

Business Strategy: Customer Satisfaction Among Cellular Providers in Malaysia

Muhammad Hasmi Abu Hassan Asaari (hasmi@usm.my), Universiti Sains Malaysia
Noorliza Karia (noorliza@usm.my), Universiti Sains Malaysia

Abstract

Cellular providers in Malaysia are aware that customer is their lifeblood. Therefore, churn and customer satisfaction have been the issue to them. 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 three major groups of cellular providers in Malaysia. 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. Customer satisfaction and churn contributing factors will be discussed from network services, operations services, and customer services. Further, this paper will identify and discuss the churn factors that influence the customer satisfaction. Moreover, the paper will suggest ways to mitigate the churn and improve customer satisfaction of cellular users.

Introduction

In this fast pace of the information and communications technology, cellular providers in Malaysia are not excluded from the volatility of the industry. Cellular industry in Malaysia has been one of the contributors to the nation's economic prosperity. Customer satisfaction and churn have been the issue for cellular providers in Malaysia. Every cellular provider is aware that customer is his or her lifeblood. Further, churn is considered as a phenomenon commonly attributed to them, and can cause treacherous ways of bleeding of the financial lifeblood out of the company. Presently there are eight types of network that ranges from analog to digital services in Malaysia. 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. Customer satisfaction and churn contributing factors will be discussed on contributions by network services, operations services, and customer services.

Further, the paper will discuss and identify the churn factors that influence the customer satisfaction. Moreover, this paper will suggest ways to improve the customer satisfaction and mitigate the churn in the context of Malaysia's cellular industry.

Industry Background

In Malaysia, there are three major groups of cellular providers after the mergers and consolidations within the industry. The providers are depicted below:

| Cellular Provider | Product Branding | System |
|-------------------------------------|------------------|----------------|
| Group 1: Telekom Malaysia | Atur450 | Analog |
| | TMTouch | Digital |
| | Mobifon | Analog/Digital |
| Celcom | ART900 | Analog |
| | Celcom GSM | Digital |
| Group 2: Maxis | Maxis | Digital |
| TimeCel | TimeCel | Digital |
| Group 3: | | |

| | | |
|------|------|---------|
| DiGi | DiGi | Digital |
|------|------|---------|

Further by the year 2005, all cellular providers in Malaysia are required to be operating on digital system as planned by the Ministry of Energy, Post and Multimedia. Recently, the Ministry has established the Malaysian Communications and Multimedia Commission (MCMC) as the regulatory body that regulate the industry.

Network Services

Network services function is one of the main pillars for a cellular provider in delivering their services. The network services can be discussed on call quality, coverage, and network. From customers' perspective of call quality, they concluded that any dropped calls, static and broken conversation during cellular phone calls can lead to their frustration and angry (Steward, 1993). In comparison, voice quality as customer experience the dramatically improved landline transmission quality of today's digital public switched telephone network, 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 was a good connection, a clear call, and coverage so they can take the phone wherever they go (Boney, 1997). The latest report from CMC (Utusan Malaysia, 2001), the most frequent complaints from cellular customers were due to call quality.

Coverage cells were 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 were rapidly advancing and becoming more complex. Therefore, drop calls, rough handoff, static, or generally weak cellular signals could lead easily to subscriber's discontent and churn (Steward, 1996). Cellular providers' success depended greatly on the design and management of the cellular network infrastructure. Strategic network management processed should revolve around a system that recognizes the corporate mission that ultimately would 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 was at the center of very complex digital network that can assist network providers to deliver a better quality of service to their customers.

In summary, the basic infrastructure of network services is important in the support of call quality, coverage, and network; the cellular provider is in no business of providing a cellular service. Therefore, it is vital and crucial that cellular providers to emphasize on its network services functions. Moreover with the advancement of the technology, they need to look ahead as various systems such as 3G will be the dominant system in the coming years.

