

**CUSTOMER SWITCHING BEHAVIOUR AND SUBSCRIBER GROWTH IN THE
MOBILE TELECOM INDUSTRY- A CASE OF KASAPA TELECOM LTD-KUMASI,
GHANA**

By

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**A Thesis submitted to the Department of Marketing and Corporate Strategy,
Kwame Nkrumah University of Science and Technology in partial fulfillment of the
requirement for the degree**

Of

MASTER OF BUSINESS ADMINISTRATION

**School of Business,
College of Arts and Social Sciences**

August 2009

DECLARATION

I hereby declare that this submission is my own work towards the MBA and that, to the best of my knowledge, it contains no material previously published by another person nor material which has been accepted for the reward of any other degree of the university, except where due acknowledgement has been made in the text.

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DEDICATION

I dedicate this thesis to the almighty God and my wife, Mrs. Peace Osei Opare Nyanteh

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ABSTRACT

Increase in demand for cellular service in the Ghanaian market has led to new entrants into the cellular industry. With an estimated national population of 22 million people, the operations of five telecom service providers (MTN, Vodafone, Zain, Tigo and Kasapa) are bound to generate lots of competition, resulting in high churn rate. Although being the second licensed provider, the only CDMA network and with the lowest call tariff, Kasapa Telecom is trailing the service providers with the lowest subscriber base. This paper looks at the reasons for subscriber switching behaviour based on Susan Keaveney's (1995) research on service industries. Additionally, analyse the trends in subscriber growth of Kasapa telecom Ltd from January 2006 to May 2009, the effect of churn and the impact of the factors affecting consumer switching behaviour on subscriber growth. Various literature on consumer switching behaviour were reviewed and all attempts were made to link the literature to the current study. Quota and purposive sampling were the main sampling techniques used in the study. Questionnaires and unstructured interview were the main research instruments used in collecting the data. In specific reference to Kasapa Telecom and in relation to Susan Keaveney findings, the major factors affecting subscriber switching behaviour identified were unresolved handset problem, limited coverage or reception, high switching cost as a result of technological barriers and intense competitive offers by new entrants into the market resulting in churn which was found as the major determinant of its subscriber growth trend. This resulted in a decreasing annual rate of growth from 212% in the year 2006 to 41% in 2008, 33% in the year 2008 and decline of 8% from January 2009 to May 2009. It is therefore recommended that instead of Kasapa Telecom competing merely on price it should rather improve its network reception to cover nationwide, promote the use of dual mode phones (CDMA/GSM phones), provide durable handsets and respond promptly to handset problems and diversify to concentrate more on data service whilst remaining price competitive.

ACKNOWLEDGEMENTS

Theses of this nature are written with the support of many individuals. I would like to personally thank individuals who helped me with this text. While I have made every attempt to include everyone who helped make this thesis a reality, there is always the possibility of unintentionally leaving someone off. I apologise in advance if that is the case.

I thank God for sustaining me in all the hectic times I have been through while on this program. I wish to express my sincere gratitude to my Dr. Kofi Poku for being objective and a patient supervisor. I am also grateful to my parents and my siblings for praying for me and giving me the support in my education

I am equally indebted to all the lecturers of the KNUST School of Business who helped and offered constructive criticisms towards my project.

I must not fail to mention my friends especially Etony who has shown great concern and care in times of need.



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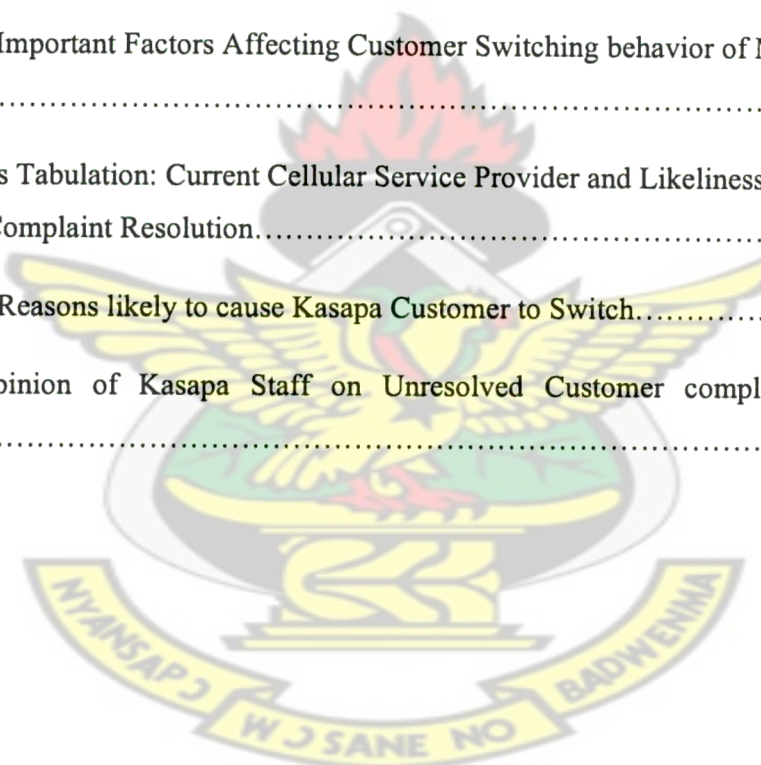
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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The increasing economic importance of Telecommunications companies inspired many researchers, marketers and management scholars to devote more teaching research and research attention to this sector.

A number of research works are being carried out all over the world to improve the quality and speed of transmission. Research works are also done on the basis of the users' needs. The objective of the research work is to provide quality and affordable service to the consumers. The world telecommunications market is expected to rise at an eleven percent compound annual growth rate at the end of year 2010. The leading telecom companies like AT&T, Vodafone, Verizon, SBC Communications, Bell South, and Qwest Communications are trying to take advantage of this growth. World telecom industry is taking a crucial part of world economy. The total revenue earned from this industry is three percent of the gross world products and is aiming at attaining more revenues (www.economywatch.com).

According to figures published by the National Communication Authority (NCA), Ghana's mobile phone subscriber base passed the 7 million mark at the end of 2007. The country recorded quarterly growth of 8.4 percent in the last three months of the year, boosting the total number of mobile users to 7.604 million at year-end. MTN Ghana was market leader with 4.016 million subscribers, ahead of Millicom Ghana (Tigo) with 2.023 million. GT-One Touch and Kasapa Telecom took third and fourth

place respectively, with 1.276 million and 289,066 subscribers. Tigo topped the list in terms of net subscriber additions in quarter four, signing up a net 426,640 new users, compared with 143,743 for MTN and 21,456 for Kasapa Telecom. Ghana Telecom's mobile arm OneTouch recorded a net loss of 4,493 users in the last three months of the year, with a proportion of the net decline being attributed to subscribers having their lines cut or deactivated from the network (Telecompaper, Monday, 25th February 2008)

Millicom Ghana Limited, according to Telecompaper operators of Tigo GSM network, announced that its subscriber levels had crossed the two million mark from 1.2 million at the beginning of 2007. The over 800,000 increase in the number of subscribers recorded in 2007 alone, represented 66 per cent increase

1.2 Problem Statement

The mobile telecom industry in Ghana faces combined difficulties of increasing national and international competition. This is evident in the recent additional license issued out to a Nigerian mobile Telecom giant GLOBACOM and a take over of WESTEL and GT by ZAIN Telecom a Kuwaiti Telecom Group and VODAFONE respectively.

It is also evident that the mobile subscriber base of Ghana continues to grow at an increasing rate with MTN having a greater share of the market whilst the other operators also increase their subscriber base. It has been revealed through preliminary

survey that one person owns more than one phone number of different service providers.

In addition, even though there was a sharp increase in the subscriber base of Tigo (one of the service provider in Ghana), the leading Telecom Company, MTN still maintained their number of subscribers and even added more to theirs in spite of the directive issued by National Communication Authority (NCA) in October 2007- the national telecom regulator, National Communication Authority (NCA), placed an embargo on the sale of MTN and Onetouch Sim Cards until their networks were appropriately dimensioned to take on additional subscribers.

Kasapa Telecom on the other hand has the cheapest call tariff, efficient technology (Code Division Multiple Access-CDMA), but continued to be the provider with the lowest subscriber base. Since its entry into the Ghanaian telecom market barely fifteen(15) years as the second private Telecom service provider after the liberalization of the Ghanaian Telecom industry, Kasapa has struggled to attract more subscribers to its network with their mouth watering offers from the cheapest handset to free calls on Sundays and pioneered free knight calls services. Preliminary survey has also shown that majority of cellular service consumers are subscribed to more than one Mobile telecom service provider. In addition to the problem of identifying key factors affecting customer switching behavior there is also the problem of why subscribers are connected to more than one service provider and the phenomenon of Kasapa constantly acquiring new subscribers on to their subscriber base but continued be the service provider with the lowest subscriber base. Is it due to inability

to attract more subscribers or reduce churn rate (the ratio between customers leaving service provider and those signing new contract within 90 days)?

1.3 Objectives

- To analyze the trends in the subscriber growth of Kasapa Telecom Ltd from January 2006 to May 2009.
- To identify the factors affecting customer switching behavior of Kasapa customers in the light of Keaveney's (1995) identified factors regarding consumer switching behavior in service industry.
- To examine the impact of the identified factors on churn and subscriber growth of Kasapa Telecom Ltd
- To ascertain the key drivers in the decision by subscribers to switch to or from Kasapa Telecom.
- To recommend actions to be taken by Kasapa to increase its subscriber base and thereby increase their market share.

1.4 Justification for the Study

The competition within the Telecom industry of Ghana is becoming stiffer and stiffer with service providers developing value added products and communicating it to attract more subscribers onto their networks. Therefore, this study sought to identify the main factors that a consumer consider before choosing Kasapa Telecom as a service provider, thereby affording the product developers the necessary ingredients

in their product development and service delivery to acquire more subscribers and retain them to reduce high churn.

1.5 Scope of the Study

This study covers the mobile Telecom Subscribers of Kasapa Telecom but with specific reference to mobile telecom subscribers of Kasapa Telecom in the Kumasi Metropolis.

1.6 Overview of the Research Methodology

This research employed combination of primary and secondary data in its analysis. With respect to the primary data collection, the researcher identified a research population comprising subscribers and customer service staff of Kasapa Telecom Ltd in Kumasi. Purposive and quota sampling techniques were used to select the sample for interview. Structured and unstructured questionnaires were used in collecting data from respondents. Moreover, in order to collect accurate data, interviewer-administered questionnaires were used whilst some of the respondents were interviewed via telephone in order to get opinions of both existing and past customers. SPSS and Microsoft excel were used to analyse and present the data collected.

