

CUSTOMER SATISFACTION IN INDIAN TELECOM INDUSTRY: A CASE STUDY OF BSNL (BIHAR CIRCLE)

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INTRODUCTION

Customer loyalty has long been addressed in academic and many service industries such as manufacturing, health care, education and telecommunication. Customer loyalty is perceived as a critical focal point in any business for continuous customer relationship management that focuses on customer satisfaction and long-term business profitability. Numerous studies have reported that customers who show loyal behaviour tend to lead to high profitability for a firm. However, customer loyalty is widely reported to be declining due to such factors as lowering levels of quality of product or services differentiation, lower risk of switching cost, intense competition, consumers becoming more demanding and showing increasing levels of dissatisfaction with pricing, core service failure and general inconvenience. In addition, many scholars have argued that either SERVQUAL or SERVPERF conceptualizations have failed to measure service quality in new industries. For instance, Kang (2006)¹ and Kang and James (2004)² developed service quality dimensions by incorporating the Gronroos' service quality model and SERVQUAL to measure service quality amongst mobile phone service providers. They argued that the SERVQUAL measurement is more focused on the processing of delivery service and does not reflect on service output. Customer satisfaction has often been focused as an important corporate strategy and used as a measurement of marketing health. It is often used as a benchmark of an organization's performance (Bennett & Rundle-Thiele, 2004)³. Customer satisfaction is believed to be the main tool that can enhance the number of existing customers. Thus, many organizations have focused on implementing programs for measuring and improving customer satisfaction.

Understanding how customers behave related to loyalty intention (word of mouth and intention stay) among the mobile phone users have become an important way to satisfy customer satisfaction and also to sustain existing customers, which in turn lead to performance maximization. Therefore, it is worth exploring the impact

of various dimensions of service quality as developed in the Gronroos' Model (Gronroos, 1984)⁴ which are different based on the nature of the service industry, currently existing competition, time and needs (Seth et al., 2005)⁵. Specifically, it is in relation to technical quality (core service and value-added service) and functional quality (customer care service) and their effects on customer satisfaction and customer loyalty.

In long-term relationship between the customer and the service provider, the important theory underlies the basic framework of this study are based on the social exchange theory (Thibaut & Kelly, 1959)⁶ The social exchange theory (Thibaut & Kelly, 1959)⁷ is a combination of economic, social psychological and sociological perspective.

As per social exchange theory each party has to perform both activities which are “give and take” at the same time. Persons that give much to others try to take much from them, and persons that take much from others are under pressure to give much to them (Homans, 1961)⁸. It posits that all human relationships are formed by use of subjective analysis to compare costs and benefits to choose the best alternative. In the social exchange situation, equivalent outcomes, in term of benefits and costs between two exchange parties will produce high satisfaction and interdependence. Hence, when two interacting people face various contingencies or alternatives they may have to modify their resources to match each other's needs by negotiating or through some form of enforcement.

An individual's satisfaction with the relationship is not always followed by his or her intention to remain in and maintain the relationship. It is possible for a person to be satisfied, while not intending to continue a relationship. On the other hand, it is also possible for a person to continue the relationship while he or she is not satisfied or even dissatisfied with it (Thibaut & Kelley, 1959)⁹. In order to evaluate a person's tendency to maintain a current relationship, it may be advantageous to consider the comparison level of alternatives and satisfaction. An individual's comparison level represents the average relationship outcome (benefits received minus costs paid) that the individual has come to expect, and is influenced by past experiences and comparisons to the current relationship. Kelly and Thibaut (1978)¹⁰ stated that satisfaction with the relationship is a function of the discrepancy between the relationship outcome and the individual's comparison level.

Customer service is not only a rhetoric in business, but is an essential corporate strategy for business success, especially in the services sector. Organisations operating in competitive emerging markets like Ghana cannot survive without adopting and sustaining customer service, since it holds the key to business success. Customers sophistication in the new millennium requires corporate leaders to spend time and other resources to

get customers satisfied, no matter the consequences. Excellent customer service delivery starts first by taking time to know the customer, his situation, his vision, his frustrations, and his goals about any product or service. Further, excellent customer service leads to customer loyalty since customer loyalty is crucial for business success.