Operations Services

Operations services can be considered as the "arm" of a branch or outlet for cellular providers. Providers needed to have substantial number of branches or outlets in order to reach and serve their customers. Customers needed to be served, as they are their lifeblood. Further, operations services could be discussed on price/value, corporate image, billing, and brand image. Cellular companies needed 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 customer service value was one of the most important aspects of service. Therefore, the key was offering a variety of choices, including features handsets, technology, contract options, and pricing. Of these, pricing usually was 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 providers needed to upgrade their billing systems in order to continue crank out accurate bills. Billing system was the lifeblood of their business. If the providers could not have the accuracy, or no ability to bill in a timely fashion; they could run into major cash-flow problems that could cripple or ultimately destroy their business (Ryan, 1995). Further, when the customer questioned their first bill, it can determine whether or not that customer possibility of hopping to another carrier next month as they were not satisfied (Spoor, 1994).

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

In summary, cellular providers need to focus their operations toward the perspective of cellular users. Further, price/value, corporate image, billing, and brand image need to be integrated in cellular providers marketing and promotional programs.

Customer Satisfaction and Customer Service

Customer satisfaction and customer service department can be considered as synonymous to cellular providers as they were serving the customers. Further, customer satisfaction had been one of the critical success factors in the industry. Moreover, none of the cellular providers in Malaysia could avoid providing customer service and subsequently working towards the customer satisfaction in delivering their services. Customer service was part of the branch functions that involved interactions between their staffs and customers. Further, customer service had been indicated as the only parameter that, if optimized in the short run, will yield better long-term results that were critical to overall corporate success (Burdiek, 1993). Also, Burdiek (1993) stated that customer quality model for cellular service do not yet exist, despite the fact that a tremendous amount of industry capital had been allocated to model other network performance attributes.

Cellular providers needed to be proactive in manning the customers' demands. Further, call centers do not want to wait until their customers had left to consider investing in quality. Call centers that did wait, and they were no longer in business (Garelis, 1996). Further, the industries needed to be proactively invested in order to improve the quality of customer service, and as a result had gained advantage over the competition. Garelis (1996) mentioned that by implementing a technology that provided our employees with the right tools, we enabled 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 provided better performance feedback to agents, helping them develop skills to improve the overall quality of the customer interaction.

Cellular providers needed to ensure that they had 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 providers couldn't effectively sold their products and services. As more people became aware of the advantages of the cellular phone, more customers will walk though your door. However, getting these customers to buy a product or service from you was 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 would needed to travel to new sites and drum up new business. The key to selling cellular to someone you had sought out was to begin by building rapport with the prospective client (Spoor, 1994). Further, cellular providers needed to sell their commitment instead of overcoming the price issue. They needed 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 was that good customer service can have a key impact on how a customer views your services and company. Further, customers appreciated 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 realized that building strong relationships was a vehicle to increasing their customer base. The benefit was twofold: growth and intimacy. The result was increased sales, revenue growth, and reduced operating costs.

A consumer demands continued to grow, toll-free numbers were no longer viable as the only solution to meet customer requirements. An excellent example was Internet based solutions. They allowed 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.

Moreover as reported in Utusan Malaysia (2001), the CMC had instructed all cellular providers to conduct their own survey on customer satisfaction. The survey report must be submitted to the CMC, on quarterly basis, for their monitoring of the services provided and as input of feedbacks from the industry. Therefore, a poor customer service was as good as a reason for the subscriber to churn from one cellular provider to another of which reflects the level of customer satisfaction.

Churn

Churn was the main concern of all cellular providers. Further, churn was considered as 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 had shown that the problems critical were the costs represented by those lost subscribers. The average carrier spent US\$300 to US\$700 to acquire one customer, including such costs as commission, advertising, and promotion. Lost customers cost the company an average of US\$57 a month in lost revenues. Cellular carrier were facing an ever more competitive future, giving them additional reasons to tackle churn.

