion that different customers may have different perception of experiences for a given product or service because each customer is unique in his understanding and analysis given the fact that each one of them comes from a different educational, cultural background. Blythe (1997) reiterates a similar opinion by saying that consumers analyze purchase decisions as a result of their previous positive experiences. From the literature review as stated above, Customer Experience Management can be defined as the concentrated efforts made by an organization to improve the quality of the interactions between customer and the organization at various touch-points in a manner that is consistent and effective. By practicing Customer Experience Management a service organizations can achieve a differential advantage, create positive moments of truth for customer resulting in better customer experience, increase revenues, gain customer retention and positive customer referrals. Customer Experience Management focuses on delighting customers on the value propositions and includes all interactions at various touch points. Customer Experience Management (CEM) is all about creating the best customer experience at all instances and thus the present study envisages addressing Customer Experience Management in a unique context, viz., and study on the parameters affecting customer experience for cellular mobile services of a telecom service provider.

3. Conceptual framework

Five major criteria of customer experience measures were considered for the purpose of this study. According to UCTI, Asia Pacific University College of Technology and Innovation, the importance of customer satisfaction is critical in relation to customer loyalty and customer retention. We can gain a quick overview of the overall customer satisfaction with the help of the following figure:

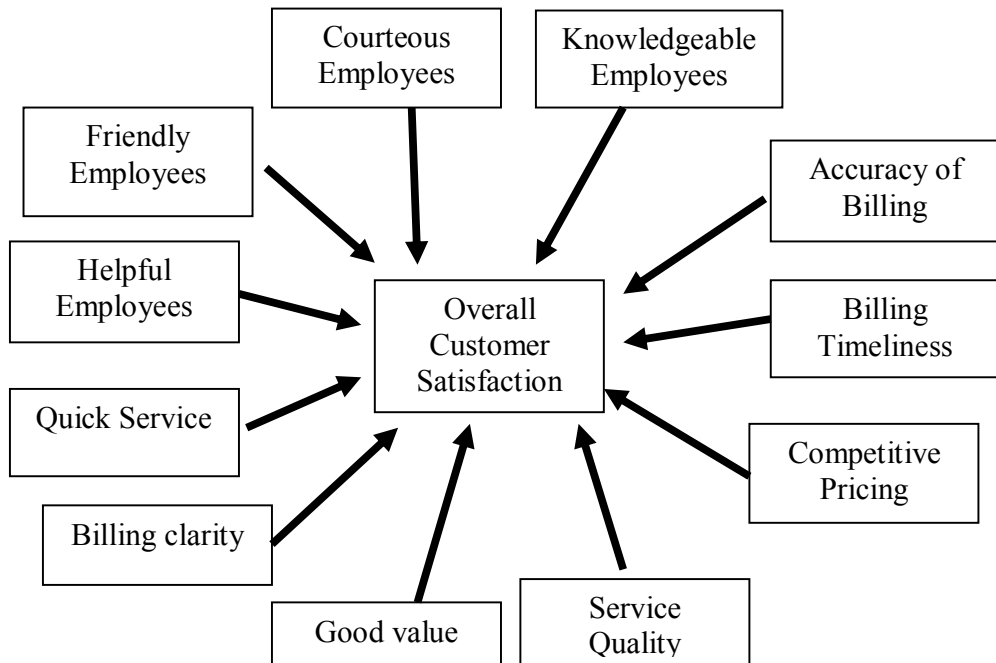


Figure 1: Factors that affect customer satisfaction

Also according to a report by Price Water House Coopers, the customer experience includes the following five factors:

Brand, Environment, Culture, Communications and Offerings.

These five measures were considered for the purpose of this study in order to understand the parameters of customer experience.

4. Formation of Hypothesis:

The review of literature gave deeper insights into the attributes or parameters affecting customer experience for telecom service providers. Moreover, it helped develop hypothesis on the basis of understanding of importance of factors or parameters affecting customer experience for telecom service providers. For hypotheses formulation in this study researcher has considered a combination of the five factors as stated above. The following hypotheses were proposed:

H1 Services delivery is an important factor affecting customer experience for cellular mobile services.

