

CHURN MANAGEMENT TOWARDS CUSTOMER SATISFACTION: A CASE OF CELLULAR OPERATORS IN MALAYSIA¹

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Abstract

Churn and customer satisfaction has been the issue to cellular operators in Malaysia. Every one of them is aware that customer is their lifeblood. Churn is considered as a phenomenon commonly attributed to cellular carriers, and can cause treacherous ways of bleeding of the financial lifeblood out of the company. Presently there are eight types of network, which ranges from analog to digital services in Malaysia. Churn and customer satisfaction factors will be discussed from network services, operations and customer service. Meanwhile, customer satisfaction is considered as strategic parameter that, if optimized in the short run, will yield better long-term results that are critical to overall corporate success. Further, this paper will discuss and identify the churn factors that influence the customer satisfaction. Moreover, the paper will suggest the ways to mitigate the churn and improve the customer satisfaction.

Introduction

Cellular industry in Malaysia has been one of the contributors to the nation's economic prosperity. Unfortunately, churn and customer satisfaction has been the issue for cellular operators in Malaysia. Every one of them is aware that customer is their lifeblood. Churn is considered as phenomenon commonly attributed to cellular carriers, and can cause treacherous ways of bleeding of the financial lifeblood out of the company. Presently there are eight types of network, which ranges from analog to digital services in Malaysia.

Churn and customer satisfaction factors will be discussed on contributions by network services, operations and customer service. Meanwhile, customer satisfaction is considered as strategic parameter that, if optimized in the short run, will yield better long-term

results that are critical to overall corporate success. Further, this paper will discuss and identify the churn factors that influence the customer satisfaction. Moreover, the paper will suggest the ways to mitigate the churn and improve the customer satisfaction in the context of Malaysian cellular industry.

Literature Review

Industry Background

In Malaysia, there are eight "brands" of cellular services, which can be chosen from. Telekom group with its TM Atur450 (011), TMTouch (013), and Mobifon (018), Maxis (012), Celcom with its Art900 (010) and GSM (019), Adam (017), and DiGi (016), provides the services.

Further in terms of technology, cellular operators' systems can be grouped into digital, analog, or both. The digital group are consists of TMTouch, Maxis, Celcom GSM, Adam, and DiGi. Meanwhile, TM Atur450 and Celcom Art900 are analog. On the other hand, Mobifon has both systems – digital and analog. Further by the year 2005, all cellular operators in Malaysia will be operating on digital system as planned by the Ministry of Energy, Post and Multimedia. Recently, the Ministry has set-upped the Multimedia Commission as the regulatory body that regulate the industry.

Network Services

Network services function is one of the main pillars for a cellular operator in delivering their services. The network services can be discussed on call quality, coverage, and network.

From customers' perspective of call quality, any dropped calls, static and broken conversation during

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cellular phone calls can lead to their frustration and angry (Steward, 1993). Further, voice quality as customer experience the dramatically improved landline transmission quality of today's digital public switched telephone network (PSTN), with its better call clarity and reduced circuit noise, their expectation level of cellular performance is similarly raised (Shah, 1996). Most people just use the phone, but what a customer really wants is a good connection, a clear call, and coverage so they can take the phone wherever they go (Boney, 1997).

Coverage cells are vital for capturing customers but generally require tall base station antennas (Rappaport, 1996). As illustration, Telecom Mobile of New Zealand claimed its cellular coverage covers 96% of the New Zealand's population with its 400 cell sites, or transmitters, around the country (Kaye, 1996).

Network technologies and air interface standards are rapidly advancing and becoming more complex. Therefore, drop calls, rough handoff, static, or generally weak cellular signals can lead easily to subscriber discontent and churn (Steward, 1996). Cellular operators' success depends greatly on the design and management of the cellular network infrastructure. Strategic network management process should revolve around a system that recognizes the corporate mission that ultimately will allow the company to defend and increase market share and profitability (Burdiek, 1993). Shah (1996) stated that background noise is another factor. The echo canceller of today is at the center of very complex digital network that can assist network operators to deliver a better quality of service to their customers.

Operations

Operations can be considered the branch or the outlet of the cellular operators. Operators need to have substantial number of branches or outlets in order to reach their customers. The customers need to be served, as they are the lifeblood. The operations can be discussed on price/value, corporate image, billing, and brand image.

Cellular companies need to stress value; do not promote price as anybody can beat by price (Spoor, 1994). Meanwhile, competition spurred attractive incentives for price-conscious subscribers to switch to other carriers. Further, the agent might lure them into another pricing plan with the same carrier by baiting them with a newer phone (Blake, 1997). Boney (1997) indicated that value is one of the most important aspects of service. Therefore, the key is offering a variety of choices, including features handsets, technology, contract options, and pricing. Of these, pricing usually is the one most common related to value.