Key contributors to churn included the perception of weak coverage and changing consumer expectations (Egolf, 1995). Egolf (1995) stated that business users willing to pay a premium, subscribers now were 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 was proactive customer service is a must.

Moreover, today's sermon was on the evils of customer churn and its treacherous ways of bleeding the financial lifeblood out of a company (Blake, 1997). Therefore, companies became much more sensitive to areas that can have a positive effect on their bottom line. Churn stemmed completely from the relationship between the subscriber and the carrier. In reality, though, much of the fault lied hidden in the layers of management or mismanagement between carriers and their agents. Blake (1997) stressed that timing was another critical factor in sustaining a long lasting relationship with subscribers. More than 30% of customers churned 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.

A J.D. Power and Associates (1996) study reported 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 did not lies 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.

Loneragan (1999) stated that churn remained a major challenge for cellular providers. Most common caused of churn among cellular customers was switching to another service or 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 allowed 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 were identified, our customer service representative would initiate contact with these customers, address individual concerns and offer incentives to retain their business. Happy subscribers were less likely to churn off their providers' network (Murphy, 1998). Therefore, it was the duty of the cellular providers in keeping their subscribers on their network.

Customer Retention

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

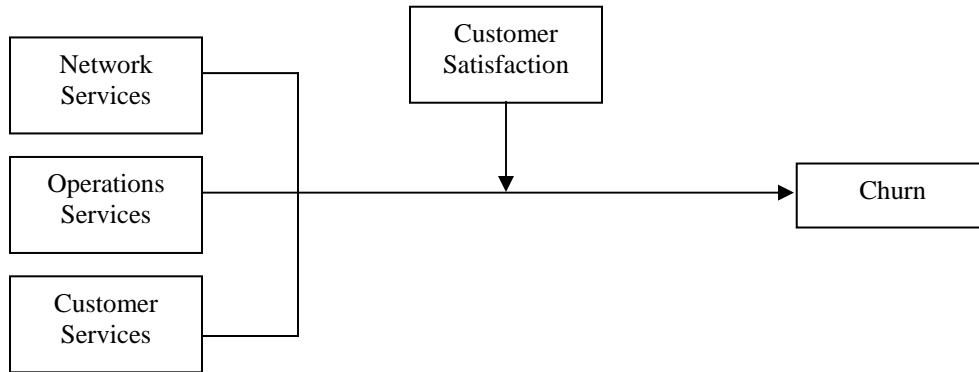
- proactively invested in technology to improve the quality of customer service (Garelis, 1996; JDPA, 1999 & 1998b).
- proactively preserving and improving relationships with customers (Stites, 1997).
- improve call quality (JDPA, 1999, 1998b & 1996).
- improve pricing options (JDPA, 1999 & 1998b).
- improve corporate capability/image (JDPA, 1999, 1998b & 1996).
- improve credibility/customer communication (JDPA, 1998b & 1996).
- improve roaming/coverage (JDPA, 1998b).
- improve billing (JDPA, 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 (JDPA, 1999 & 1998b).
- reduce cost of roaming (JDPA, 1999, 1998b & 1996).
- choose the right marketing strategy (JDPA, 1995).
- improve network services (Rappaport, 1996).
- flexibility of pricing plans (JDPA, 1998a).
- pricing plans that calling party pays (JDPA, 1998b).

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

Discussion

Based on the literature review on network services, operations services, and customer services that constructed the structure of cellular providers; they are working hard to minimize the churn effect over their business. Further, the literature review supported that customer satisfaction does contribute to the churn effect. Moreover, Figure 1 illustrates the current business operations of cellular providers.