1.7 Limitations of the Study

A major limitation to this research was time constraints. Due to this constraint the researcher was not able to employ probability sample to get higher percentage of the

study population to interview therefore, purposive and quota sample was used to select a convenience sample out of the huge subscriber base of Kasapa Telecom. Nevertheless this did not affect the outcome of the research because the sample selected represented all the characteristics of the population. In addition, it was also impossible to get exact study population within the case area-Kumasi, due to technical difficulties as explained by the company's technical staff. They revealed that the Intelligence Network (I.N) of Kasapa could not make it possible to generate exact subscriber base in the case study area-Kumasi, hence the researchers inability to get exact sample frame to calculate the sample for the research. Nonetheless, the sample selected was good enough and had all the characteristics of the population for the purpose of the research.

1.8 Organization of the Study

The study was organized into five main chapters; *Chapter One* comprises the background of the study, statement of the problem and objectives. It also looked at the significance of the study. *Chapter Two* reviewed the relevant and related literature on the topic and then linked it to the current study. Among the areas that were reviewed are models on consumer switching behaviour in the telecom industry, subscriber growth pattern in Ghanaian Telecom Industry. *Chapter Three* looked at the techniques in data collection and how the data was analyzed and presented. *Chapter Four* is the presentation and analysis of data. *Chapter Five* which is the final chapter comprises the summary of findings, conclusions and recommendations and suggested areas for further research.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

In this chapter the researcher tried to give an overview of the mobile telecom industry, define Consumer behaviour, switching and Switching cost, subscriber growth and switching behaviour, and apply factors leading to consumer switching behaviour as identified by Susan Keaveney in her study of the service industries (Keaveney, 1995) for the cellular industry in Ghana and Kasapa Telecom in particular. In addition based on other literatures additional factors were identified.

2.2 Overview of Mobile Telecom Industry

According to Informa Telecoms and Media's own subscriber growth forecasts the focus of the mobile telecom industry has shifted far south and east. The forecast indicated that over the period 2007 to 2012, 1.85 billion net new subscriptions of which just 9% will come out of North America and Western Europe. This was less than Africa, which was forecasted to grow by 209 million new subscriptions, 11% of the global total, or Latin America which was set to add 195 million, 10.5 % (Mobile Industry Outlook 2008). With the focus being shifted to developing markets like Africa it is expected that the African market is going to face lots of competition through the influx of global telecom giants onto the market hence the phenomenon of customer switching behaviour is going to be at the centre.

Meanwhile, reports from Informa Telecom and media indicate that the looming clouds of global recession are not likely to pass over the mobile industry in 2009.

Even though 85% of mobile net additions in 2008 were in what are still called emerging markets, the distinctions between emerging and developed are wearing thinner. Ten years ago more than three quarters of all markets were monopolies and duopolies. The number has dropped to less than one third (Mobile, Broadband and TV Industry Outlook 2009). The global economic downturn has also impacted on mobile business leading to a reduction in loyalty and an increase in churn as consumers search for bargains, and continuing churn of customers to lower -value contracts as customers optimize contract bundles and strip out excess minutes/SMS/ services at lower overall monthly commitment and switch from high-end handsets to affordable low-end handsets. It could then be deduced that the global economic downturn has some impact on customer switching behaviour in terms price and churn.

The invasion of the Ghanaian market has also led to emergence of five global telecom giants into the market leading to intense competition. According to first Quarter report released by the National Communication Authority (NCA, 2009) as cited by Ghana News Agency as at March 2009, MTN recorded 54 per cent of the telecom market share (6.8millionsubscribers), Tigo came second with 23 per cent (2.9 million subscribers), Vodafone, 13 per cent (about 1.65 million subscribers), Zain held seven per cent, (890,000 subscribers), and Kasapa recorded three per cent (almost 400,000subscribers). The report showed that as at the end of first half of the year 2009, estimated 55 per cent of Ghanaians owned personal mobile phone numbers. This is up from 22 per cent in December 2006, 33 per cent in 2007 and 50 per cent in 2008.

The figure is expected to reach 85 per cent in 2013. Statistics on the earnings of telecom operators in Ghana indicates that operators made average revenue per user (ARPU) of five dollars a month in the first half of this year.

The ARPU comprised both what a subscriber spends for calls and data communication on his or her network, plus what the operators make on the average from incoming calls to the subscriber as per the interconnection agreement.

The first quarter report for 2009 on telecom operators at the National Communications Authority (NCA, 2009) obtained by the GNA showed that market leader MTN made an average of US\$8.00 a month per customer, Zain, made US\$3.00, Tigo made US\$5.3 while Kasapa made US\$4.7.

2.3 Consumer Behaviour

Consumer Behaviour in other words is the decision process and physical activity individuals engage in which involves evaluating, acquiring, using or disposing of goods and services (London & Bitta, 1994)

According to Solomon (2006), Consumer Behaviour is the study of the behavioural process involved when individuals or organizations select, purchase, use or dispose of products, services, ideas, or experience to satisfy their needs and desires.

In this research the researcher attempted to investigate how organizations and individuals (subscribers) of telecom services select or make a choice out of different product and services offered by competing telecom service providers with the view to satisfying their need to connect to their business partners, family and friends both within and outside Ghana.

Kotler and Armstrong (2008) revealed that the central question for marketers is; how do consumers respond to various marketing efforts a company might use? It was postulated that the starting point is the stimulus response model of buyer behaviour which was a situation whereby marketing and other stimuli like products, price, place promotion, word of mouth, and economic, social and other factors enter the consumer's "black box" which is made up of needs, motive, learning, memory, knowledge, expectation, experience etc. In this black box is where the cognitive process involving buyer decision process is taken place. After these process then the consumer will respond to either buy or not, or do more search, form attitude, choose a brand, change or switch in this case. Therefore, the thrust of this research would be focusing on identifying the stimuli that are likely to influence the response of telecom subscribers to either choose a particular service provider, switch or be loyal instead.

2.4 Switching and Switching Cost of Telecommunication Service Consumers

Switching does not necessarily refer to immediate business relationship dissolution. According to Zeithaml et al. (1996), switching means "doing less business with the current service provider in the next few years." In many service situations, switching is a progressive process by which customers disengage from the established relationship and allocate more and more of their expenses to competitors (banking, insurance, telecommunications, utilities, etc.).

According to a Research paper by Xavier and Ypsilanti (April, 2008)

Switching costs can be defined as the real or perceived costs that are incurred when changing supplier but which are not incurred by remaining with the current supplier.

Barriers to switching can be present due to high switching costs. Switching costs reduce consumer flexibility and lower the pressure exerted by the prospect of a consumer migrating to a competitor.

As cited by Xavier and Ypsilanti (April 2008), research conducted by Ofcom (2006a), the UK National Consumers Council (2006) and others suggest that in the telecommunications sector there is a range of important deterrents to switching, including:

- Lengthy and cumbersome switching procedures can make it inconvenient for consumers to switch and can outweigh any potential benefits.
- Early exit charges, imposed by an existing provider, can reduce the benefits of switching.
- Confusing products and non-transparent pricing can make it difficult or time consuming to compare deals (as in the case of mobile telephony and the internet).
- Technical incompatibility of equipment can make it uneconomical for consumers to switch (for example, if they cannot use a blocked mobile phone with their new provider).
- Long-term deals can lock consumers into lengthy relationships with their providers (as may occur with mobile telephony and Internet contracts) and increase the risk of them being overcharged.

A survey of consumer opinion in the UK indicated that in 2007 only about 7 percent of fixed-line, 6 percent of mobile and 22 percent of internet consumers who had ever

switched supplier considered that it was difficult to switch. It was also revealed that those percentages were slightly higher than for 2006. That is, there has been some increase in the perceived difficulty of switching telecommunications and internet service providers (ISPs). Moreover, the percentages for 2007 for these consumers who had never switched were somewhat lower than among those who had switched in the past (Ofcom, 2007b). This they claim may mean that perception of ease of switching was not borne out in reality for some consumers.

2.4.1 Under-switching and over-switching

Under-switching errors can occur where a consumer does not switch (perhaps due to high switching costs) despite apparent benefits from doing so. And there could also be “over-switching” errors where a consumer switches despite incurring losses from doing so. As cited by Xavier and Ypsilanti (April, 2008), a third type of error “consumer inaccuracy” was identified by Wilson et al (2005), that is when a consumer makes a surplus-improving switch, but makes a mistake in the choice of destination operator by not choosing the best operator for her requirements (perhaps as a result of search costs). Their research on switching by low-income households in UK electricity markets found that on the whole people did not switch provider in a way that could be explained by any rational set of criteria. Only 7 percent of consumers chose the cheapest option and 32 percent changed to a supplier that was more expensive.

High switching levels do not necessarily signify that a market is competitive (Gans, 2005). First, if pricing is unclear and products complex, price differentials and

subsequently switching can occur over a long period of time, without the market becoming more competitive. Second, if companies' co-ordinate their behaviour to keep prices high, the market will not be competitive, regardless of switching levels. Third, high switching levels can conceal certain undesirable activities, such as mis-selling and market churning.

Conversely, low switching levels do not automatically indicate that markets are not competitive. Indeed, once price differentials have been exhausted through intensive switching, and prices have been driven down to a competitive level, only limited switching may occur. However, in such circumstances, the market is likely to be competitive.

It should also be recognized that consumers who have not switched will not necessarily be worse off. The existing provider may happen to offer the best deal for their particular circumstances. Besides, sometimes a mere threat to switch may bring about a better deal from a current provider.

In the UK, across all communications services, the most mentioned reason for not switching communications services is that consumers are happy with their current suppliers. For instance, among mobile consumers, 14 percent found that their current provider still offered the best deal, as did one in ten broadband consumers. Among fixed-line consumers, a significant minority claim they will look around, switch or renegotiate with their current supplier. About one-third of fixed-line consumers and some 38 percent of mobile consumers say they are likely to try to renegotiate with their current supplier in the next 12 months (Ofcom, 2007b).

2.4.2 Underestimating the benefits of switching

Another reason why some consumers decide not to, or feel unable to, switch could be that the perceived or actual level of savings available is considered to be inadequate. According to research conducted by Ofcom, in the fixed line market consumers indicated that in order to switch they would require savings that are the equivalent to around 75 percent of their monthly phone bill. This might appear irrationally high. But it might also suggest that consumers find the searching, evaluation and actual switching process difficult and time-consuming and thus require the promise of high levels of eventual savings as compensation for the time and effort involved in switching.

