

Study of Customer Retention of Reliance Jio: A Review on Literature

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ABSTRACT

Customer retention has been a momentous topic of research since the mid-1900s. As the focus of marketing has been shifted from production concept to holistic concept, the importance of retaining the existing customers has now been the most important objective of the marketing strategy of a company. Research studies have shown that retaining the existing customers is more profitable to a company than acquiring new ones. As wireless perforation has increased in the state of Jammu and Kashmir in recent years, mobile companies have focussed on retaining the existing customers in this highly competitive market. The recent launch of Reliance Jio in telecommunication industry of India has brought a radical change in the industry. The company adopted a disruptive marketing strategy to increase the customer base by first offering free services for a period of time and started pricing its services at a discounted price relative to the competitors. The impact of this new entrant has affected the symmetry in an industry that has made the competitors vulnerable and resorts to change in pricing structures and mergers/acquisition. This study aims to 1) explore the factors that affect the customer retention in telecommunication industry 2) critically analyze the literature of customer retention with respect to Reliance Jio

Key Words: Customer Retention, Customer Satisfaction, Reliance Jio, Telecom Sector

I. INTRODUCTION

1.1 RELIANCE JIO

Indian telecommunication industry is one of the rapidly growing industry in the world. India is the second largest market for mobile services. It is a good avenue for network providers from innate and foreign entrepreneurs. Reliance Jio Infocomm, doing business as Jio, is LTE network provider in India. The services were commercially launched on 5 September 2016. Reliance Jio's free services created radical changes in Indian telecommunication sector. Since the launch, it adopted aggressive pricing structure in order to acquire the customer base. It has forced the competitors such as Vodafone, Aitel, Idea to price their products and services aggressively in order to retain customers. The success of Reliance Jio has helped the country to grab the 15th spot in terms of 4G availability globally.

1.2 CUSTOMER RETENTION

Customer retention is defined in different studies in different ways. It is the continuity of the business relations between the customer and company[1]. Retention and attraction of new customers are used as drivers for the increase in market shares and revenue[2]. Customer retention has been shown to be a primary goal in firms that practice relationship marketing[3]. It can be up to ten times more expensive to win customer than to retain an existing customer[4]. The function of relationship marketing is "getting and keeping customers" which will be the challenge of survival in volatile markets[5]. In order to be able to build long-term relationships with customers, institutions must first be able to retain existing customers[6]. Customer retention is part of relationship marketing which is concerned mainly with maintaining existing customers by manipulating the relationship in a way that enables the firm and the customer, to benefit through long-term, repeat business[7]. According to the wall street report the Jio scores highest overall on customer loyalty and outcores the incumbents on customer service, convenience, data coverage, data speeds, and handset choice. They also outscored Vodafone and Idea in voice quality and voice coverage," it added. The report also stated that most of the 2G/3G users in the sample test expect to upgrade to 4G within the next year, and 80 percent say they will consider Jio when they do [8].

II. LITERATURE REVIEW

The literature was reviewed with respect to the customer retention and finding of various studies were recorded and it was analysed in one of the studies that the customers awareness towards cellular phone services, it was noted that that

price is a very considerable factor for selecting any service provider with lowest price schemes and other factors should be taken into consideration like cross talks and network issues and [9][11]., examined Consumer preferences for mobile service providers – An empirical study on customer preference has argued that customers are very keen on service quality and brand image[10] one of the studies has revealed that the customers prefer reliance jio over other networks because of the fact that the network provides them with the cheaper rates of call and free data service [12]

Different authors have given different views on consumer retention. According to the study in Iranian Telecommunication sector, He found that in order to create loyal consumers and to retain the existing one there was a need for implementing a successful system in the organization having a clear vision and commitment. Once these changes are made internally the external attraction can be done by providing personal compatibility, professional competence, frontline employee, quality of service and pricing policies attractions[13]. Another author investigated the Malaysian mobile Telecom and it was found in the study that the brand cannot be the only factor in retaining the customers the price, network and coverage are also very important factors that should be kept into consideration[14]. Further, the important retention strategy that should be kept into the consideration is by providing customers the quality of service, affordability of service and provision of consumer support services [15][16]. The literature has also stressed on the term customer relationship management when it comes to customer retention it was found that the longer the customer is using a network the bond is developed with the service provider that is the emotional bond which is also a key in retaining the customers [17][18].

In 2002 a study on consumer loyalty and retention by understanding CRM and it was noted that advertisement has a positive influence on consumer retentions but it doesn't result in loyal consumers[19].