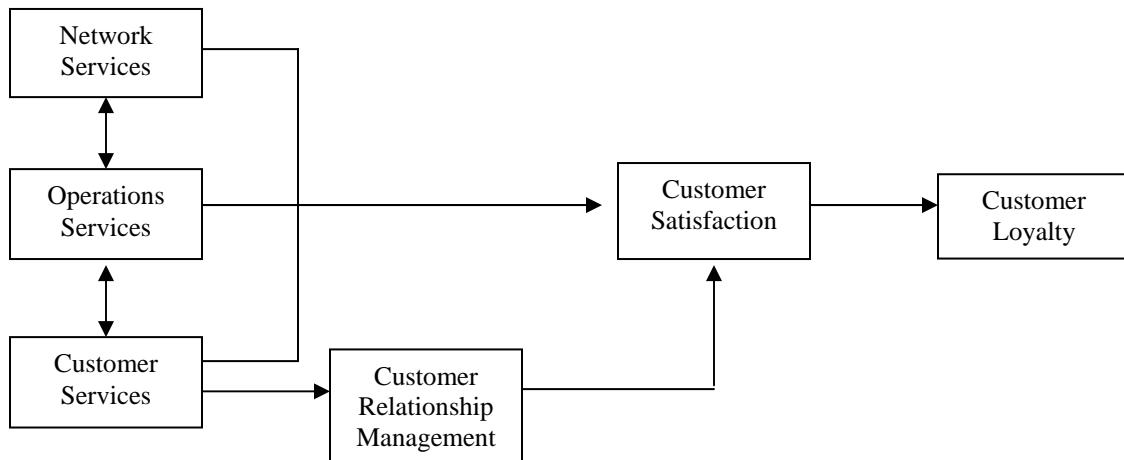
Figure 1: Current business operations



As illustrated in the above diagram, the three elements of cellular providers’ business structure: network services, operations services, and customer services, are affected by the customer satisfaction. Thus, the level of customer satisfaction will determine the end result of the outflow of customers from their company to another company that is known as churn.

This paper proposes a model of which to overcome the churn of customers. As illustrated in Figure 2, network services, operation services, and customer services need to be integrated with one another. Further, cellular providers need to come up with a customer relationship management (CRM) program of which to be integrated with the customer services. The moderator, CRM, will influence and increase the level of customer satisfaction as the level of customer relationship increases then consecutively the level of customer satisfaction also increases. As the end result, the model proposes that as the level of customer satisfaction increases then the churn effect will reduce. Thus this will increase customers’ loyalty for the cellular provider.

Figure 2: Proposed Churn Model



Conclusion

Cellular providers in Malaysia are at “war games” among themselves. With the current scenario of cellular industry such as takeovers and rationalizations among cellular providers, they need to minimize their internal problems. Further, if customer satisfaction functions are neglected, then churn will be come the major concern of cellular providers in Malaysia. The players, cellular providers, need to come up with a plan that can be gauge towards a win-win situation for them. Cellular providers may look into certain programs or plans that will not motivate one’s customers to move from one provider to another and further enhance their customer satisfaction.

Further as urged and buzzed by the authority of the cellular industry, cellular providers need to be ready with the possibilities of being taken over by the “bigger” players or merger plans to be considered among them. Nonetheless, as customers what they need is a good customer service after all no matter which cellular providers that they subscribe with.

