DETERMINANTS OF CUSTOMER RETENTION IN THE MOBILE TELECOMMUNICATION INDUSTRY IN NORTH THE CENTRAL PROVINCE OF SRI LANKA

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INTRODUCTION

The telecommunication industry is one of the fast-growing service sectors in Sri Lanka. According to the annual report of the Central Bank of Sri Lanka (CBSL) 2019, it has recorded a sustained increase in telephone and internet connections during the year 2019. According to the Telecommunication Regulatory Commission of Sri Lanka (TRCSL), nine service licenses were granted, including fixed and cellular telephone services, data communications, mobile radio, international operators, cable and satellite services, and infrastructure services (TRCSL, 2019). The current mobile and fixed telephone operator services structure includes four mobile and three fixed telephone operators. According to the Central Bank of Sri Lanka, Mobile telephone penetration (Connections per 100 persons) increased to 143.6 by the end of the Year 2017 and rose to 150.8 by the end of the Year 2019 (CBSL, 2019). Compared to the other countries in the region, in 2015, Bangladesh had 83.36 per 100 persons, China 93.16 per 100 persons, India 78.84 per 100 persons, and Sri Lanka recorded 112.83 per 100 persons (Mannan et al., 2017). The mobile telephone service market in Sri Lanka has shown rapid growth during the last few years; mobile services subscriptions have increased at a higher level while fixed phone subscribers were decreasing (TRCSL, 2019). This indicates that the mobile telecommunication industry is growing faster than the fixed telephone. Mobile phones are one of the significant technological instruments of the modern consumer market. People use mobile phones for voice calls and various purposes such as short message service (SMS), mobile games, entertainment, and access to the internet. It has several advanced applications that can be accessed for different transactions like financial services (mobile banking, online trading, bill payment), pleasure (YouTube, iTunes), Social Networking (Facebook, Twitter), and information services (news alert, weather), etc. Due to the fast growth of the mobile telecommunication system the mobile phone has become personal equipment, which integrates day to day activities of people

Customers can select a mobile phone service provider as their preference or switch mobile service providers anytime. This sector has high competition, with 32.9 million mobile telephone subscribers recorded in 2019 for the 21.8 million population up to mid-Year 2019 (CBSL, 2019). With the development of the mobile communication system, customers can switch from one operator to another if the current service provider does not fulfill their expectations (Adikari et al., 2008). By exploring determinants of customer retention toward the mobile phone service providers, it can be identified the customer expectation and requirements which practical to retain the existing customer and acquire potential customers

from competitors. This study explores the determinants of customer retention in mobile phone service providers by selecting users from North Central Province in Sri Lanka. This study is expected to give a great understanding of the behaviors of customers using mobile phone services in the area. The findings may help the relevant decision-makers to increase customer retention and expand their business in the future.

METHODOLOGY

This section briefly introduces how the study was carried out technically. Four independent variables have been identified: service quality, switching cost, price fairness, and customer satisfaction. Customer retention has been determined as the dependent variable. The study was designed based on the relationship between independent and dependent variables. Four hypotheses were developed to test the relationship depending on the variables. The study population is mobile phone service customers in North Central Province, Sri Lanka. The data was gathered from mobile phone service customers in North Central Province, Sri Lanka. The sample size is 400, and systematic and simple random sampling methods were applied. Ninety-two percent was reported as the response rate. The unit of analysis is mobile phone service customers. Data was collected through a structured questionnaire, and collected data were fed to the SPSS version 21.0 software package to perform the analysis. Very first, a simple descriptive analysis was conducted to check the response rate and get an idea of the sample's demographic characteristics. Reliability and validity tests were conducted to assess the goodness of the instruments. The Independent sample t-test and Analysis of Variance (ANOVA) were used to identify the difference in mean value between a dependent variable and demographic characteristics. Finally, Correlation Analysis and Multiple Regression Analysis were performed to test the study's hypotheses.

The following hypotheses were constructed based on theoretical and empirical evidence.

H_1: There is a significant impact of service quality on customer retention in the mobile service industry in North Central Province.

H_2: There is a significant impact of switching costs on customer retention in the mobile service industry in North Central Province

H_3: There is a significant impact of price fairness on customer retention in the mobile service industry in North Central Province

H_4: There is a significant impact of customer satisfaction on customer retention in the mobile service industry in North Central Province

RESULTS AND DISCUSSION

According to the t-test analysis (M- 3.71 & F- 3.33), males tend to be with existing service providers more than females. The ANOVA results (F- 16.515 & P- 0.00) reported that different age groups have different retention habits. It can be identified the different retention habits according to the education (F- 6.537 & P- 0.00) and employment (F- 9.273 & P- 0.00) of the respondents. Income (F- 0.953 & 0.431) does not course for different retention styles. Correlation analysis reveals that all independent variables positively correlate with the dependent variable. Thus, all hypotheses were supported. Service quality demonstrates the highest positive Correlation (0.697) with customer retention, and customer satisfaction demonstrates the lowest positive Correlation (0.507). These results explained that service

quality has the highest relationship with customer retention and customer satisfaction has the lowest relationship with customer retention of Mobile Phone Service providers in North Central Province, Sri Lanka.