Respondents to a National Audit Office survey in the UK in 2003 appear to confirm this conclusion. When asked whether they would change their fixed line arrangements, either with their existing supplier or by switching to a different supplier, to achieve savings of 10, 25 and 40 percent, consumers gave answers that indicated the following:

- At each level, consumers are more likely to look for changes with their existing supplier than change supplier. And even then, the level of savings has to reach 40 percent before the majority of consumers are “highly likely” to act.
- Significant minorities of consumers are reluctant to change “at any price” – 32 percent of consumers would be “unlikely” or “highly unlikely” to switch supplier for savings of 40 percent, and 25 percent of consumers would not even make changes with their existing supplier.

Ofcom's (2006a) research suggests that the level of perceived savings is generally lower than the significant amounts that consumers say they would need in order to switch. However, it may be that actual savings are in fact higher than perceived savings and consumers are therefore underestimating the savings available to them. Indeed, uSwitch (a service-comparison web site) estimates that consumers switching telephone provider via its web site save an average of £120 per year on their fixed line calls – with 20 percent saving more than £170. While consumers using the uSwitch web site are unlikely to be representative of the UK population as a whole (they are likely to be higher spenders) this suggests that some consumers may be able to save an average of £10 rising to £14 on their monthly telephone bill (Ofcom, 2006a). Consequently, uSwitch's data suggests that consumers may be underestimating the benefits of switching and that actual savings are equal to – or potentially higher than – the amount that would make consumers switch.

In addition to general consumer inertia and disengagement associated with high levels of complexity in the telecommunications market, low levels of switching may also arise because of explicit practices by operators that hinder consumers from changing supplier.

Switching cost are costs that the consumer incurs by changing providers that they would not incur if they stayed with their current provider. In marketing, Fornell (1992) was one of the first writers to consider switching costs: adding them to customer satisfaction in the customer loyalty function. Recently, Jones and Sasser (1995) mentioned switching costs as one factor that determines the competitiveness

of market environment, since high switching costs discourage changing from a current provider, thereby yielding less incentive for firms actively to compete.

The number of different factors consumers need to take into account when choosing a mobile telecommunications provider could create considerable search costs for consumers. This is because the cost and suitability of a particular mobile phone package for a particular consumer depends on a number of factors:

- how much the consumer uses the phone;
- the time of day the consumer makes most of their calls;
- the mobile network used by most of the people they are likely to call;
- the kind of services the consumers want on their mobile (e.g. cameras, photo-messaging etc);
- whether and how much the consumer wants to use the mobile abroad;
- which networks have "coverage" where the consumer wants to use the mobile;
- whether the consumer wants to commit to a monthly contract or prefers to pay only for calls; and
- whether the consumer's preferred handset is available on their preferred network.

With the Canadian Cellular markets being divided into Code Division Multiple Access (CDMA) and Global System for Mobile Telecommunication (GSM) service face high switching cost as phones are not transferable between networks (Sidhu, 2005). In the Ghanaian Cellular Industry, the four other operators which are MTN, Vodafone, Tigo and Zain apart from Kasapa Telecom use the GSM technology whilst

Kasapa uses CDMA. Therefore, it is easier to switch in between the various GSM operators in terms of handsets than to switch from the GSM operators to Kasapa which uses the CDMA technology therefore rendering technology as a switching barrier and as such a switching cost. Below is elaborate review of factors affecting consumer switching behavior.

2.5 Subscriber Growth and Revenue

According to Wikipedia Encyclopedia **Growth** refers to an increase in some quantity over time. The quantity can be physical (e.g., growth in height, growth in an amount of money) or abstract (e.g., a system becoming more complex, an organism becoming more mature). It can also refer to the mode of growth, i.e. numeric models for describing how much a particular quantity grows over time. **Subscriber** is defined as a consumer of service, which is a person, a corporate body or an individual who has signed on to the services of a service provider. Therefore, in this case **subscriber growth** refers to an increase in the number of customers signed on to a particular telecom service provider over time.

According to subscriber growth report of NCA Ghana (2007), Scancom Ltd (now MTN) recorded thirty-seven percent (37%) annual subscriber growth rate, whilst Mobitel (Tigo) recorded the highest annual subscriber growth of forty-one percent (41%). Kasapa Telecom on the other hand recorded thirty-two percent (32%) growth whilst GT's Onetoch (now Vodafone) recorded the lowest annual growth of twenty-two percent (22%).

A 73% increase in subscriber numbers resulted in consolidated revenue of R 52 Billion and adjusted headline earnings per share of 584,7 cents increase of 90% and 73% respectively on the nine-month reporting period ended Dec 2005 of MTN Group Ltd (MTN Chairman's Report Dec 2006). For the year ended 31 December 2008 MTN Group reports that revenue increased by 40% to ZAR102.5 billion (USD10.02 billion) from ZAR73.1 billion in 2007. The increase was driven by strong growth in subscribers, and was further enhanced by the relative appreciation of operating currencies to the Rand (www.telegeography.com). This implies that subscriber growth has a direct relationship with revenue growth of Telecom companies.

2.6 Switching Behavior and Subscriber Growth

Gary Madden in his paper, subscriber churn in the Australia ISP market (1999 Elsevier Science BV) revealed that approximately 20% of respondents indicated their intention to churn during November 1997 to October 1998. According to the research paper, personal recommendation, access reliability (drop out rate and connect time), affordability, help desk and access speed are considered very important reason in deciding whether subscribers intend to remain with their current ISP or not. As cited by Gary Madden, discrete choice theory argues that subscribers consider ISP attributes such as reliability and help desk support when deciding on whether to churn (McFadden, 1981). This implies that factors affecting switching behavior have effect on churn which in turn affects subscriber growth of telecom service providers.

In its home market of South Africa, subscribers increased by 16% year-on-year to 17.2 million. Post-paid subscribers grew by 10% to 2.8 million, mainly driven by the launch of the MTN Anytime package in September 2008, which attracted more than 259,000 subscribers. Pre-paid subscribers increased by 17% to 14.4 million thanks to the success of MTN Zone which gave discounts to subscribers who made calls from less air traffic areas attracted 6.6 million subscribers in the eleven months after launch in February 2008(www.telegeography.com).

2.7 Factors Affecting Customer Switching Behaviour

This section reviewed and applied Keaveney (1995) factors affecting consumer switching behavior in the service industry to the Telecom industry for this research. These factors include, core service failure, service encounter failure, pricing, competitive offers, ethical problems, involuntarily switching and additional factor identified as changes in technology.

2.7.1 Core Service Failure and Customer Switching Behaviour

Core service failure has been cited as the major reason for switching in Keaveney's study of the service sector, with 44% of the respondents mentioning this as the main reason for switching. It was also revealed that Core service failure may be the only reason for the switch or it may be combined with other reasons, which tilt the balance towards switching to another provider. Core service failures include all critical incidents that were due to mistakes or other technical problems with the service itself

(Keaveney, 1995). These include billing errors, service mistakes and service catastrophes.

A customer's experience of inaccurate billing combined with a failure or delay in correcting the error in time can result in stimulating switching behaviour.

In the mobile telecom industry, as new plans and features are introduced, providers may be inclined to change the billing system, which could result in billing problems. A good example is the case of Kathleen Brooks of Medford, Ore., whose monthly bill of \$65 CAD suddenly shot up to \$350 CAD for no reason. She spoke to a number of customer service representatives who could not explain the bill to her. Ultimately she paid \$734 CAD for what she considered was erroneous and unexplained bill and then switched carriers. In Kathleen's words it was "customer service nightmare with her phone company (Schumer, 2003). In 2002, consumers filed thousands of complaints with federal regulators as well as consumer protection agencies of which billing, advertising, and service quality constituted the bulk of the complaints (Schumer, 2003).

Service failure can be defined as a breakdown in service delivery or a service that does not meet customer expectations (Hinson, 2006). The result is a switch from the current service provider whose service is broken down to another service provider in this case another telecom service provider whose service delivery meets the customer's expectations. This will lead to an increase (i.e. positive growth) in the subscriber base of a competing telecom service provider whose service meets the customer's expectations.

In addition, following a directive from the National Communication Authority (NCA) as a result of customer complaints and agitations on network service failure on the part of MTN and One touch (now Vodafone) to drastically improve their services to address the growing traffic and resultant complaints of various types by the public and to cease new access line activation until their networks are appropriately dimensioned to take on additional capacity (NCA, Oct 2007). This probably contributed to the subscriber growth pattern during the last quarter of the same year that is 2007 as indicated in Table 1 and Figure 1 below. It is evident that the core service failure resulted in customers switching from those two cellular service providers (MTN and One touch) to another provider called Millicom (tigo). In the industry statistics provided below, the 4th quarter of 2007 saw a negative net addition of 4,493 subscribers to one touch whilst MTN also added only 143,743 compared to net addition of 480,000 subscribers. Contrary to the above, Millicom Ghana (Tigo) in the 4th quarter, added 426,640 subscribers compared to a small addition of 126,543 in the third quarter. This could partly be attributed to a switch resulting from core service failure of its competitors.