H2 Customer care is an important factor affecting customer experience for cellular mobile services.

5. Research Methodology:

5.1. Research Design:

This study aims at understanding the parameters that affect customer experience for cellular mobile services. For this purpose Exploratory research design was used .by the researcher for this study. The main objective of the exploratory survey was to understand which factors affect customer experience for cellular mobile services. For this purpose the different attributes, or measures or factors that affect customer experience for cellular mobile services were derived from literature review.

5.2 Primary research and sample size

Primary research was conducted on a sample size of 536 mobile customers in City of Pune, Maharashtra. The respondents were administered a structured questionnaire. The responses were recorded using a set of 20 attributes or statements measured on an importance scale in addition to other relevant information.

6. Analysis

Factor analysis has been used to group different items or attributes of customer experience into common factors that affect the customer experience for cellular mobile services The data collected from the respondents on the 20 key identified attributes (on a scale of one to five), was converted into “factors” or “constructs”. Furthermore, “factor scores” were created for each respondent from factor analysis. The initial extracted factors went through varimax rotation after which the 20 attributes in the questionnaire grouped into 5 factors. The outcomes of Factor analysis was used to test the proposed Hypotheses and draw relevant conclusions.

Outcome of Factor Analysis:
Principal component analysis: Total Variance Explained

Component	Initial Eigenvalues			Rotation Sums of Squared loadings		
	Total	% Variance	Cumulative %	Total	% of Variance	Cumulative %
1	5.158	25.791	25.791	5.158	25.791	25.791
2	4.073	20.367	46.158	4.073	20.367	46.158
3	3.071	15.353	61.511	3.071	15.353	61.511
4	2.813	14.065	75.576	2.813	14.065	75.576
5	2.120	10.602	86.178	2.120	10.602	86.178

Table 1: Total Variance Explained

As per the outcome of the factor analysis, Factor 1 (Service delivery / service performance factor) comes out as the most critical factor that explains 25.79% of the total variation. This factor consists of the following seven attributes with their respective factor scores.

Service performance/delivery factor	Factor score
Consistent service delivery	0.855
Appropriate charges, Value for money	0.825
Pricing better than competitor	0.843
Data connectivity and speed	0.840
Product better than competitor	0.844
Network coverage	0.855
Quality of service	0.681

Table 2: Factor score for Service performance/delivery factor

This is followed by Factor 2 (Culture of customer care factor) that describes 20.36 % of the total variation. This factor consists of the following four attributes with their respective factor scores.

Culture of customer care factor	Factor score
Efficient customer care	0.991
Feel valued as customer	0.891
Company responsiveness	0.980
Complaint handling	0.990

Table 3: Factor score for Culture of customer care factor

This is followed by *Factor 3 (Communication factor)* which explains 15.35 % of the total variation. This factor consists of the following three attributes with their respective factor scores.

Communication factor	Factor score
Update of current/new services	0.989
Service matching customer needs	0.849
New technology launch/time to market	0.889

Table 4: Factor score for Communication factor

Factor 4 (Brand factor) which describes 14.06 % of the total variation. This factor consists of the following three attributes with their respective factor scores.

Brand factor	Factor score
Marketing communications	0.991
Brand image/reputation	0.990
Incentives/promotions by CSP	0.841

Table 5: Factor score for Brand factor

Factor 5 (Environmental factor) which describes 10.60 % of the total variation. This factor consists of the following three attributes with their respective factor scores.

Environmental factor	Factor score
Ease of recharge	0.966
Billing transparency	0.956
NDNC registration	0.568

Table 6: Factor score for Environmental factor

Moreover all statistically significant factors together (all five factors) explain 86.17 % of the variation. This indicates that 86.17 % of the factors influencing customer experience for a cellular service provider can be explained by these five factors. Factor scores of all attributes are more than 0.5 which indicates that they are highly significant.