Most marketing researchers accept that quality performance leads to satisfaction. The satisfaction is followed by quality performance and has also been confirmed empirically; especially when quality is framed as a specific belief evaluation and satisfaction as a more general evaluative construct (Jonson et al., 2001)¹¹. Therefore, the relationship between customer satisfaction and service quality has received much attention in the marketing literature. Empirical findings also support a positive relationship between the consumers' perception of service quality and satisfaction. However, De Ruyter, Bloemer, and Peeters, (1997)¹² found that customers do not mainly consider the importance of highest quality as being more important than price, convenience or availability for buying. They may have poor perceived service quality but have service satisfaction. The result of previous empirical research on the relationship between service quality (call quality, value added services and customer care service) and customer satisfaction has indicated a positive relationship.

Service quality has been studied over the last two decades in service marketing literature. Many scholars have agreed that the concept of service quality in the customer's mind is very subjective, complicated and personal as well as difficult to conceptualize and operationalize. Service quality has been conceptualized in two different approaches. The first approach of service quality has been conceptualized by Gronroos in 1984 which comprises of two dimensions; technical quality and functional quality. The technical quality refers to what is delivered to the customer as the outcome of interaction with a service provider (what is delivered). Whereas, functional quality is concerned with how the end results of the process was transferred to the customer (how it was delivered). This dimension is not directly related to core service offerings but includes a wide range of service delivery items, such as perceptions of a company's service center or customer care service and the manner of personal service. Technical quality can often be quite readily evaluated objectively and it is more difficult to do with functional quality. Hence, the author further conceptualized that the important impact of any previous experience of service quality in a corporate situation will act as a guide for customers to evaluate the technical and functional quality of the product and the company. The second approach is SERVQUAL which was developed and refined by Parasuraman et al. (1985, 1988). It is multi-item instrument with five dimensions to quantify customers' global assessments of a company's service quality. It consists of reliability, responsiveness, assurance, empathy, and tangibles.

Recently, there has been agreement in the literature that the outcome of the service counter significantly affects perceptions of service quality. For instance, the outcome of service quality was labeled in terms of technical quality by Gronroos (1984, 2001). Moreover, Johnson and Sirikit (2002) and Lim et al (2006) suggested that the service context is often needed to consider the impact of both technical quality or service outcome and process quality that would have an impact on customer perceived service quality. Similarly, Seth et al. (2005) has revealed that several quality models have different bases within the service industry, such as intense competition, time and need. There is a need to incorporate other variables that may affect customer loyalty into the existing service quality model due to rapid switching behaviour in telecommunication industry. Value added services such SMS, MMS, GPRS, downloading ringtone, calling melody, wallpaper, screensavers and music are critically important to customers as it not only provides additional features to the main service but also to fulfil their customers' needs.

Quality is defined and measured as attribution performance (Churchill & Surprenant, 1982)¹³. The majority of marketing researchers have accepted that quality or performance leads to satisfaction. The study of Homburg, Koschate et al. (2005) examined satisfaction with "performance," a post consumption evaluation of perceived service performance without consideration of price. In addition, satisfaction has also been confirmed empirically to be linked to quality performance, especially when quality is framed as a specific belief evaluation and satisfaction as a more general evaluative construct. Therefore, the mobile phone service industry is a continuing service and it can be expected that customer satisfaction responses towards a service provider should be affected largely by performance evaluations. It is reiterated that, in this study service quality is considered a major factor leading to customer satisfaction. Really, it is to be viewed as the primary determinant of consumer behaviour, without even considering price as part of the customer's satisfaction judgment.

The definition of satisfaction comprised of three basic components: 1) consumer satisfaction as a response (affective or cognitive); 2) the response pertains to a particular focus (expectations, product, consumption experience, etc.); 3) the response occurs at a particular time (after consumption, after choice, based on accumulated experience, etc). Many researchers conceptualize customer satisfaction as an overall post purchase evaluation based on the customer's comparison of product performance to pre-purchase expectations. However, customer satisfaction has been broken into two different conceptualizations in the literature over the past decade; transaction-specific satisfaction and overall or cumulative satisfaction.