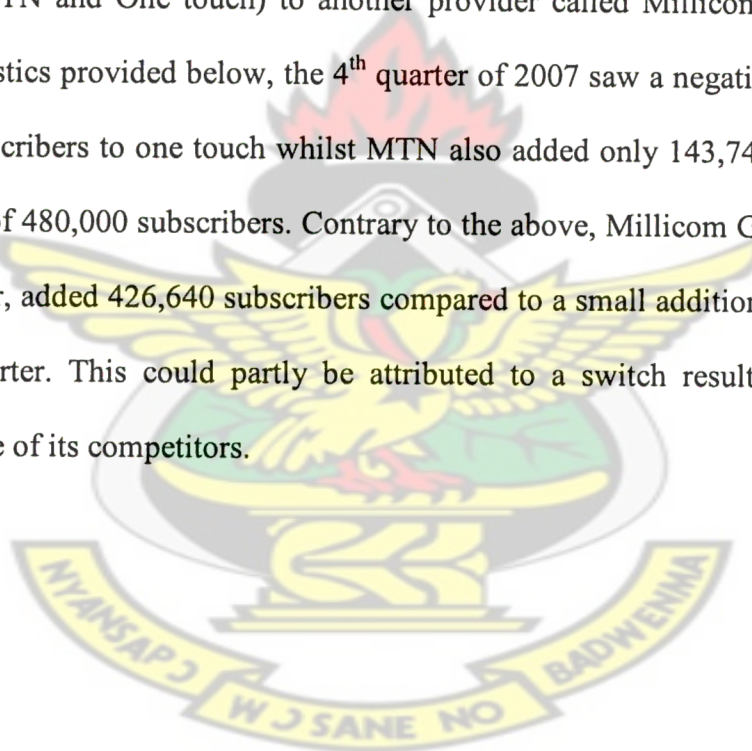
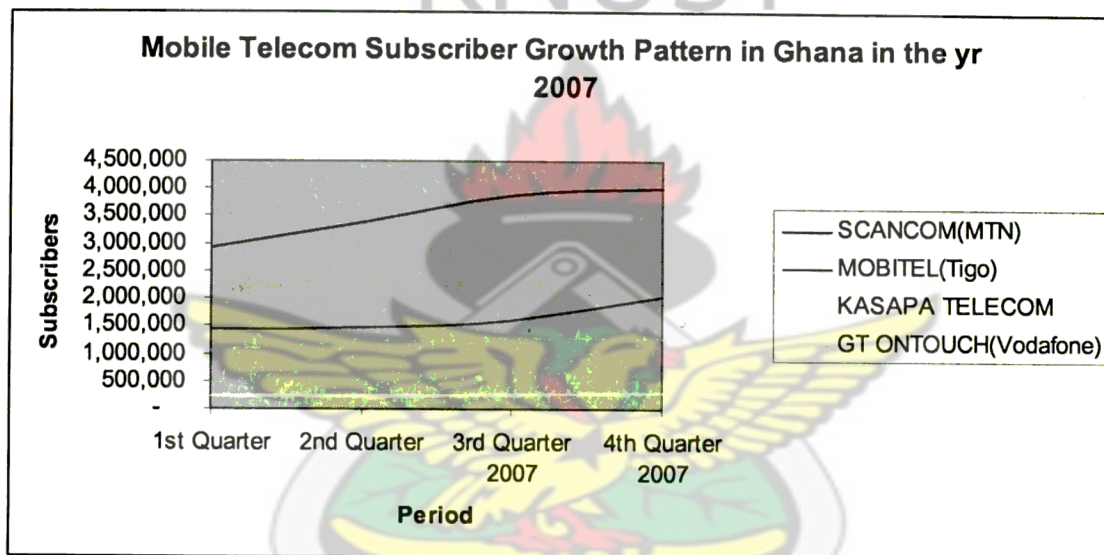


Table1: Subscriber Base of Mobile Telephony Operators in Ghana for the year 2007

ORGANIZATION	1ST QUARTER	2ND QUARTER	3RD QUARTER	4TH QUARTER
SCANCOM(MTN)	2,924,448	3,392,389	3,872,389	4,016,132
MOBITEL(TIGO)	1,438,885	1,469,908	1,596,451	2,023,091
KASAPA	218,526	238,669	267,610	289,066
GT ONETOUCH(VODAFONE)	1,046,002	1,222,544	1,280,257	1,275,764
TOTAL	5,627,861	6,323,510	7,016,707	7,604,053

Credit: NCA, Ghana

Figure 1: Mobile Telecom Subscriber Growth in Ghana for the year 2007



2.6.2 Service Encounter Failure and Customer Switching Behaviour

Service encounter failures are considered as the second most important reason for consumer switching in service industry. These failures are related to human factors in a firm. Employees who treat customers in an uncaring way, impolite and unresponsive way can cause dissatisfaction amongst consumers. In addition an employee who is incompetent and unknowledgeable can also become a contributing factor to a consumer switching away.

A study conducted by Tax, Brown, and Chandrashekeran (1998) according to Sidhu (Simon Frazer University, 2005) indicates that interaction justice is a key factor in determining a client's satisfaction. "The inclusion of interactional factors helps explain why some people might feel unfairly treated even though they would categorize the decision-making procedure and outcomes as fair" (Tax, Brown and Chandrashekeran, 1998). According to them, employees and managers act in a polite and helpful manner in a difficult and unpleasant situation, whereas if the same situation is handled rudely and uncaringly, it will end up exacerbating the anger. In the same vein as indicated earlier, this may lead to the victim, in this case the customer switching away to subscribe to another telecom service provider whose employees act politely. This will then lead to a negative subscriber growth to the provider with uncaring employees whilst the provider with polite employees experience positive subscriber growth.

2.7.3 Pricing and Customer Switching Behaviour

Keaveney's (1995) study revealed that pricing is the third largest reason for switching behaviour. Pricing includes any rates, tariffs, fees, surcharged, penalties or promotional deals. Although pricing may be the sole factor motivating the switch behaviour, very often it is in conjunction with other factors. Customers tend to switch not only because the price is high, but also when price increase is seen as unfair. In the Ghanaian situation it is difficult to substantiate this position because Kasapa

Telecom, a company with the lowest call tariff still remains the service provider with the lowest subscriber base.

2.6.4 Response to Failure and Customer switching behaviour

Service recovery refers to the actions an organization takes in response to a service failure (Gronroos 1988). Recovery management is considered to have a significant impact on customer evaluations, because customers are usually more emotionally involved in and observant of recovery service than in routine or first-time service and are often more dissatisfied by an organization's failure to recover than by the service failure itself (Berry and Parasuraman 1991; Bitner, Booms, and Tetreault 1990). Keaveney (1995) in addition to above factors finds that service failures and failed recoveries are a leading cause of customer switching behavior in service organizations.

In this case, again the human factor plays a critical role. If the service provider fails to address or handle a customer's complaint appropriately, it can lead to switching behaviour. Service failure has an indirect relationship with customer satisfaction. Indeed employee responses to service failures determine customer satisfaction. There are three categories of responses that can be identified. These are firstly, response to service delivery system failures; secondly, responses to customer needs and request and thirdly, unprompted and unsolicited employee actions. (Hinson 2006). But dissatisfaction of a customer leads to customer switching behaviour.

As cited by Sidhu (2005) the importance of employee factor can be judged from the Ericsson Consumer Lab survey in her thesis report where 88 percent of the people in Canada surveyed expressed that customer service was an important factor influencing

the choice of a provider. Some of the common complaints in this category were that the representative was not empathetic or did not acknowledge that the complaint was legitimate. "Literature suggests that making excuses or delivering outcomes in rude or insincere manner affects the value of the outcome. Manner in which the review is communicated influences perceived fairness of its outcome". (Tax, Brown and Chandrashekeran, 1998).

2.7.5 Competitive Offers and Customer Switching Behaviour

As indicated earlier on competition in the Cellular industry is basically between five main cellular companies MTN, Mobitel, Vodafone, Kasapa, and Zain Telecom. Each carrier is trying to attract new customers to its network by offering them massive discounts, promotional free airtime, free knight calls, MTNs (MTN Zone discounts), Tigos (talk longer longer,), Vodafone's (Bonus Airtime which can be used to call all networks), Kasapa's(Dash) and Zain's (Zain Pays).

This has led to numerous choices for the cost conscious customers. An example of these would be the recent mouth watering innovative airtime promotion being employed by the various competitors. Following the launch of GTs new brand "Vodafone" has seen a rush by customers to patronize and subscribe to their low priced phones of GH ¢ 25 which is bundled with an Airtime, T shirt, and baseball caps (www.vodafone.com.gh).

In response to the offer by Vodafone, Zain telecom has also intensified their one network concept whereby subscribers get to pay local rates whilst roaming in over forty countries where zain is present. Tigo has also launched their pay local rates for

calling international lines to UK, USA and some other selected countries. MTN, the leading Telecom service provider in terms of subscribers has also started a promo to sponsor subscribers to watch the 2010 FIFA World Cup tournament in South Africa. In addition, MTN has also launched their DSTV mobile service where subscribers get to watch seven (7) pay TV channels on their special Nokia handsets (www.mtn.com.gh). However, Kasapa Telecom has not responded to these offers being made by its competitors.

Interestingly, this price wars and offers have conditioned customers to look for bargains with their current provider or else switch their service to another service provider. Therefore, in this instance Kasapa Telecom might not be able to attract more subscribers and even if not careful there is the tendency to lose some subscribers to its competitors.

2.7.6 Ethical Problems and Customer Switching Behaviour

Behaviour that is unethical such as dishonesty, unsafe practice or conflict of interest falls into the ethical problems category. According to literature on consumer switching behaviour in the Canadian Cellular industry (Sidhu, 2005), A common complaints amongst consumers has been that while cell phone service providers announce a low price for their package, there usually hidden charges specified in fine print. Such hidden pricing can be harmful in a long run as it results in massive churn with customer switching as soon as soon as better offer is made. In California a law was passed recently called Telecommunication Consumer Bill of Rights which

required the service providers to disclose service and price information up front, in easy to understand language and in readable print (Schumer, 2003).