Table 1 Results of regression analysis

Coefficients						
	Unstandardized Coefficients		Standardized Coefficients			
Model	B	Std. Error	Beta		t	Sig.
1 (Constant)	.006	.195			.031	.975
Customer Satisfaction	.132	.047	.125		2.777	.006
Service Quality	.660	.064	.490		10.235	.000
Price	.111	.048	.125		2.294	.022
Switching Cost	.140	.056	.122		2.511	.012
$R^2 - 0.268$						

a. Dependent Variable: Customer Retention

Results of the multiple regression analysis (Table 1), The R-Squared value for the result is 0.268, suggesting that the model can explain about 26% of the variation in the dependent variable. Furthermore, the dependent and independent variables have a statistically significant relationship (p-value: 0.000). This suggests that there is no reason to reject the validity of the fitted model at the 95 percent or higher confidence level. Service quality has been found to have the highest impact (0.660) on customer retention rather than price fairness, switching cost, and customer satisfaction. In addition, service quality has a strong direct relationship with customer retention. A positive relationship between service quality and customer retention has also been proven by a study conducted in England examining telephone customer retention (Ranaweera & Neely, 2003). The study of Rahman et al. (2010) also found that the relationship between service quality and service quality contributes to the long-term relationship and customer retention. The study of mobile service providers in India found leads the firm to differentiate from its competitors, and service quality makes satisfied customers, which leads to retention of existing customers (Edward & Sahadev, 2011). A recent study also found that service quality positively impacts customer retention in the mobile telephone industry. Further, with regression results, the B value of Service Quality, Switching Cost, Customer Satisfaction, and Price Fairness are 0.660, 0.140, 0.132, and 0.111, respectively. Thus, the highest impact on customer retention is founded on service quality, and Switching Cost, Customer Satisfaction, and Price Fairness have followed the sequence. According to the study's data analysis, switching costs found a significant and positive relationship with customer retention. The correlation analysis and regression analysis results indicate that switching cost has a direct and moderate relationship and a positive impact on customer retention. A study by Edward and Sahadev (2011) also found that switching costs positively and directly affect customer retention in mobile service providers in India. Ranaweera and Prabhu, 2003 also found that switching cost influence customer retention in fixed-line telephone users in the UK. Another study found that switching costs affect customer retention partially in the Indonesian cellular market (Amanah et al., 2021). The study on Pakistan telecommunication also found a positive relationship between switching costs and customer retention (Danish et al., 2015). Customer satisfaction is also a significant and positive relationship with customer retention. The correlation analysis and regression analysis results

indicate that customer satisfaction has a comparatively low impact on customer retention. A study conducted by Parawansa (2018) found a positive relationship between customer satisfaction and customer retention in Rural Bank in Makassar, Indonesia. Another study found that relationship between customer satisfaction and retention with strong predictive power in the hotel industry in Ghana (Adzoyi et al., 2019). Boora (2020) also found that higher impact on the relationship between customer satisfaction and customer retention in the mobile telephone industry. Also, the result found that Customer Satisfaction as the mediation effect between Service Quality and Customer Retention. Hossain et al. (2017) also found customer satisfaction to be a key determinant or antecedent for customers' propensity or willingness to retain their existing telecommunication service. A study conducted in the Gahanna telecommunication sector discovered a negative relationship between customer satisfaction and customer retention (Ocloo & Tsetse, 2013).

According to the study's results, price fairness has also found a significant and positive relationship with customer retention. According to the data, price fairness lowly impacts customer retention in mobile service providers in North Central Province in Sri Lanka. A positive relationship between price fairness and customer retention was also identified in the Bangladeshi telecommunication sector (Hossain et al., 2017) and the Malaysian mobile phone service sector (Rahman et al., 2010). According to the study, service quality, customer satisfaction, switching cost, and price fairness positively influence customer retention. Therefore, all four determinants examined in the study have proven a positive relationship with customer retention. These determinants can be recognized as courses for customer retention with mobile service providers.

CONCLUSIONS AND IMPLICATIONS

The conclusion of this empirical study is based on all aspects of the findings through data analysis and literature in the research area. The researchers have identified four determinants through past literature. The finding proved that all service quality variables, price fairness, switching cost, and customer satisfaction were determinants of customer retention of mobile phone service providers in North Central Province, Sri Lanka. Therefore, by concerning all four determinants, mobile phone service providers can enhance customer retention and reduce the switching of existing customers from one operator to another. According to the analysis, service quality significantly impacts customer retention. In contrast, price fairness and switching cost have a moderate relationship with customer retention, and customer satisfaction has demonstrated a low impact. This elaborates that customers who use mobile phone services in North Central Province, Sri Lanka are more concerned with service quality aspects other than price fairness, switching cost, and customer satisfaction. Price fairness found a low impact and moderate relationship with customer retention. That indicates that the price factor is moderately considered when deciding to retain an existing service provider, but it has a low impact on that decision. Switching cost was also founded to be a moderate impact on customer retention, and the result manifests that creating switching costs caused to increase the customer retention. However, the impact on the decision is low. Customer satisfaction has founded to be a comparatively low relationship with customer retention and a low impact on the decision, which indicates customer satisfaction along with not establishing customer retention and every satisfied customer not willing to keep their service provider. According to the study, customer retention is not affected by gender. That means gender is not essential for customer retention of mobile phone service providers in North Central Province. Income level is also founded as

no difference between income groups in customer retention. This emphasizes that customer retention is not affected by the income level of customers.

*Keywords***:** Customer retention, customer satisfaction, price fairness, switching cost, service quality

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