The transaction-specific approach defined satisfaction as a customer's evaluation of his or her experience with and reactions to a particular product/service transaction experience. Oliver (1997)¹⁴ defined customer

satisfaction as the consumer's fulfilment response. It is a judgment that a product or service feature, or the product or service itself, provided (or is providing) a pleasurable level of consumption-related fulfilment, including levels of under-or over fulfilment. The cumulative satisfaction is defined as a customer's overall evaluation of the service provider's performance up to date (Johnson & Fornell, 1991).¹⁵

However, an important advantage of the cumulative satisfaction construct over a more transaction-specific view is that it is a better predictor of subsequent behaviour and economic performance (Olsen & Johnson, 2003).⁷⁰ As a result, the most current emphasis on cumulative satisfaction has been on understanding customer evaluations and relationships over time. Customer satisfaction is described as evaluation of an emotion. It reflects the level of positive feelings or emotions towards a product or service (Oliver, 1997).¹⁷ Therefore in this study, customer satisfaction is defined as the consumer's overall or cumulative satisfaction using whatever evaluation they choose (including emotion-based evaluations) with all services (including performance and quality) which are made available by the service provider. This is done without considering price as a part of the satisfaction judgment.

STATEMENT OF THE RESEARCH PROBLEM

The customer satisfaction is most important for any business organisation of the world. It plays a crucial role in any process of marketing, especially in the case of services. Today, the customer is the king of the market because the customer loyalty and customer preferences are built by the products and the Services offered to the customers and they seek for more benefits and money's worth for the amount they spend. That is why the concept of customer preference and customer behaviour has evolved. The customer makes the marketers to rethink about designing the products and services. They have to think about the market segmentation, market strategies, customer behaviour, customer's tastes, customer's lifestyle etc. also. Many marketers are smart enough to understand customer's needs, wants and demands and perform beyond their expectations i.e. they delight them. It Provides them growth, profitability and creativity with a lot of inventions.

In today's scenario, communication has become much faster day by day by telephones, internet, media etc. As a result, we find rapid growth of Telecom sector. Now a days many organizations provide services for the telecom purpose. BSNL is one of the largest & leading public sector units providing comprehensive range of telecom services in India. BSNL is the only service provider, making focused efforts & planned initiatives to bridge the rural-urban digital divide in ICT sector. In fact, there is no telecom operator in the country to beat its reach with its wide network giving services in every nook & corner of the country & operates across India except

New Delhi & Mumbai. Whether it is inaccessible areas of Siachen glacier or North-Eastern regions of the country, BSNL serves its customers with a wide bouquet of telecom services namely Wireline, CDMA mobile, GSM mobile, Internet, Broadband, Carrier service, MPLS-VPN, VSAT, VoIP, IN Services, FTTH, etc. BSNL is numero uno of India in all services in its license area. The company offers wide ranging & most transparent tariff schemes designed to suit every customer. BSNL has **90.09 million** cellular & 5.06 million WLL customers as on 31.07.2011. 3G Facility has been given to all 2G connections of BSNL. In basic services, BSNL is miles ahead of its rivals, with **24.58 million wireline phone** subscribers i.e. 71.93% share of the wireline subscriber base. BSNL has set up a world class multi-gigabit, multi-protocol convergent IP infrastructure that provides convergent services like voice, data & video through the same Backbone & Broadband Access Network. At present there are **8.09 million broadband** customers. The company has vast experience in planning, installation, network integration & maintenance of switching & transmission networks & also has a world class ISO 9000 certified Telecom Training Institute.

The current status of BSNL in the telecom industry is declining day by day, despite being the fact that it is the largest public sector company in telecom sector. The main reason for its declining is that it is a govt. company and is not managed efficiently and effectively as it should be. Although it has more resources and licences than any other company in this sector but it failed to attract new customers and keeping its old customers at large by providing poor services and not adapting to dynamic changes in the telecom industry. Due to increasing use of mobile phones and its availability at low prices also significantly decreased the number of landline customers in India including Bihar. In order to revive the landline services, various schemes such as Free calling, low monthly rental have been introduced and the feasibility to introduce zero-rental service i.e. user is charged only for what they used for in future is also being exploited.

The present study has been undertaken to focus on all the problems which are being faced by BSNL subscribers in Bihar circle. An analytical study to understand customer preferences and satisfaction with the services provided by BSNL has been made.