2.7.7 Involuntary Switching and Customer Switching Behaviour

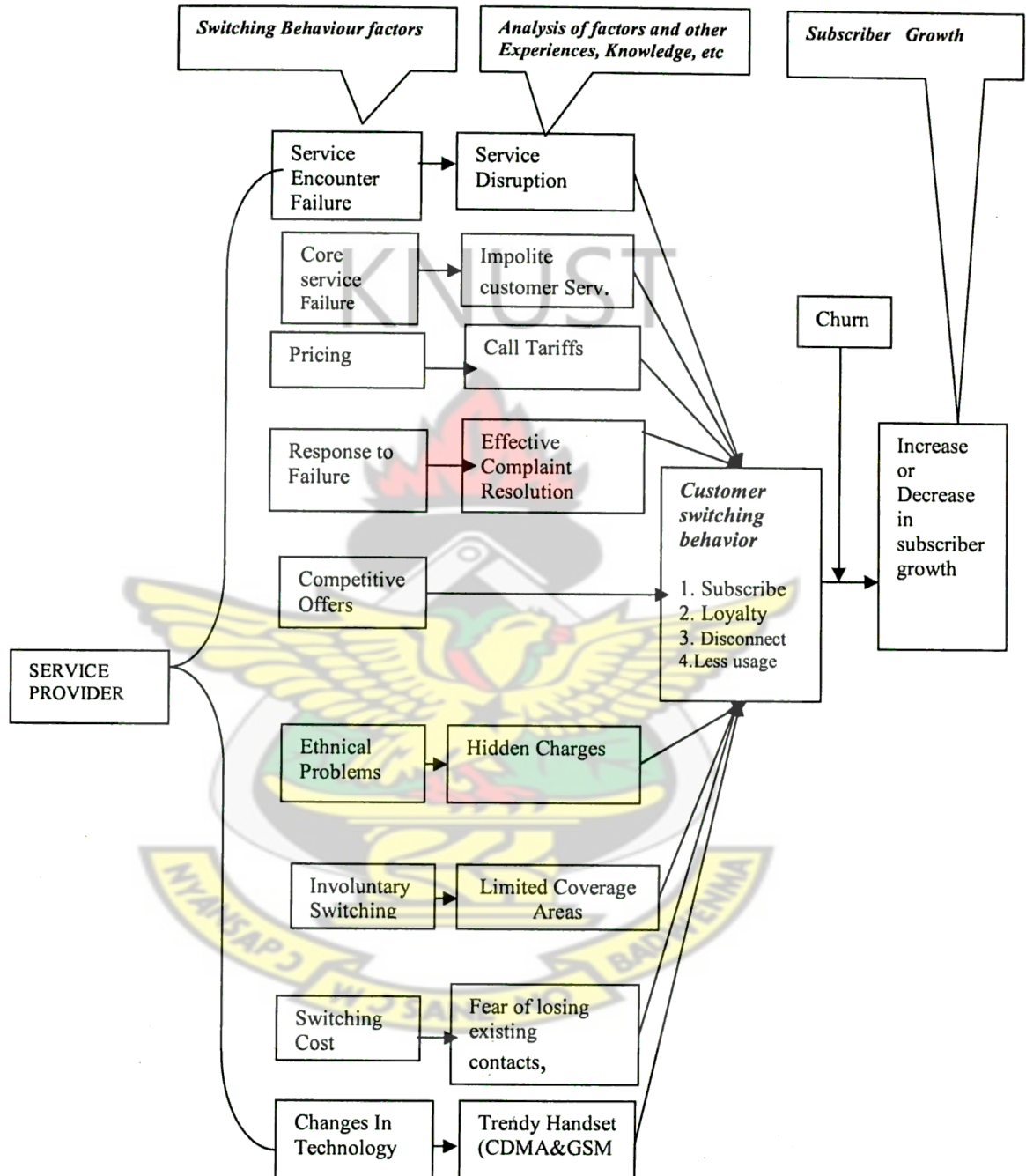
Although not common in the telecom industry there are occasions when clients switch due to circumstances beyond their control. An example of this is when a client moves to an area where their existing provider does not have coverage and clients consequently are forced to switch to different service provider. For instance customers of Kasapa Telecom who gets transferred to the three northern regions to work are forced to switch to a different service provider involuntarily because their service does not cover those areas.

2.6.8 Changes in Technology and Switching Behaviour

With technology advancing at an increasing pace, Mobile telecom providers are trying to keep up customer needs and are in the process trying to differentiate themselves from their competitors “carriers competes fiercely” more and faster ways to send data (Marchand, 2003). Offering new services not only helps company to retain and gain markets but it also provides a means revenue generation from one client. An example is the recent launch of a 3.5G network by MTN (www.mtn.com.gh) following a similar technology launched by Zain telecom in December 2008 after taking over WESTEL in Ghana. This is basically to enhance the development of value added service and higher data capacity network to satisfy the growing needs of the Ghanaian customers in order to prevent switching from their network.

2.8 Conceptual Framework of Customer Switching Behaviour and Subscriber Growth

Figure 2 Conceptual Framework of Customer Switching Behaviour and Subscriber Growth



Source: Researcher's Own Construct Adopted from Sidhu (2005)

The framework (figure 2) is a modification of Sidhu's (2005) model for studying and explaining Consumer Switching Behaviour of the Canadian Cellular industry which was based on Keaveney (1995) identified factors affecting consumer switching behaviour in the service industry. Moreover, based on the literature reviewed, the researcher introduced another variable known as subscriber growth to the construct. Subscriber growth according to literature is affected by customer switching behaviour. In addition, the customer switching behaviour results in churn which has negative effect on subscriber growth. As indicated in figure 2 various factors such as core service failure, service encounter failure, pricing, response to service failure, competitive offers ethical problems, involuntarily switching, as identified by Keaveney (1995) are offered by the current service provider which is in this case Kasapa Telecom and other service providers to the customer or subscriber. The customer then analyse the stimuli from the service providers based of some already stored information, experiences and knowledge. As a result make a decision either to subscribe to the service or not which then becomes its response (consumer behaviour). Therefore, if the consumer decides to subscribe to the service it will lead to increase in subscriber growth. However, existing subscribers of a service provider may decide to cease subscription or disconnect after subscribing to the service provider within a period of time due to the same switching factors (which is termed as *Churn*). This will then impact negatively on the subscriber growth leading to decrease in subscriber growth thereby reducing subscriber base of the service provider.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

In this chapter the research methodology used in the study is described. The choices of methodology approaches that would be adopted in order to answer the research questions posed would be explained and justified. Then it is followed by population, sample and sampling technique, type and sources of data, research instrument used to collect the data, validity and reliability, limitations of the study, including methods implemented to maintain validity and reliability of the instrument are described.

3.2 Research Design

A lot of research work on consumer switching behaviour in the service industry has been undertaken using different research designs and instruments on assessing its role in subscriber growth, customer retention and performance. Among the notable authorities on consumer switching behaviour include Keaveney (1995). The aim is to enable researchers and players in the industry to identify the key variables affecting customer switching behaviour in the Telecom Industry in Ghana. Specifically, provide Kasapa with a focused view on attracting, reducing churn and maintaining effective subscriber growth and customer retention techniques.

3.3 Population

In this current paper the population comprises major stakeholders of Kasapa Telecom Limited especially in Kumasi which comprises management, staff, and estimated 50,000 subscribers.

3.4 Sample and Sampling Technique

Since the study was restricted to Kasapa Telecom Ltd only management, staff and subscribers were selected. The sample criteria for this study were based on department, responsibility and customer status. Quota and purposive sampling were employed in selecting the sample.

Quota Sampling, a non probability sampling was used to divide the population into various strata and Samples selected in such a way that it was representative of the whole population. Quota sampling attempts to obtain representative samples at a relatively lower cost and greater convenience to the interviewers in selecting elements for each quota. Under certain conditions, quota sampling obtains results close to those for conventional probability sampling (Malhotra et al, 2007). Quota sampling according to Saunders et al (2007) is less costly and can be set up very quickly. In addition, quota sampling is normally used for large populations. Therefore, this method was used to select the sample because the population is heterogeneous and large. Literature as identified in the subscriber base of Kasapa Telecom as at the year end 2007 stood at 289,066(NCA), whilst researcher's preliminary survey indicated that it was barely impossible for the Kasapa network intelligence to generate report on the specific subscriber base of Kasapa in Kumasi, it was convenient to employ the quota sampling technique.

However, the study took into consideration the categories for which quotas were to be used and to be allocated are determined based on the issue to be addressed.

The various strata that were used were existing subscribers of Kasapa, Churn out subscribers of Kasapa, Subscribers of other competing networks and management and staff of Kasapa Telecom, Kumasi.

The sample size of One hundred (100) respondents was selected. The breakdown of sample size was as follows **Customers:** Existing- 58 and Past – 30 and finally **staff-** 12. This sample was selected because the composition mirrored the population ((Malhotra et al, 2007) In addition, this sample size is even larger than 36 valid respondents used by Sidhu (2005) in the study of Consumer Switching Behavior in the Canadian Telecom Industry. Finally the sample size was chosen due to time constraints.

Purposive sampling was also employed. Purposive sampling or judgmental sampling enables a researcher to use his/her judgment to select cases that will best enable him/her to answer research questions and to meet objectives (Saunders et al, 2007). Here all 12 respondents included all Sales and Customer service department staff who deal directly with the customers of Kasapa Telecom in Kumasi.

3.5 Types and Sources of Data

The type of data gathered was based on the model as proposed by the researcher in the conceptual framework to explain the switching behaviour in the cellular industry and its impact on subscriber growth of Kasapa Telecom Ltd in Ghana as a result of the literature reviewed premised on Keanevey's (1995) model of service industries.

The primary research focused on the key variables. Based on the above, the study made use of both qualitative and quantitative data.

The study made use of both primary and secondary sources of data. The primary data source included the data and information gathered through the interviews conducted at the premises of the Customer Service Centre of Kasapa Telecom at Adum Harper Road, House of Vision.

According to Malhotra et al (2007) secondary data are data that have already been collected for purposes other than the problem at hand but can help a researcher in so many ways such as diagnosing the research problem, develop an approach to the problem, formulate an appropriate research design and interpret primary data with more insight. Saunders et al(2007) also revealed that documentary secondary data are often used in research projects that also use primary data collection methods and it includes written materials such as notices, correspondence, minutes of meetings reports to shareholders, diaries etc. Therefore in this case written materials such as tariff table fliers, quarterly reports to managers of Kasapa telecom, Kasapa Marketing Filla, Induction manual for marketing employees of Kasapa which provided information on the History and Profile of Kasapa, published information on NCA website, journals, books, magazine articles, news papers, thesis presented in different jurisdiction on telecom service industry etc.

3.6 Research Instrument

According to Churchill, JR (1996) a researcher attempting to collect data has number of choices to make among the means that will be used i.e. whether to employ communication or observation. Communication involves questioning respondents to secure the desired information using a data collection instrument called questionnaire which may either be oral or in writing and the responses may also be given in either form. Therefore, in this research one of the instruments that was used included questionnaire in the form of both oral and written in terms of responses and administration.

According to Saunders et al (2007), the choice of questionnaire is influenced by a variety of factors related to ones research question and objectives; some of which include characteristics of respondents, importance of reaching a particular person, types of questions etc. In this case since some of the respondents were not necessarily literate because the criterion is just subscriber or customers, interviewer- administered questionnaire was employed to collect data from respondents. In the sampled respondents, Kasapa Telecom churned out subscribers who could only be contacted via their other telephone number provided when registering initially were interviewed through telephone questionnaire because it was impossible to get them physically. Malhotra et al (2007) revealed that telephone interview constitute around 20% of the world wide total spend on research methods.

Structured interviews and in-depth interview (an unstructured, direct, personal interview in which a single participant is probed by an experienced interviewer to uncover underlying motivations, beliefs, attitudes and feelings on a topic: Saunders et

al 2007) was used to collect data from Customer service staff and management of Kasapa telecom ltd office in Kumasi.