Meyers (1997) stated that building corporate image, those responsibilities include paying constant attention to the needs of customers in local markets while still

maintaining a unified national whole, ensuring employee satisfaction, building brand recognition and equity, developing and adapting new technology platforms, and focusing on expansion by acquisition and creating new services.

Cellular operators need to upgrade their billing systems in order to continue crank out accurate bills. Billing system is the lifeblood of their business. If the operators cannot have accuracy, or no ability to bill in a timely fashion; they could run into major cash-flow problems that could cripple or ultimately destroy your business (Ryan, 1995). Further, when the customer questions you about that first bill can determine whether or not that customer hops to another carrier next month (Spoor, 1994).

Based on brand image, 81% of cellular users intend to repurchase the same brand of cellular phone they currently brands with the highest customer satisfaction were Motorola, AT&T and Nokia (Anonymous, 1995). Further, handset features properly packaged for the high- and low-end segments of the cellular and PCS markets, can promote greater customer loyalty. Features are the factor carrying the greatest weight in determining which handset subscribers buy. Handsets with feature-rich are best geared toward high-end customers, while phones accentuating voice telephony will go over better with low-end users (Murphy, 1998).

Customer Service and Customer Satisfaction

Customer service and customer satisfaction in the cellular service has been one of the critical success factors of the cellular industry. Moreover, none of the cellular operators in Malaysia can avoid providing customer service and subsequently working towards the customer satisfaction in delivering their services.

Customer service is part of the branch functions that involved interactions between the staffs and the customers. Further, customer service has been indicated as the only parameter that, if optimized in the short run, will yield better long-term results that are critical to overall corporate success (Burdiek, 1993). Also, Burdiek (1993) states that customer quality model for cellular service do not yet exist, despite the fact that a tremendous amount of industry capital has been allocated to model other network performance attributes.

Cellular operators need to be proactive in manning the customers' demands. Further, call centers do not want to wait until their customers have left to consider investing in quality. Call centers that did wait, and they are no longer in business (Garelis, 1996). Further, the industry needs to proactively invest in technology to improve the quality of customer service, and as a result have gained advantage over the competition. Garelis (1996) mentioned that by implementing a technology that provided our employees with the right tools, we enable them to take ownership of their jobs, and that improved the overall

quality of service provided. Further, innovative software applications were used to improve quality of service to customers. Garelis (1996) stated the application provides better performance feedback to agents, helping them develop skills to improve the overall quality of the customer interaction.

Cellular operators need to ensure that they have a technology in ensuring customer service at best. Garelis (1996) stated that providing the high-quality customer interaction necessary today and for the future requires and investment in people and in technology designed to help you provide the best service possible. Without these investments, you might be able to provide adequate customer service, but you will never surpass the increasingly higher levels of quality service offered by your competitors.

Spoor (1994) indicated that training is essential. Without the proper training, cellular operators couldn't effectively sell products and services. As more people become aware of the advantages of the cellular phone, more customers will walk through your door. However, getting these customers to buy a product or service from you is the important part. In training, a good training program is needed. Spoor (1994) considered the following elements in the sales tool kit: classroom type instruction, role-playing, on-the-job training, learn the business, follow-up training, continuous training, guest speakers, and videos and manuals.

Salesperson always will need to travel to new sites and drum up new business. The key to selling cellular to someone you have sought out is to begin by building rapport with the prospective client (Spoor, 1994). Further, cellular operators need to sell their commitment instead of overcoming the price issue. They need to call the customer for feedback and drop in or call the customer every month because his or her needs change.

Boney (1997) stated that one common ground that most carriers and customers agree on is that good customer service can have a key impact on how a customer views your services and company. Further, customers appreciate the valuable availability of personnel.

Stites (1997) indicated that the competitive climate had advanced the function and importance of customer service. More and more, companies realize that building strong relationships is a vehicle to increasing their customer base. The benefit is twofold: growth and intimacy. The result is increased sales, revenue growth and reduced operating costs.

A consumer demands continue to grow, toll-free numbers are no longer viable as the only solution to meet customer requirements. An excellent example is Internet based solutions. They allow customer inquiries to be answered in a timely and complete manner and to avoid missed opportunities (Stites, 1997). Moreover, Stites

(1997) indicated that customer service is a critical component of the overall consumer experience, as the technically innovative site encourages user interaction through games, sweepstakes and feedback forms.

Therefore, a poor customer service is as good as a reason for the subscriber to churn from one cellular operator to another.

Churn

Churn is a phenomenon commonly attributed to cellular carriers, although the practice of switching to alternative providers initially was legitimized during the post-divestiture long-distance battles (Blake, 1997).

The average carrier's current churn rate of around 2.5% a month works out to a whopping 30% a year (Egolf, 1995). This has shown that the problems critical are the costs represented by those lost subscribers. The average carrier spends \$300 to \$700 to acquire one customer, including such costs as commission, advertising and promotion. Lost customers cost the company an average of \$57 a month in lost revenues. Cellular carrier are facing an ever more competitive future, giving them additional reasons to tackle churn.

