



Customer Loyalty with Cellphone Network Service Providers: A Comparative Analysis between Early and Late Stage Customers in East London, South Africa

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Abstract

The South African mobile telecommunications environment has become increasingly competitive, thus there is increased focus on acquiring and retaining loyal customers in order to facilitate repeat purchases, guarantee future revenues and shield the customer base from competitive activity. In the light of the aforementioned, this paper outlines how customer loyalty in the cellphone network service provider industry differ among early and late stage customers. Data collection for this study was conducted using two stage non-probability sampling together with convenience and quota sampling. An aggregate of 20 questionnaires were issued and were validated and analysed. Based on the results from the study, it is proposed that cellphone network service providers should find ways in which to arouse and delight early and late stage customers for example, use incentives like free data upon first month subscription for early customers and loyalty rewards benefits for late stage customers. This study provides rich insights for cellphone network service providers regarding aspects to focus on when targeting and servicing early and late stage customers.

Keywords: Telecommunications; Cellphone network providers; customer loyalty; Early stage customers; Late stage customers

Introduction

The South African telecommunications industry is growing rapidly, especially with the increased adoption of cellphones. In South Africa there are four major cellphone network service providers, accruing most of their revenue through sales and subscriptions of wireless telecommunications services [1]. Wang and Lo [2] define cellphone network service providers as organisations who offer telecommunications services that are of a fixed or wireless form. The expensive nature of fixed

landlines contributed significantly to the increase in the number of cellphone subscriptions in the South African telecommunications market, a reported 150 per cent of the country's aggregate population [3]. Moving forward, this market is anticipated to be very lucrative in the year 2020 with a forecasted increase of up to 113 million subscribers and a monetary value of \$10.8 billion, R151.518 billion [3].

Cellphone network service providers have evolved their service offerings from providing network coverage and airtime only, to offering data bundle packages, SMS bundles, airtime credit and transfers and more [2]. According to Rahman and Aziz [4] this evolution is greatly attributable to the ever-changing customer needs which are heavily influenced by the widespread adoption of the internet. In less developed countries like Ethiopia and Burundi, cellphone network service providers face decreased customer demands compared to customers in developing and developed countries. This is because of external factors that influence customer demand like, low internet adoption, lack or inferior education and lack of exposure to modern service offerings of cellphone network service providers operating in other more developed regions [5].

The substantial growth in the telecommunications industry, as a result of the wide spread adoption of cellphones, places immense pressure on cellphone network service providers to find innovative alternatives in order to attract and entice a greater portion of this mature market [1]. In the competitive industry cellphone network service providers find themselves in, it is imperative for them to break through the clutter caused by competitors by providing meaningful services and benefits in order to stand out [6]. This can be achieved through the thorough understanding of customers' needs which is only possible through conducting market research. Moreover, for cellphone network service providers to succeed, it is important that the insights derived from such market researches and analyses be the starting point for these service providers' marketing initiatives and service delivery processes [7]. Thus, for network service providers, important insights include; understanding how customers choose and use cellphones (behavioural intention), a description of factors that arouse,

pleasure and delight customers and lastly, factors important in getting once of buyers to become loyal customers [8].

Objectives

This study investigates customer loyalty within the cellphone network service provider industry in East London, South Africa and thus comparing loyalty between two groups - early and late stage customers. Understanding how loyalty vary among early and late stage customers is essential to cellphone network service providers as it affords them a better platform to target these customers with fitting services and benefits, thus creating overall value. South Africa's diversity in customer behaviours, lifestyles, consumption patterns and product benefits sought present an under-utilised avenue to compare how loyalty differ with early and late stage customers.

Based on the above discussion, the primary objective of the study is to determine loyalty of early and late stage customers of cellphone network service providers.

The subsequent secondary objective

To help realise the primary objective, the subsequent secondary objectives are established:

- To uncover the demographic profile of respondents who will take part in the study;
- To provide insight into the cellphone network service provider patronage of respondents; and
- To measure the loyalty of cellphone network provider customers after being exposed to a fictional scenario.

Literature Review

Found in the literature review is an introduction to the evolution of the cellphone network service provider industry of South Africa. Together with this introduction, customer loyalty and a comparison between early and late stage customers are outlined.