OBJECTIVES OF STUDY

The present study has been undertaken with the following objectives:

- To make an overview of Indian Telecom Industry,
- To present a conceptual exposition of customer satisfaction,
- To study present status of telecom services in Bihar,

- To study the services provided by BSNL and the service quality in Bihar circle,
- To study the customer satisfaction of BSNL subscribers in Bihar Circle,
- To identify the problems and suggest remedial measures on the related aspects.

IMPORTANCE OF STUDY

BSNL is expanding its services in Bihar with a target to set up around 388 mobile towers out of which 92 3G towers and 296 2G towers in the interiors of Bihar to cover those villages which are still not connected with rest of the world through mobiles or phones in this era of digitisation. Also to make India Digital it is necessary that each and every corner of the country is connected with high speed internet facility. And this being government's duty to connect villages with high speed internet facility, BSNL being a government company started extending its optical fibre cable coverage area to the villages of India including Bihar.

In order to enhance customer satisfaction TRAI the regulatory body for telecommunications in India proposed a scheme of MNP i.e. Mobile Number Portability which provides customer an option to choose its operator without changing its number, as in past customers who doesn't want to change its number has to face difficulties if its existing operator is not providing good services. Initially it is launched nationwide but numbers of one state can't be transferred to other state due to some issues between TRAI and telecom companies.

The relationship between service quality and consumer behaviour dimensions has also been examined empirically. Many studies have found the positive relationship between service quality and consumer behaviour. For instance, Boulding et al. (1993) found a positive relationship between service quality and repurchase intention and willingness to recommend to others. The important study by Zeithaml et al. (1996) also showed the consequence of service quality as a loyal behaviour, in ways such as repurchase intention, willingness to recommend (WOM), resistance to switching, complaint behaviour, propensity to leave in future, duration to stay in future. However, many studies have also reported that service quality was not significant on loyal behaviour.

The main objective of this research is to investigate the extent of the various value-added services in service quality dimensions (core service, non-voice communication and entertainment value added services and customer care service), and its influence on customer satisfaction and loyalty intention (staying intention and word of mouth intention) in mass services industry.

Presently, various value added services such as non-voice communication {(Short Message Service (SMS), Multimedia Message Service (MMS), and Mobile Internet (GPRS)} and entertainment (downloading

ringtone, calling melody, wallpaper, screensavers and music) have been intensively incorporated to sustain and serve the customer's need. Thus, this study was carried out to examine their effects on customer satisfaction and loyalty behaviour intentions namely staying intention and word of mouth intention. Hence, the present study has great importance and justified.

HYPOTHESIS

Our study is based on the following hypotheses:

H₁: There is a positive relationship between customer's perception of service quality (core service, non-voice value added service, entertainment value added service and customer care service) and loyalty intention (staying and word of mouth).

H₂: There is a positive relationship between customer's perception of service quality (core service, non-voice value added service, entertainment value added service and customer care service) and customer satisfaction.

RESEARCH METHODOLOGY

In mass service context, mobile phone service industry in India is considered rapidly evolves due to high switching behaviour and its competitive market. Hence, the service providers must always find ways to improve their services in order to keep their customers. The applicability of value added services is considered one of the ways that can provide and enhance existing customer's satisfaction among the pre-paid mobile phone users in India.

The value added services such as SMS (Short Message Service), MMS (Multimedia Message Service) and GPRS (Mobile Internet), Downloading Ring Tones or Calling Melody, Downloading Music and Downloading Wallpaper or Screensavers would be a central focus in this study. The unit of analysis of this study is individual mobile phone users who are currently using a pre-paid mobile phone service in Bihar and have full control over their decision to continue or discontinue the services at any time. Multistage area sampling will be employed together with simple random sampling to choose districts from each region in Bihar.

Data and information for our study has been collected both from primary and secondary sources. Primary data has been collected through interaction with customers by filling up of questionnaires as well as interviews

with sales/marketing personnel. For the study, customer satisfaction has been measured as overall satisfaction toward service quality using a five – item scale.

Secondary data sources are different

- Books,
- Journals and Magazines,
- Newspapers,
- Reports,
- Reference Annuals,
- Websites etc.

The data thus collected, has been analysed by using suitable statistical and mathematical tools and techniques like – Ratio, Proportion, Percentage, Trend Analysis, Pie Charts, Sampling, Average, Correlation, Hypothesis Testing etc. for specific interpretation. Results of analysis and interpretation have been presented taking help of tabulated figures in comprehensive manner.

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