Also the questionnaires were constructed in line with the thinking of (Bell 2005; oppenneim 2000) who revealed that, questionnaires should collect precise data required to answer research questions and meet the objective of the research. Therefore, most of the questions were close ended questions to provide precise data which is directed towards achieving the research specific objectives. Open ended questions were included to solicit for other factors that had not been explained by the framework and literature reviewed.

3.7 Data Analysis

According to Malhotra et al (2007) there are four stages of qualitative data analysis which include first Data assembly (the gathering of data from variety of disparate sources), Data reduction (the organization and structuring of qualitative data), Data display (involves summarizing and presenting the structure that is seen in qualitative data) and finally data verification (involves seeking alternative explanations of the interpretations of qualitative data through other data sources). Therefore, raw data collected was edited, corrected and ensured consistency and validity, whilst the data were tallied item by item and input into a computer for Statistical Package for social scientists (SPSS) and excel for analysis and presentation.

Descriptive statistics were used to summarize and present the information in the form of percentage, frequency, and graphs. In addition Microsoft Excel was also used.

3.8 Quality Standards

However, to only follow only certain procedures to perform a good data analysis is not sufficient to create a good research. The research had to follow some quality standards in order to be seen as valid and reliable. Patton (2001) states that validity and reliability are two factors which any qualitative researcher should be concerned about while designing a study, analysing results and judging the quality of the study.

3.8.1 Validity

The concept of validity is described by a wide range of terms in qualitative studies. This concept is not a single, fixed or universal concept, but “rather a contingent construct, inescapably grounded in the processes and intentions of particular research methodologies and projects” (Winter, 2000). Furthermore, Fisher (2007) revealed that valid means true but stated that truth may be too demanding a test for social science research but at least a researcher ought to ask whether

- the concepts and terms a researcher used to analyze and describe ones research fairly represents his / her research material
- the interpretations and conclusions a researcher drawn are robustly and logically derived from the research findings
- appropriate research techniques have been competently used so that one would be reasonably sure that the findings are reliably and fairly represented.

3.8.2 Reliability

Reliability can be defined as degree to which measures are free from errors and therefore yield consistent results. To ensure reliability in qualitative research,

examination of trustworthiness is crucial. Seale (1999), while establishing good quality studies through reliability and validity in qualitative research, states that the “trustworthiness of a research report lies at the heart of issues conventionally discussed as validity and reliability”. In this research different literature were reviewed to establish key factors affecting customer switching behaviour therefore, formed a perfect basis through data collected to understand the most important factors affecting customer switching behaviour and its effects on subscriber growth and churn in Kasapa Telecom.

3.9 History and Background of Kasapa Telecom Ltd

Kasapa Telecom Ltd (formally Celltel Ltd) was the second mobile phone operator in Ghana, having launched service in 1995. In 1998, Hutchison Telecom from Hong Kong bought 80% of the company's shares, and shipped a large amount of telecom network equipment to Ghana to expand the analog network, with a view toward providing affordable voice services, a need that was not yet satisfied in the market.

At the end of 2001, Kasapa had acquired 900 bona-fide customers.

In April 2002 they had built a few more cell sites within Accra and Tema and boosted capacity a bit. In order to entice people to bring idle phones out of their desks to reactivate on their network, they introduced the “Sankofa” promotion. The intent was to test the market by showing customers there was no risk in giving them a try, and its key attributes survive to this day as the core features of the Kasapa customer proposition:

- Dramatically lower prices per minute than our mobile competitors
- No activation fee
- No monthly fee

- Top up in any amount at any time
- No expiration of account balance
- Keep receiving calls even if account is empty
- Account and prices are in cedis, not “units”

Aside from minor coverage expansion, the only technical improvement made in 2002 was the installation of a different central switch which allowed them to offer Caller ID. This made them the first analog network in Ghana to offer this feature, important for the purpose of responding to flashers.

Much to their surprise, 80% of the phones activated on the network were new phones that had never previously been on Celltel. This gave them their first indication that Kasapa customer proposition was viable. They ended 2002 with nearly 9,000 customers.

Clearly it was time to pay attention to identity. Celltel was rebranded to Kasapa in January 2003, without materially changing their customer proposition.

In March, 2003, they had installed a true prepaid accounting system and introduced the first Kasapa prepaid top up cards.

In June, 2003, they introduced the Kasapa Dash incentive to reward higher usage. A customer who makes more than 100 minutes of calls in a month will be credited on the first day of the following month with ₵100 for each minute. Later, they introduced

a similar reward for receiving over 100 minutes of calls per month, in order to encourage customers to give out their Kasapa number as the preferred means of contact.

Despite only modest network expansion, they ended 2003 with over 39,000 customers.

In 2004, they were unable to grow very much as it became difficult and expensive to find analog network equipment.

At 10 pm on September 18, 2005, Kasapa turned off the analog network for the last time. Within 4 hours, all of the CDMA digital base stations were operating and they were back in business.

During the fourth quarter of 2005, Kasapa introduced a variety of new phones at unheard-of prices for Ghana. One special purchase was sold for ₵99,000, resulting in crowd-control problems to be sure, but also a huge boost in public awareness and the clear establishment of the company and product as a serious player in the industry.

Kasapa achieved 37% subscriber growth within the three months after launching CDMA 1X. They also embarked on an ambitious program of coverage expansion, reaching Koforidua and environs in December, 2005.

3.9.1 Products/Services

Dash/Double dash: When you make calls for at least 100 minutes on your Kasapa mobile in a month, Kasapa dash you ₵1 Ghana pesewa for each minute call in the first

week of the next month. They also dash you the same if you receive calls for at least 100 minutes in a month on your mobile phone.

Half Price Weekends: On Kasapa Mobile during the weekends (Saturday and Sunday) all local On Net calls and local SMS are all half price.

Free night calls: Everyday you can talk for FREE from 11pm – 6am on the Kasapa Mobile service. There was also reduced call rates to other networks during this period.

Lower call charges/Tariffs: Kasapa offered the cheapest Mobile and Home-Work call tariffs in Ghana. Kasapa calls are charged strictly on per second basis (VAT & NHIL inclusive), Therefore customers spent less using Kasapa to call any number in Ghana than would have spent making the same call on other network until year end 2008

No credit Expiration: Kasapa is the only network a customer's credit does not expire.

Kasapa Bounce: This a credit transfer for business or personal purposes where any Kasapa mobile or Home-Work to transfer credit to any Kasapa phone.

Voicemail: Your phone acts as a personal assistant which picks your voice message after your default rings (10 rings / 30 seconds), when your phone is off, when you are out of coverage area, when you reject your call, or when set in the voice message mode. You can record your own default message by calling *11 and choosing option 9.

Kasapa Call Conference: All Kasapa Customers enjoy call conferencing which allows 3 or more people to talk to each other at the same time.

Home-Work: This is a phone for the home, office and business. The Home-Work phone stays in one place, so its calling prices are lower than Kasapa Mobile and other mobile calling prices.

Kasapa **internet access** on Home-Work modem and handsets (as modem) and customers have a choice of five or more vendors like NetAfrique, Afrinet, Teledata, K-Net and NCS.

3.9.2 Coverage Areas

Kasapa currently covers the seven southern regions of Ghana which include Greater Accra, Central, Eastern, Ashanti, parts of Western, Volta and Brong Ahafo regions

Price

The products and services of KASAPA are relatively cheaper than their competitors.

3.9.3 Market Share:

The market share of Kasapa as at first quarter 2008 stood at about 4%. And currently has reduced to three percent. There were four other competitors in the industry. They were MTN, TIGO and ONETOUCH. The market share of these companies was as follows as at the end of first quarter 2008(Source NCA)

MTN	-	53%
ONETOUCH (Vodafone)	-	16%
GT FIXLINE	-	1%
TIGO	-	26%
KASAPA	-	4%

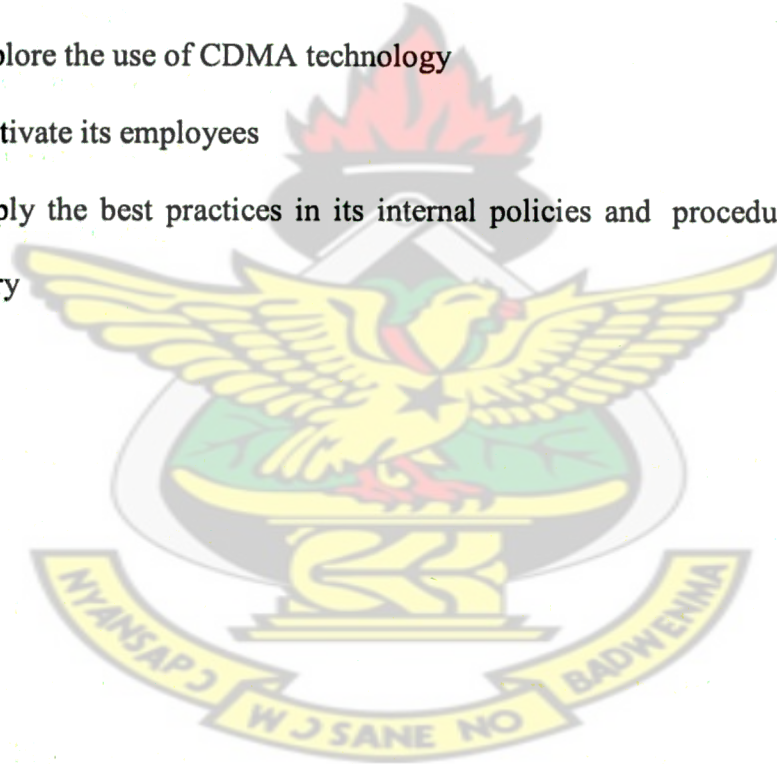
3.9.4_Mission

CHAPTER FOUR

Kasapa Telecom's current mission is to provide innovative and basic, affordable and reliable telephony service to every segment of the Ghanaian population with special emphasis on middle and low income group.

For the achievement of this mission the company is committed to the following objectives.