Over the past four decades the South African cellphone industry has seen a great shift in the needs and behaviours of consumers spanning from communicating virtually through the use of landlines and fixed public phones to the increased adoption and use of personal cellphones [1]. Marketline industry profile [3] claim that this industry, which was initially a monopoly ran by Telkom who saturated the market with coverage of landlines to both households and businesses has since become an oligopoly with four major cellular network service providers; Vodacom, MTN, Cell C and Telkom mobile who have a reported market share of 42.9%, 29.4%, 16.9% and 9.5% respectively [9]. The author further substantiates that the considerable growth in the cellphone industry is approximately 59 million cellphone connections which has intensified competition in the market, contributing significantly to the change in the behaviours and needs of the South African market, because of this, consumers started demanding more portable telecommunications devices than

fixed landlines and required added features in their devices that made communicating much easier and convenient [10].

It is the belief of De Meyer and Petzer [11] that in any given customer and company relationship an individual is either categorised as an early stage customer or a late stage customer depending on the period the individual has spent as a customer of the particular company which is usually measured in months or years. Cellphone network service providers understand that customers at different stages of the customer and company relationship require different customer service levels that link to the different needs, values and interests each of these customers have [7]. Specifically, early stage customers need greater customer support, detailed product information and training, product guarantee and, because of their lack of trust in the new company, continued reassurance and testimonials from friends and current customers of the company. On the other hand, late stage customers need less customer support but more exclusive benefits available only to loyal customers like airtime credit and loyalty rewards points that can be used to purchase data, SMSs or even a brand new cellphone [12]. The varying customer services required by customers of varying stages afford cellphone network service providers the ability to creatively serve each group of customers more distinctly. In many instances, this not only becomes the cornerstone of out-competing rival cellphone network service providers but marks the discovery of a value creation weapon for the company's current and potential customers [13].

Early and late stage customers

A customer that is new to a cellphone network service provider behaves differently from a late stage customer [14]. This is evident in their varying needs from cellphone network service providers like greater customer support and detailed product or service information for early stage customers than for late stage customers. Therefore, an in-depth understanding of the varying behaviours of these two categories of customers enables cellphone network service providers to offer services that coincide with their exact behavioural habits which therefore results in customer satisfaction [4]. However, nowadays customer satisfaction is not enough to retain the business of a customer for an extended period and this is especially true for cellphone network service providers as they need to strive to move beyond mere customer satisfaction to customer delight [15]. A challenge for cellphone network service providers is that, early stage customers are not delighted with the same services as late stage customers. Late stage customers are agued to be more delighted when service providers show how valuable they are to the company through exclusive benefits not necessarily available to early stage customers. On the other hand, early stage customers require tangible benefits like free promotional benefits in order to be delighted. Customer delight in this instance takes a cellphone network service provider closer to attaining customer loyalty which is the ultimate goal for cellphone network service providers as it ensures decreased promotional costs and increased profit margins over the long run [16].

Customer loyalty

Aaker defines loyalty as the systematic adoption on the part of the purchaser of the same alternative deriving from the precise act if will, in its turn ascribable to the existence of a hierarchically ordered preference structure. Loyalty, therefore, occurs in the presence of a consumer's specific cognitive-psychological activity which draws from the faith accumulated over the period of the relationship with the company. The definition proposed by Busacca and Castaldo falls within this perspective, showing loyalty as that type of consumer behaviour in which the systematic repurchase of the commodity or service offered by the company is motivated by the existence in the customer's cognitive system of a significant stock of faith towards that company.

Materials and Methods

The target population of interest to the study were cellphone network service provider customers in East London, South Africa. In the light of the aforementioned, cellphone network service provider customers who currently use a cellphone and had a choice in the cellphone network service provider they are currently using were selected. The study involved 20 participants.

Two stage non-probability sampling together with convenience and quota sampling was utilised for the study. Self-administered questions were used to collect data from respondents in which they stated their demographic profile, cellphone network patronage, level of service satisfaction and behavioural intent towards the service provider currently used.

Questionnaires were used to gather primary data. The questionnaires comprised closed-ended questions which included all the possible answers, and subjects made choices among them. That is, multiple-choice questions and scale questions.

The questionnaire included three sections which consisted of structured questions to which a respondent was required to give answers in the form of ticking the correct alternative. The questionnaire began with explaining the purpose of the study, how the respondents' responses will be helpful to the study and the estimated time required for respondents to fill-out the questionnaire. Respondents were also informed that participating in the questionnaire was anonymous and that they could stop participating at any time. Following this were screening questions that were developed to ensure that only suitable respondents participated in the study (that is, only those who currently use a cellphone and had the choice of their cellphone network service provider).

Table 1: Cellphone network provider patronage of respondents.