2.1 The Importance of Studying the Customer Retention Phenomenon

Based on high churn rate (customer attrition) in some business sectors, customer retention has attracted significant interest from scholars and practitioners in the field of relationship marketing over the last two decades [20]. For example, in the mobile phone sector, it has been estimated that about 27% of a given cellular supplier's subscribers are lost each year, which is estimated to be around 2.2% every month[21]). The authors claimed that the cost of acquiring each new mobile subscriber was estimated at between \$600.00 and \$800.00, which encompasses many costs such as advertising, marketing, sales, and commissions. According to the Organization for Corporate and Development study, the average annual revenue from each mobile user is \$439.00 (based on 30 leading countries) [22]. Frequently, the main theme of customer retention studies has focused on studying the supplier sides and how they maintain relationships with customers[23][24]. Even from the supplier side, the bulk of previous customer retention literature has focused on the economic aspects of retaining customers and how firms develop strategies to improve customer retention and maximize returns through the customer's life cycles[25] Scholars and practitioner's interest in the economic aspects of retaining customers has increased since Dawkins and Reichheld (1990) reported that a 5% increase in customer retention generated an increase in customer net present value of between 25% and 95% in a wide range of business sectors. Also, according to Hanks (2007), a mere 5% improvement in customer retention can lead to a 75% increase in profitability [26]. However, establishing and maintaining strong relationships with all customers may not be the primary aim of some organizations because not all customers and their relationships are similar or profitable[27][28][29]. Moreover, it has been explained by [30] that the majority of firms focus on customer's current period revenues and costs and pay no attention to potential cash flows over customer's lifetimes

2.2 Factors Affecting Customer Retention

Several factors affect customer retention, for example, complaints-handling process, customer service, service recovery, the interpersonal relationship and, customer satisfaction. These factors are discussed in the following subsections

2.1.1 Complaint handling process

The well-established complaint handling system is a very important factor in retaining the customers as it has proved to have the strategic importance [31]. Complainants who enjoy high standards of complaints handling experience the service quality attributes of empathy and responsiveness, which are not routinely on display when services are delivered, or products function, right first time[32] In most of the companies it has been ignored [31][32].

2.1.2 customer service

Customer service is one of the professional processes which companies carry out in order to attract entrepreneurial opportunities for increasing profitability and better access to the market and increasing the customer satisfaction level. customer service adds the value to the organization by the way of increasing product quality, gaining competitive advantage, gaining profitable opportunities, and as a result, increasing sales and income[33]. This can be considered as a factor which influences retention of customers in a number by providing additional information to customers and after-sales services, etc while as creating a long-term relationship with the customers will help the organization in retaining the customers [34].

2.1.3 Service recovery

The service recovery means the facility of the service provider to solve the difficulty such as the client unhappiness and the service breakdown [33]. This research adopts the definition of the service recovery as described. The dynamic attempt of the company to resolve the trouble, helps customer have credit on the service provider. And appropriate effort for the service recovery can protect customers from switching the service provider [35]. The service recovery at the service encounter is a foundation to develop the customer relationship into a long-term friendship. Therefore the service recovery can be a component of the switching barrier. The service failure is considered as the major threat to

any organization to that rescue service recovery is considered important to create the satisfied customers [36][37][33][35]

2.1.4 The Interpersonal Relationship

The long-term interpersonal relationship between the company and customers offers a lot of benefits to the customers: social benefits such as companionship and personal recognition, psychological benefits such as reducing anxiety and credit, economic benefits such as discount and time-saving, and finally customization benefits such as customer management and etc [34][37]. The interpersonal relationship between the company and the customers can be an important factor as a switching barrier[24].

2.1.6 Customer Satisfaction

Customer satisfaction is defined as the customer reaction and emotions towards expectation and performance appraisal [38]. Customer satisfaction can be demarcated with two basic concepts such as cumulative satisfaction and transaction specific[39]. According to market literature, customer satisfaction can be measured through customer loyalty and repurchase

behavior. Customer satisfaction is also increasing the company success, customer retention, and long-term competitiveness. Customer satisfaction leads to lower cost of a future transaction, high loyalty and increases the reputation of the company [40]. Customer satisfaction has a greater influence to build up customer repurchase behavior [41]. Satisfied customers are also informed his positive experience with friends and relatives which develop company customer base and obviously try develop new customer and retain the existing one.

CONCLUSION

In today's competitive world it has become really a need of hour to retain the customers and to reduce the customer switching rate, the above study has revealed that the customer satisfaction is the most important factor that should be considered while using the strategy of retaining the customer as supported by the study[42][41].the customer retention of the customers of Reliance Jio is at its infancy stage , still after analysing the literature we have come up with the fact that the customers prefer the network that provides affordable price, good network and high-speed internet at very less cost[9][10], so if the Jio is providing the customers with all these we can say maybe customer would prefer that over other networks, its vice versa can be true even. As evident from the study [12] most of the customers are satisfied and content with the services provided by the Reliance Jio and prefer this network over other network because of ease of access and being affordable.

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