- To provide first class customer service
- To focus on its core business and competencies on Telecom services
- To explore the use of CDMA technology
- To motivate its employees
- To apply the best practices in its internal policies and procedures in services delivery



CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND DISCUSSIONS

4.1 Introduction

This chapter presents data that has been collected through questionnaires and interviews. According to Zikmund, (2000), it is important that at every stage of the data processing and analysis, the researcher asks questions relating to his objectives in order to obtain meaningful answers. In this light, the key objectives were used to examine the data. Data collected from the field were properly examined for consistency of responses as a quality control measure. However, because the researcher administered the questionnaire himself, the issue of error detection was proactively dealt with. Therefore, every member of the sample was captured except that of Kasapa existing customers which recorded only forty-seven respondents instead of the targeted 58 customers of Kasapa. The response rate therefore stood at nearly one hundred percent (100%) except for some specific questions which did not receive responses for all but even in those cases the lowest rate of response was 4%. Nevertheless, the total sample of 88 customers and 12 Kasapa staff were achieved. This section is organized in the following way; The Author begins with presentation of the demographic information of respondents where descriptive statistics was employed. This was followed by analysis of subscriber growth trend of Kasapa Telecom Ltd collected from sources at Kasapa Telecom Ltd. The next is the most often picked factors that lead to switching behaviour. Cross tabulation that seeks to ascertain the phenomenon of the likeliness to switch away from one's current cellular

operator to another due to some identified factors that affect switching behaviour in the telecom industry in Ghana

In addition, impact of the identified factors on churn and subscriber growth of Kasapa Telecom Ltd is also presented and discussed.

4.2 Demographic Information of Respondents

The final sample consists of 88 valid responses. The tables 2 Indicates that majority of respondents were males i.e. fifty-seven percent (57%) whilst 36 respondents representing forty- one percent (41%) were males. The remaining, representing two percent (2%) did not respond to that question. Fifty-three (53) of the respondents representing approximately seventy-two percent (72%) fell into the age brackets 19-39 years old whilst the rest fell within other brackets as indicated in the Table 2. This implies that majority of mobile telecom subscribers are youthful in population. Therefore marketing communication, strategies and tools should be youth oriented and targeted at the youth.

As indicated in Table 3, forty-seven (47) respondents representing approximately fifty-four percent (54%) of the total respondents were Kasapa Telecom subscribers whilst MTN constituted twenty (20) respondents representing twenty-three percent (23%) of the total sampled respondents. In addition, eight (8), nine (9) and three (3) were Tigo, Vodafone and Zain respectively.

However, sixty-eight (68) respondents representing approximately seventy-seven percent (77%) of the total sample were subscribers of more than one cellular service providers.

Table 2, Demographic Profile of the Respondents

Gender

		Freq.	%	Valid %	Cumulative %
Valid	Male	50	56.8	56.8	56.8
	Female	36	40.9	40.9	97.7
	99	2	2.3	2.3	100.0
	Total	88	100.0	100.0	

Age

		Freq.	%	Valid %	Cumulative %
Valid	19-24years old	12	13.6	13.6	13.6
	25-29years old	19	21.6	21.6	35.2
	30-34years old	20	22.7	22.7	58.0
	35-39years old	12	13.6	13.6	71.6
	40-44years old	8	9.1	9.1	80.7
	45-49years old	5	5.7	5.7	86.4
	50-54years old	5	5.7	5.7	92.0
	55years old and above	6	6.8	6.8	98.9
	99	1	1.1	1.1	100.0
	Total	88	100.0	100.0	

Source: Researcher's Field Data

Meanwhile when respondents were asked about the reason behind the decision to subscribe to more than one cellular service provider, three main reasons were ascribed. These were;

- Fear of losing one's contact built over the years

- Ability to take advantage of the different offers from the various service providers and to keep in touch with family and friends with same service providers at low cost(low call tariffs within network)
- Ability to stay in touch with family and friends at every part of the country due to reliable reception and expanded coverage.

Table 3, Current Cellular Provider

		Freq.	%	Valid %	Cumulative %
Valid	Kasapa telecom	47	53.4	54.0	54.0
	MTN	20	22.7	23.0	77.0
	TIGO	8	9.1	9.2	86.2
	VODAFONE	9	10.2	10.3	96.6
	ZAIN	3	3.4	3.4	100.0
	Total	87	98.9	100.0	
Missing	System	1	1.1		
Total		88	100.0		

Source: Researcher's Field Data

4.3 Kasapa Telecom's Subscriber Growth Trend from 2006-2009

As indicated in the Table 4, there has been a positive growth from January 2006 from subscribers of 64,254 to 200,000 subscribers at the end of December 2006 making yearly net addition of 135,912 subscribers representing annual percentage growth of Two hundred and twelve percent (212%). The positive trend in growth continued in 2007 when their subscribers grew from 204,794 subscribers in January to 289,066

subscribers in December but this time the yearly net addition was 84,272 representing forty-one percent (41%) positive growth which revealed a decrease in annual percentage growth. Moreover, the subscriber growth continued from two hundred and ninety-seven thousand and sixty three (297,063) in January 2008 to three hundred and ninety-four, one hundred and eleven thousand (394,111) in December representing thirty-three percent (33%) positive growth. This implies that there was a further reduction in the annual percentage growth from forty-one percent (41%) in 2007 to thirty-three percent (33%) in 2008.

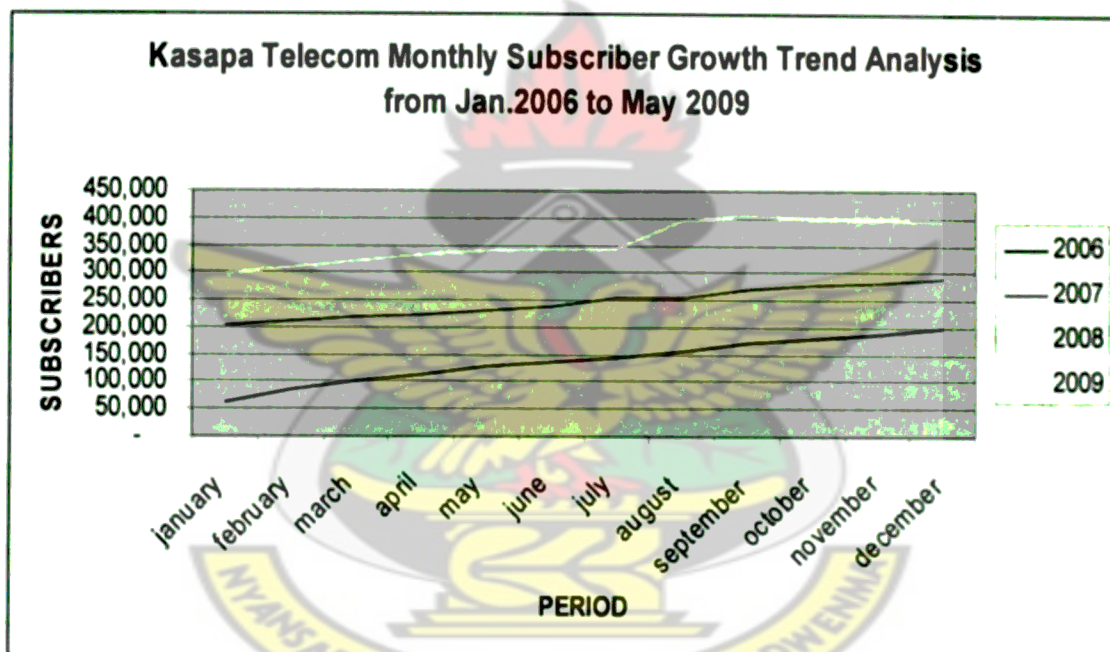
However, from January 2009 to May 2009 there was a negative growth of eight percent(-8%) which implies a decrease instead of the normal increase in subscriber growth the company has been experiencing for the previous three years as indicated in the graph below. But it is worth noting that unlike the previous three years, the year 2009 had not seen any massive subscriber acquisition drive or promotion in the face of the massive promotion being employed by competitors and new entrants in the market. This implies that the issue of new subscriber acquisition through marketing and sales promotions should be a continuous and routine exercise if Kasapa wants to experience positive growth at any time. The trend of growth is best shown in Figure 2.

S Table 4, Monthly Subscriber Growth of Kasapa Telecom from January 2006 to May 2009

	Jan	Feb.	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec
2006	64,254	85,531	100,805	113,444	128,082	136,823	144,669	156,185	172,735	180,102	187,866	200,166
2007	204,794	211,197	218,075	224,730	229,205	237,178	252,898	255,050	271,028	275,942	281,972	289,066
2008	297,063	309,785	319,807	333,089	341,784	344,496	344,435	393,929	404,831	397,981	397,389	394,111
2009	393,349	389,509	380,162	370,374	360,357							

Source: NCA and Researcher's Field Data

Figure 3, Monthly Subscriber growth trend analysis of Kasapa Telecom



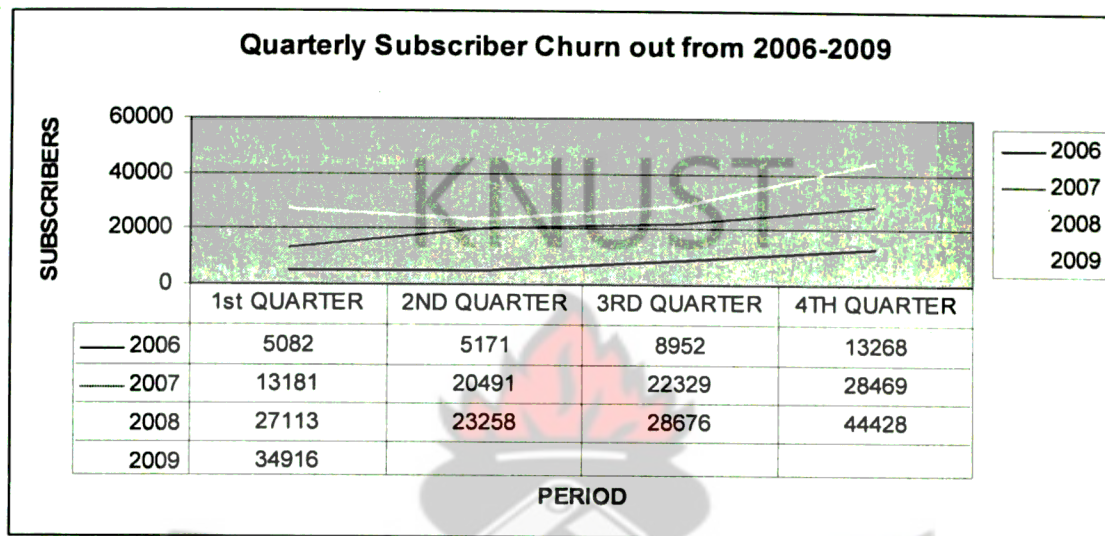
Source: Researcher's Field Data

4.3.1 Churn and Subscriber Growth of Kasapa telecom from 2006 to May 2009

As indicated in figure 3, the number of churn out subscribers increased from 5,082 in the first quarter of 2006 to 5,171 in the second quarter, to 8,952 in the third quarter and then to 13,268 subscribers in the fourth quarter of the year 2006. The same trend

continued in the year 2007 from 13,181 subscribers in the first quarter to 28,469 subscribers in the fourth quarter but this time at an increasing rate. Furthermore, the year 2008 also saw the same trend from 27,113 subscribers in the first quarter to 44,428 subscribers in the fourth quarter of year 2008.