References

- Anonymous (1995). “Price Main Factor in Cellular Service; Customers Loyal to Phone Manufacturers,” *Mobile Phone News*, Bethesda, April 10.
- Anonymous (1998a). “Secret to Success,” *Wireless Review*, Overland Park, June 1, Vol.15, Issue 11.
- Anonymous (1998b). “Cellular Churn May Cost US Carriers Nearly \$4B,” *Microwave Journal*, Dedham, November, Vol.41, Issue 11.
- Anonymous (1999). “New Cellular Users Spend Less Than Experienced Ones,” *Telecomworldwide*, Coventry, May 18.
- Blake, Pat (1997). “Fire and Brimstone,” *Telephony*, Chicago, November 17.
- Boney, Karissa (1997). “The Value Menu,” *Cellular Business*, Overland Park, April, Vol.14, Issue 4.
- Burdiek, Michael (1993). “Strategic Network Management,” *Cellular Business*, Overland Park, January, Vol.10, Issue 1.
- Eastwood, Margaret A. (1996). “Implementing Mass Customization,” *Computers In Industry*, Amsterdam, October 15, Vol.30, Issue 3.
- Egolf, Karen (1995). “Cellular Carriers Confront Churn,” *Telephony*, Chicago, Jul. 17, Vol.229, Issue 3.
- Garelis, Aaron (1996). “Quality in the Call Center Industry – What We Can Learn from History,” *Telemarketing and Call Center Solutions*, Norwalk, February, Vol.14, Issue 28.
- [JDPA] J.D. Power and Associates (1995). “Bell Companies Fare Well in Customer Satisfaction Study; Churn Facts Revealed,” *Mobile Phone News*, Bethesda, December 4.
- [JDPA] J.D. Power and Associates (1996). “J.D. Power and Associates 1996 Wireless Customer Satisfaction Study: AT&T Wireless and Sprint Spectrum Make Major Strides,” October 17. (<http://www.jdpower.com/jdpower/releases/601017pho.html>).
- [JDPA] J.D. Power and Associates (1998a). “J.D. Power Survey Shows Higher Customer Satisfaction for PCS Over Cellular,” *Communications Today*, Potomac, January 15.
- [JDPA] J.D. Power and Associates (1998b). “Fierce Competition in Wireless Market Causes Shift in Customer Satisfaction Leaders in the J.D. Power and Associates Fourth Annual Wireless Customer Satisfaction Study,” September 22. (<http://www.jdpower.com/jdpower/releases/809022wir.html>)
- [JDPA] J.D. Power and Associates (1999). “J.D. Power and Associates Reports: Newer Wireless Telephony Entrants Make Dramatic Impact in the Wireless Marketplace,” September 23. (<http://www.jdpower.com/jdpower/releases/uswireless092399.htm>)
- Kaye, Marsha (1996). “Battle of the Cellphones,” *Management*, March, Vol.43, Issue 2.

- Lonergan, Declan (1999). "90% of New Cellular Users Spend Less Than \$50 per month," *M2 Presswire*, Coventry, May 17.
- Merrill, Michael F. (1992). "The Truth About Customer Service," *Cellular Business*, Overland Park, November, Vol.9, Issue 12.
- Meyers, Jason (1997). "Circle of Friends," *Telephony*, Chicago, May 5, Vol.232, Issue 18.
- Murphy, Kara (1998). "Subscribers Still Resist Learning Handsets' Full Functionality," *Communications Today*, Potomac, November 18.
- O'Keefe, Susan (1998). "The Wireless Boom," *Telecommunications*, Dedham, November, Vol.32, Issue 11.
- Rappaport, Ted S. (1996). "Coverage & Capacity," *Cellular Business*, Overland Park, February, Vol.13, Issue 2.
- Ryan, Alan J. (1995). "Reaching Out to Touch You," *Informationweek*, Manhasset, March 13.
- Shah, Tushar (1996). "Putting a Quality Edge to Digital Wireless Networks," *Cellular Business*, Overland Park, September, Vol.13, Issue 9.
- Spoor, Dana L. (1994). "Selling Cellular 01," *Cellular Business*, Overland Park, January, Vol.11, Issue 1.
- Steward, Shawn (1996). "New Directions in Test Equipment," *Cellular Business*, Overland Park, September, Vol.13, Issue 9.
- Steward, Shawn (1993). "Testing Equipment Roundup," *Cellular Business*, Overland Park, September, Vol.10, Issue 9.
- Steward, Shawn (1995). "Single Number, Different Methods," *Cellular Business*, Overland Park, July, Vol.12, Issue 7.
- Stites, Elizabeth M. (1997). "Outsourcing the Customer Life Cycle," *Telemarketing & Call Center Solutions*, Norwalk, September, Vol.16, Issue 3.
- Utusan Malaysia (2001), "Pengendali telefon bimbit diarah serah laporan [Cellular providers are directed to submit report]," Saturday, May 25, 2001.