Variable	Categories	Number of Respondents	Percentage
Cell phone network service provider currently used	Vodacom	4	20
	MTN	6	30

The next section comprised of the demographics section (A), cellphone network provider patronage of respondents' section (B), the level of respondents' service satisfaction section (C) and the behavioural intent of respondents towards cellphone network service providers (D). Respondents had to indicate their level of service satisfaction with each of the scale items on a ranking scale method where 1 represented the most level of service satisfaction and 5 represents the least level of service satisfaction. The questionnaire also used 5-point Likert-type scales to measure the constructs in section (D), where 1 represented strongly agree and 5 represented strongly disagree. The questionnaire ended with providing contact details of the researcher for cases when the respondents needed to make enquiries.

The collected data was entered and coded on the Statistical Package for Social Sciences (SPSS) version 23, where it was also cleaned to check for missing values and consistency as advised [17]. Descriptive statistics including percentages, frequencies were used to define respondents and according to Burns and Bush [18] using descriptive statistics such as these usually precedes all other stages of data analysis.

Data Analysis and Discussion of Results

The majority of respondents use MTN (30%) as cellphone network provider followed by Cell C, Telkom and Vodacom (20% each) and other (Virgin mobile, 10%).

Most of the respondents are prepaid customers (65%) and least of the respondents are contract customers (35%).

35% of respondents have been with their cellphone network service providers for 5 years or longer but less than 10 years. 25% of the respondents have been with their cellphone network service providers for 3 years or longer but less than 5 years. 15% of respondents have been with their cellphone network providers for 6 months or longer but less than 1 year. 10% of respondents have been with their cellphone network service providers for 1 year or longer but less than 3 years. 10% of respondents have been with their cellphone network service providers for less than 6 months. The least length of time the respondent has been with the current cellphone network provider is longer than 10 years (5%).

In light of the aforementioned, this implies that early stage customers are the ones that have been with their service providers for less than 6 months and late stage customers are the ones that have been with their service providers for 5 years or longer but less than 10 years (**Table 1**).

	Cell C	4	20
	Virgin Mobile	4	20
	Other	2	10
Type of customer	Contract Customer	7	35
	Prepaid Customer	13	65
Length of time with current cell phone network service provider	Less than 6 months	2	10
	6 months or longer but less than 1 year	3	15
	1 year or longer but less than 3 years	2	10
	3 years or longer but less than 5 years	5	25
	5 years or longer but less than 10 years	7	35
	Longer than 10 years	1	5

Table 2: Behavioural intent of respondents towards cellphone network service providers.

Item	Agreement	Number of Respondents	Percentage
If a competing service provider were to offer a better rate or discount on their service, I would not switch	Strongly agree	6	30
	Agree	2	10
	Neutral	3	15
	Disagree	5	25
	Strongly disagree	4	25
In the near future, I intend to use more of the services offered from the same service provider	Strongly agree	3	15
	Agree	12	60
	Neutral	4	20
	Disagree	-	-
	Strongly disagree	-	-
If the service provider currently used were to raise its offers, I would still continue to be a customer to the service provider	Strongly agree	-	-
	Agree	1	5
	Neutral	1	5
	Disagree	7	35
	Strongly disagree	11	55
I am likely to make negative comments about the service provider currently used to my friends and family	Strongly agree	-	-
	Agree	12	60
	Neutral	6	30
	Disagree	2	10
	Strongly disagree	-	-
As long as I am happy with the performance of the currently used service provider, I do not foresee myself switching to a different service provider	Strongly agree	9	45
	Agree	8	40
	Neutral	3	15
	Disagree	-	-

	Strongly disagree	-	-
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In **Table 2**, respondents were required to indicate their level of agreement with five statements measuring the behavioural intent of respondents towards cellphone network service providers using 5-point Likert-type scales where 1 represented strongly agree and 5 represented strongly disagree.

The majority of 30% of respondents strongly agree that if a competing service provider were to offer a better rate or discount on the service they would not switch followed by 25% of respondents who disagree that they would switch. 20% of respondents strongly disagree that they would switch. 15% of respondents are neutral. 10% least of respondents agree that they would not switch.

In the near future, 60% of respondents agree that they intend to use more of the services offered from the same service provider. 20% are neutral respondents. 15% respondents strongly agree that in the near future they intend to use more of the services offered from the same service provider.

