

## **Analyzing consumer churn in the rural Indian BoP: *Can the price sensitive customer be turned loyal?***

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### **Motivations for the study**

The Indian telecom market is the fastest growing in the world today. To cater to the aspiring needs of the Indian consumer, the market is flooded with more than 15 telecom operators providing virtually unlimited tariff plans and offers to choose from. With the price of using the mobile telephony dropping to amongst the lowest in the world, more and more people have started using the mobile telephony which was earlier out of their reach. Despite this, the rural market still remains relatively untapped. The traditional focus of the Indian operators is on acquiring new customers in these areas rather than retaining the existing ones. Customer retention can be difficult for the companies as the rural markets are traditionally price sensitive and are seldom considered as brand loyal. Also, the abysmal levels of internet penetration and very limited awareness of the rural people is a major challenge which the operators have to overcome.

With over 6,40,000 villages in India, the BoP segment has the potential to be the future growth driver for the organizations and has the potential to move upwards in the pyramid. With more people using the mobile phone services and with multiple options present in the market, churn can occur for better or cost effective products and services. As the cost of acquiring a new customer is several times that of retaining an existing one, managing the phenomenon of churn has become one of the major strategies for the mobile telephony providers.

### **Contributions**

The study was conducted in pockets of villages in the states of Madhya Pradesh and Uttar Pradesh. The villages covered for this research were in the districts of Khandwa, Itarsi, Hoshangabad, Satna and Reeva in Madhya Pradesh and Allahabad in Uttar Pradesh. The research data was collected from a sample size of 278 out of a total of 300 respondents spread across the above regions. The respondents were picked randomly for sampling.

The questionnaire contained questions pertaining to the demographics of the respondents. The questionnaire included questions on the network tenure; the last time that the respondent changed his/her service provider and the factors that encouraged them to do so. The questionnaire also contained questions specific to the usage and spending patterns, the usage of VAS (Value added services) and the handset capabilities. The questionnaire also contained questions on retention and repeat purchase by a customer, number of times the respondent visited the retailer and the actors that caused the behavior of repeat purchase.

Interviews were also conducted individually and in groups for better understanding the factors that made the respondent to take the decision to churn, make a repeat purchase or to continue using the present service provider. The discussions were also aimed to understand the factors that stimulate loyalty amongst the users to continue their relation with their existing service provider of choice.

### **Key Findings:**

- 61.15% of the respondents have never changed their service provider with more than 55% respondents using the mobile services for more than 24 months at the time of survey pointing that in spite of hypercompetitive market scenario, customers are looking to forge a long term, symbiotic relationship.
- Higher tenure on the network has shown an increase in the revenue from the customers as 29.11% respondents with network tenure of more than 24 months contribute ₹201-300 per month to the operator's revenue, which is considerably higher and clearly highlights the importance of customer retention and higher overall lifetime value prospect from the customer.
- Network coverage, number retention and tariff plans are the main drivers for sticking to an operator for a subscriber between 12-24 months. For subscribers with tenure >24 months,

service and number retention gain more importance for stickiness to an operator. Customers desire better value for their money for continuing with their existing service provider.

- Tariff plans are the drivers for customer acquisition but network coverage and service drives the customer retention majorly in the rural BoP markets surveyed. With the tariff levels amongst the lowest in the world, companies will have to look at other avenues to acquire more customers in the growing rural market.
- With 87.05% respondents still not using the various VAS offerings from operators, and with 46.26% people having GPRS enabled handsets, VAS, especially data applications can provide the thrust for the telecom service providers to gather momentum and increase their revenues from the rural areas.
- Lack of awareness about the procedures to report a loss of SIM and to obtain a duplicate one with the same number, network coverage, incorrect billing and recommendation from friends and family members were some of the factors for churn apart from the conventional reason of inexpensive tariff options and better plans from the competitors in the rural BoP segment.
- The rural BoP customers visit a retailer frequently with >51% people visiting the retailers for more than 4 times a month for recharges. This can be the interaction point to understand the customer behavior and make amendments to the localized business strategies.

### **Recommendations:**

With people in the rural BoP getting better employment opportunities thanks to the Indian Government's initiatives, translating into more income and increased ability to spend, this segment is sure to grab the eyeballs in the coming future in Indian telecom industry.

Companies must try to educate the customers on the reporting and replacement cycles that must be performed in case of SIM theft/loss. This is absolutely necessary in the view of increased churn from the users who do not know the procedures to be followed when they lose their SIM card. This is also required for avoiding any security threats to the country due to unwarranted calls being made from such a SIM. Companies should also provide replacement SIMs at nominal costs so that the subscribers do not buy a new SIM from another operator as a replacement for lost/damaged SIMs.

Rural customers have to be made aware of the additional benefits that they can derive out of using the mobile service. The importance of internet on mobile needs to be conveyed to the masses in these rural areas, as they catch up with their urban counterparts in terms of education. The companies should look at reducing the cost for making inroads into this vast opportunity. They should look at creating a need for the broadband services first in the rural areas as the cost of connection would gradually go down with increased demand and subsequent higher subscription rates to these services from rural markets.

Awareness is also very important at the retailer end about the latest pricing plans, offers, and discounts as the rural Indian BoP population was seen visiting the retailers frequently. The retailers should be trained to handle the queries of the rural people effectively, as the rural people can be very selective in making a purchase. For the rural people, even bad behavior by a company's retailer gives a bad image of the company itself.

In order to retain the customer from churning, the telecom service providers need to differentiate themselves in the crowded marketplace. Companies should target rural empowerment through simple, practical and easy to use VAS applications on mobile. The companies should be able to keep track of inventories on a near real-time basis to ensure availability of the entire product portfolio in rural areas at all times. Companies can become more visible among the rural masses and gain confidence amongst the users with increased shelf space at the retailer end.

Companies must also look to improve their service delivery as the network coverage was one of the most important reasons for churn as well as operator stickiness. Companies must plan to actively engage their rural customers rather than providing just a sales outlet. The companies must aim to get recommended by the user communities in the rural areas as they play a vital role in deciding whether the customer sticks to a particular operator or moves to a competitor.