Key contributors to churn include the perception of weak coverage and changing consumer expectations (Egolf, 1995). He stated that business users willing to pay a premium, subscribers now are looking for service that's comparable in price and quality – and even interchangeable – with their landline service. Proactive and a reactive customer retention tool to be used to build loyalty, to try too identify sources of potential customer dissatisfaction in advance. Further, Egolf (1995) indicated that his philosophy is proactive customer service is a must. People must be building loyal in their customers and not just assume that everything is OK (Egolf, 1995).

Today's sermon is on the evils of customer churn and its treacherous ways of bleeding the financial lifeblood out of a company (Blake, 1997). He clarified that churn is a phenomenon commonly attributed to cellular carriers, although the practice of switching to alternative providers initially was legitimized during the post-divestiture long-distance battles. Companies become much more sensitive to areas that can have a positive effect on their bottom line. Churn clearly is one such area. Churn stems completely from the relationship between the subscriber and the carrier. In reality, though, much of the fault lies hidden in the layers of management or mismanagement between carriers and their agents. Blake (1997) stressed that timing is another critical factor in sustaining a long

lasting relationship with subscribers. More than 30% of customers churn within the first six months of service. He suggested that company to reward them at that point before they're likely to churn and keep them on the system.

Strategy Analytics Mobile Communications Service North America reported that 38% of mobile family subscribers are potential candidates for churn over the next year, and could displace more than \$4 billion of US cellular/PCS revenue (Anonymous, 1998b).

A J.D. Power and Associates study reports that there is a potential for churn problems among Atlanta carriers. According to the 1997 study, 31% of the respondents said they intended to switch providers during the upcoming year (Anonymous, 1998b). Further, the key to retaining those customers and still winning those new potential customers does not lie on pricing issue; as indicated by BellSouth Mobility that consolidated services and billing will be an important way of distinguishing itself because many competitors do not offer a variety of services such as local wireless, wireless long distance, Internet access, digital TV and paging.

Lonergan (1999) stated that churn remains a major challenge for cellular operators. Most common cause of churn among cellular customers is switching to another service/tariff plan offered by a different network. Moreover, almost 25% of customers left their previous service provider to take a promotional offer from another provider, and over a quarter of cellular users were ready to consider terminating their landlines service if the cost of using a cellular phone was the same as that for a landline service (Anonymous, 1999).

Stites (1997) indicated that various databases driven solution allows carriers to segment their subscriber base, target high-value customers most likely to churn and proactively intervene. Further, the product allows a service provider to utilize a customized database to identify preferred customers most likely to churn by analyzing changes in subscriber behavior and existing rate plan components. Once behavior changes are identified, our customer service representative would initiate contact with these customers, address individual concerns and offer incentives to retain their business.

Happy subscribers are less likely to churn off their operators' network (Murphy, 1998). Therefore, it's the duty of the cellular operators in keeping their subscribers in their network.

Customer Retention

Based on the above reviews, cellular operators' churn management need to be beef up in order to have an effective effort towards customer retention. Cellular operators may consider the following discoveries by various researchers:

- proactively invested in technology to improve the quality of customer service (Garelis, 1996; JDP, 1999 & 1998b).
- proactively preserving and improving relationships with customers (Stites, 1997).
- improve call quality (JDP, 1999, 1998b & 1996).

- improve pricing options (JDP, 1999 & 1998b).
- improve corporate capability/image (JDP, 1999, 1998b & 1996).
- improve credibility/customer communication (JDP, 1998b & 1996).
- improve roaming/coverage (JDP, 1998b).
- improve billing (JDP, 1999, 1998b & 1996).
- achieving competitive advantage by producing faster and cheaper service (Garelis, 1996).
- increase flexibility to handle evolving customer needs and ensure customer satisfaction levels (Ryan, 1995).
- providing top-caliber customer service: action, attitude, and system (Merrill, 1992).
- adding digital capacity to the network (O'Keefe, 1998).
- segmented the customer based on service offerings tailored to their specific needs (Eastwood, 1996).
- selection of handset models (JDP, 1999 & 1998b).
- reduce cost of roaming (JDP, 1999, 1998b & 1996).
- choose the right marketing strategy (JDP, 1995).
- improve network services (Rappaport, 1996).
- flexibility of pricing plans (JDP, 1998a).
- pricing plans that calling party pays (JDP, 1998b).

Further, the above discoveries by various researchers need to be considered in the strategic planning of cellular operators in getting the best result in managing their churn and customer satisfaction.

Conclusions

Again, churn has been the major concern of cellular operators in Malaysia. The players, cellular operators, need to come up with a plan that can be gauge towards win-win situation for all of them. Cellular operators may look in certain programs or plans that will not motivate one's customers to move from one operator to another. Therefore, an extensive research need to carried out in order to look for churn pattern of the customers in the cellular business. Moreover, the future research needs to include a mechanism that can measure the customers' satisfaction towards the service provided by cellular operators.

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