7. Hypotheses testing using factor analysis

Following were the hypotheses of the study:

H1 Services delivery is an important factor affecting customer experience for cellular mobile services.

H2 Customer care is an important factor affecting customer experience for cellular mobile services.

The output of the factor analysis mentioned 5 underlying constructs (referred as factors) as:

1. *Service performance/delivery factor*
2. *Culture of customer care factor*
3. *Communication factors*

4. Brand factor

5. Environmental factor

The factor analysis output indicates service delivery / service performance has maximum influence on customer experience for cellular mobile services. Service performance/delivery factor, which consists of seven attributes like Consistent service delivery, Appropriate charges, Value for money, Pricing better than competitor, Data connectivity and speed, Product better than competitor, Network coverage, Quality of service. This factor accounts for 25.79% of the total variation with Cronbach Alpha of 0.923. Moreover all attributes under this factor have a score of more than 0.7 which shows that they are significant. This signifies the acceptance of the 1st Hypotheses that

H1 Services delivery is an important factor affecting customer experience for cellular mobile services.

The factor analysis output indicates that the 2nd factor **Culture of customer care factor** which consists of 4 attributes like efficient customer care, Feel valued as customer, Company responsiveness, Complaint handling is significant as it accounts for 20.36 % of the total variation with Cronbach Alpha of 0.860. Moreover all attributes under this factor have a score of more than 0.7 which shows that they are significant. This signifies the acceptance of the 2nd Hypotheses that:

H2 Customer care is an important factor affecting customer experience for cellular mobile services.

8. Statistical Significance of the Factor Analysis

Though the factor analysis justifies the Hypotheses, accepting the Hypotheses will depend on the statistical significance of the outcome of the factor analysis and reliability of the factors derived. The reliability of the factors is determined by Cronbach' Alpha. Value of Cronbach' Alpha more than 0.7 is considered as strong enough to justify the association between the attributes in a factor. The following table indicate the SPSS output indicating the values of Cronbach' Alpha for the five extracted factors.

Factor	Cronbach Alpha	Number of items
Service performance/delivery factor	0.923	7
Culture of customer care factor	0.860	4
Communication factors	0.857	3
Brand factor	0.821	3
Environmental factor	0809	3

Table 7: Reliability test using Cronbach alpha:

9. Limitations of the Research:

The study was restricted to the city of Pune, Maharashtra and did not include other regions

10. Managerial Implications of the Research

The research findings can be used by Cellular service providers while formulating their customer relationship management strategy, while formulating their marketing strategy as well as their customer retention strategy. The findings of this research convey a strong message to cellular service providers that since service delivery or service performance is the major factor affecting customer experience for cellular mobile services, hence it is very important that cellular service providers should stress on perfect service delivery. They must ensure that service delivery is consistent as far as quality of voice service, network coverage, data connectivity and speed. Are concerned. Customers need to feel that they are getting excellent service at appropriate charges; that is, they are getting value for money.

A manager must understand that a culture needs to be built in the organization wherein employees are trained to care for the customers, handle their complaints with patience, be responsive while delivering service and make the customer feel valued. As the employees interact with the customer on an ongoing basis they can communicate the customer requirements to the service provider which in turn will help them in formulating their marketing strategy.

A well formulated marketing strategy suited to satisfy the customer will lead to customer retention. A manager must understand that the factor analysis has indicated communication factor, brand factor and environment factors also have an impact on customer experience for cellular services. Hence a manager should ensure that it is communicated to the customer that the service offering has been designed keeping in mind his requirements. They also need to ensure that new services and new technologies are introduced at a faster pace. The brand image or reputation of a service provider will also make the customer feel proud to own services so marketing communications play an important role in creating customer experience.

11. Scope for Future Research:

The present research is limited in its scope wherein it explores the customer experience factors on cellular mobile services. As this research was limited only to mobile service providers the same research can be extrapolated to other verticals of telecom industry such as equipment vendors, broadband providers, DTH providers, personal computer industry, and other industries as customer experience is an important factor for creating a differential advantage for all service industries.

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