55% of respondents strongly disagree that if the service provider currently used were to raise its offers they would still continue to be customer to the service provider. 35% of respondents disagree that if the service provider currently used were to raise its offers they would still continue to be customer to the service provider. 5% of respondents disagree that if the service provider currently used were to raise its offers they would still continue to be customer to the service provider. 5% of respondents are neutral.

60% of the respondents agree that they are likely to make negative comments about the service provider currently used. 10% of the respondents disagree that they are likely to make negative comments about the service provider currently used. 30% respondents are neutral.

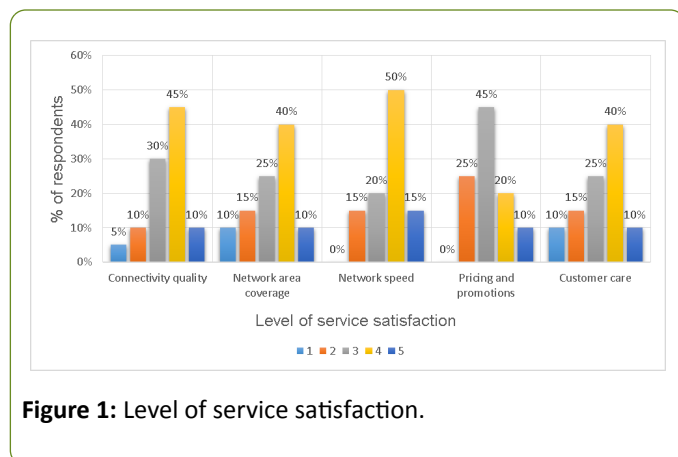


Figure 1: Level of service satisfaction.

The aim of this question was to investigate how satisfied the respondents are in terms of the service of the service provider they are currently using. Categories were given as connectivity quality, network area coverage, the speed of the internet, pricing and promotions and customer care of the service provider currently used. Respondents were required to indicate their level of service satisfaction on a scale of 1 to 5,

where 1 represented the most level of service satisfaction and 5 represented the least level of service satisfaction.

In the quality of connectivity, it is evident that 45% of respondents are most satisfied with the connectivity quality of the service provider they are currently using. 5% are least satisfied.

40% respondents are most satisfied of the network coverage area of the cellphone network service provider currently used, followed by 10% of respondents which is least satisfied.

Network speed and pricing and promotions show that respondents are satisfied with the network speed of the cellphone network service provider currently used, with 50% and 45% respectively.

40% respondents show that they are most satisfied with the level of customer care of the service provider currently used followed by 10% of least satisfied (**Figure 1**).

Recommendations Based on Findings

As it is outlined in the literature review, late stage customers are more likely to stay with a company they have a long standing relationship with than early stage customers. Cellphone network service providers should better satisfy and delight their late stage customers so that they are more loyal than early stage customers. This is because, as outlined in the literature review, late stage customers are more profitable to a business.

As the literature review suggests, it is important that cellphone network service providers continuously invest in finding new means to keep late stage customers happier so that they don't get bored or feel no longer valued. Late stage customers are most valuable (financially) to an organisation and hence, should be treated as such. That is, not be equally pleased as early stage customers. Using loyalty rewards proves to be successful in showing gratitude for late stage customers' loyalty and continued business.

Cellphone network service providers should ensure that quality services are consistently provided to customers. Once customers are satisfied with the levels of service they receive from cellphone network service providers, they will be more inclined to continue purchasing from the cellphone network service provider in the future.

Arousal is problematic for early stage customers because for them to be enticed to stay longer with a service provider, they need to be swept off their feet, kept in excitement and intrigued by the new experience, as evident in the literature review. This therefore means that, cellphone network service providers are not doing much to arouse excitement much the early stage customer group and are hence vulnerable to a high rate of early customers switching. Providing benefits to the new group like free data for the first month subscription is one

possible avenue among a long list of others in enticing and arousing this group.

As outlined in the literature review, early stage customers are more likely to switch than late stage customers. Because of this, cellphone network service providers need to focus on their late stage customer group as they represent a significant business than early stage customers. However, these providers also need to strive to switch early stage customers to late stage customers. This will see a huge growth in profits as the late customer group brings in most revenue over their lifetime than short term business from early stage customers.

Conclusion and Future Research

Should a researcher wish to conduct further research relating to the objectives of this study, it would be recommended to have a random sample of no less 2000. The survey should be more comprehensive and operationalise the different variables in more depth through further permutations. By interviewing a large pool of random sample, more valid conclusions pertaining to the total population could be drawn. Moreover, a larger sample size can lead to more accurate results when using multivariate statistical tools.

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