Figure 4, Quarterly Subscriber Churn

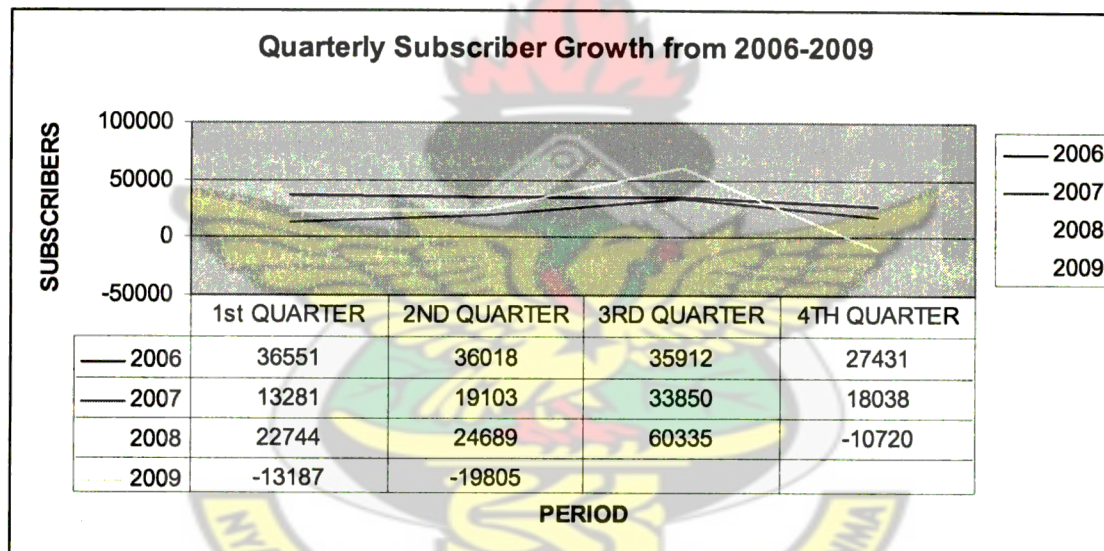


Source: Researcher's Field Data

Moreover, the quarterly subscriber growth as shown in Figure 4, revealed a steady decrease in subscriber growth from 36,551 subscribers in the first quarter of the year 2006 to 27,431 subscribers in the fourth quarter of the year 2006. In the year 2007 the second quarter experienced a reversal of the decreasing rate of growth when the quarterly subscriber growth increased to 19,103 subscribers from 13,281 subscribers net addition, increased to 33,850 net additional subscribers and then started increasing at a decreasing rate again to 18,038 subscriber addition in the fourth quarter of the year 2007. The first quarter of the year 2008 saw an increased positive net addition of 22,744 subscribers; it then increased again in the second and third quarter and entered into a negative net addition of 10,720 subscribers which resulted in a decrease in the

subscriber base of Kasapa Telecom in the fourth quarter of the year 2009. That decrease in the total subscriber base continued at an increasing rate until May 2009 when the company posted a negative net addition of 19,805 subscribers which brought about a decrease in the subscriber base of Kasapa Telecom to 360,357 in May 2009 from 397,981 total subscribers at the beginning of the fourth quarter in the year 2008. The reason for the decrease in the subscriber base could be attributed to absence of sales promotion to acquire more subscribers and increased sales promotions by competitors and new entrants like Zain and re-branded one touch (i.e. Vodafone).

Figure 5 Quarterly Subscriber Growth of Kasapa Telecom



Source: Researcher's Field Data

4.3.2 Relationship between Churn and Subscriber Growth of Kasapa Telecom

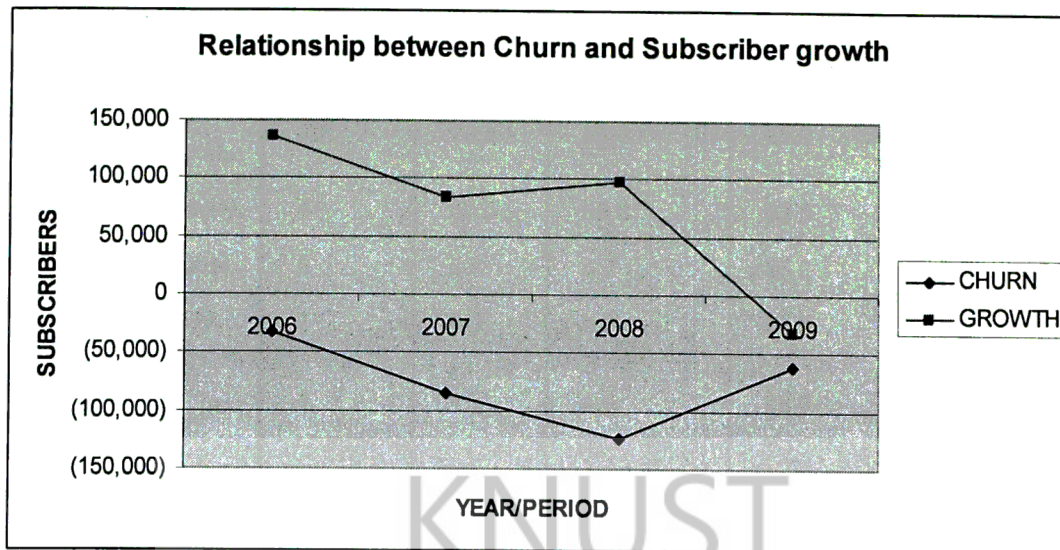
It is therefore evident in figure 5 that churn rate has a relationship with subscriber growth and that it has a negative impact on subscriber growth of Kasapa Telecom subscriber base. It is also evident that from the year 2006, as churn increases subscriber growth decreased to the year 2007. However from year 2007 to the year 2008 even though churn continued to increase, subscriber growth however saw a gradual reversal of its decreasing nature to a steady increase largely because the rate of increase in churn was not high enough to pull down subscriber increases due to massive sales promotion organized during the period to attract more subscribers. This is evident in Table 5 which shows the highest Gross annual subscriber growth of 228,520 subscribers in the year 2008. The same principle was evident in the first quarter of the year 2009 which saw a decrease in subscriber growth even though churn was decreasing. This was probably due to absence of sales promotion to acquire new subscribers during the first quarter and also the impact of the intense sales promotional activities by new entrants and competitors in the telecom market.

Table 5, Gross Subscriber Addition from 2007 to June 2009

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
2007	31,092	39,594	56,178	46,507	173,371
2008	57,854	47,947	89,011	33,708	228,520
2009	24,487	8,507			32,994

Source: Researcher's Field Data

Figure 6, Relationship between Churn and Subscriber Growth



Source: Researcher's Field Data

4.4 Likelihood of Telecom Subscribers to Switch

As indicated in the Table 6, when customers were asked how they are likely to switch from their current cellular provider forty-four (44) representing fifty-one percent (51%) of the respondents said they were unlikely to switch whilst twenty-six (26) respondents representing approximately thirty per cent (30%) said they were very unlikely to switch. This implied that about eighty-one percent (81%) of the respondents were not likely to switch from their current service providers. However, eleven (11) respondents representing thirteen percent (13%) indicated they were likely to switch whilst the rest of the respondents were undecided or neutral.

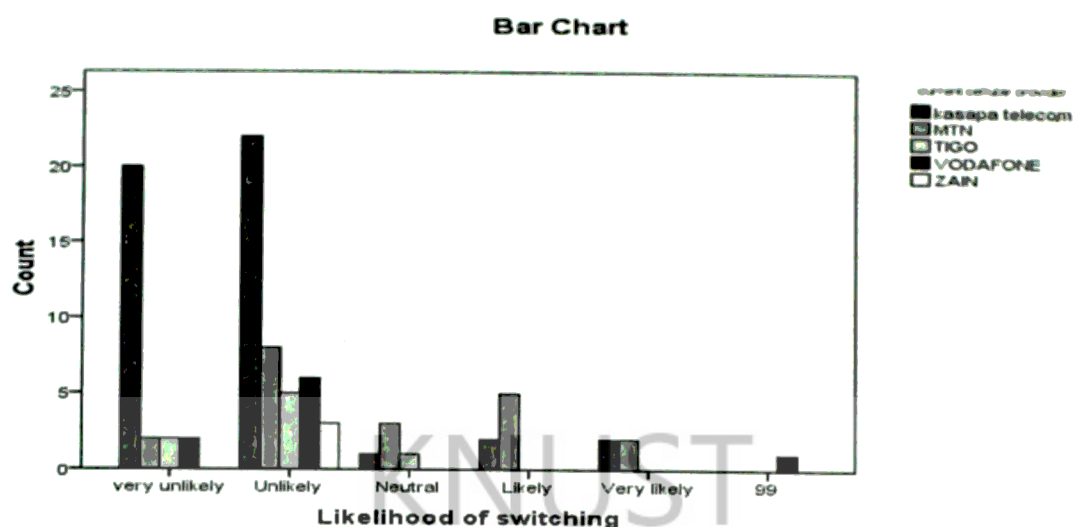
Table 6, Likelihood of switching

		Freq.	%	Valid %	Cumulative %
Valid	very unlikely	26	29.5	29.9	29.9
	Unlikely	44	50.0	50.6	80.5
	Neutral	5	5.7	5.7	86.2
	Likely	7	8.0	8.0	94.3
	Very likely	4	4.5	4.6	98.9
	99	1	1.1	1.1	100.0
	Total	87	98.9	100.0	
Missing	System	1	1.1		
Total		88	100.0		

Source: Researcher's Field Data

The bar chart in Figure 6 depicts the cross tabulation between the different cellular subscribers and their likeliness to switch. It is evident that majority of subscribers whose first cellular provider was Kasapa indicated they were unlikely to switch which was same as that of MTN but in the case of likelihood to switch both MTN and Kasapa indicated some level of probability to switch as indicated on the bar chart.

Figure 7 Likelihood of Switching by Cellular Service Providers



Source: Researcher's Field Data

4.5 Length of stay with network and Switching behaviour

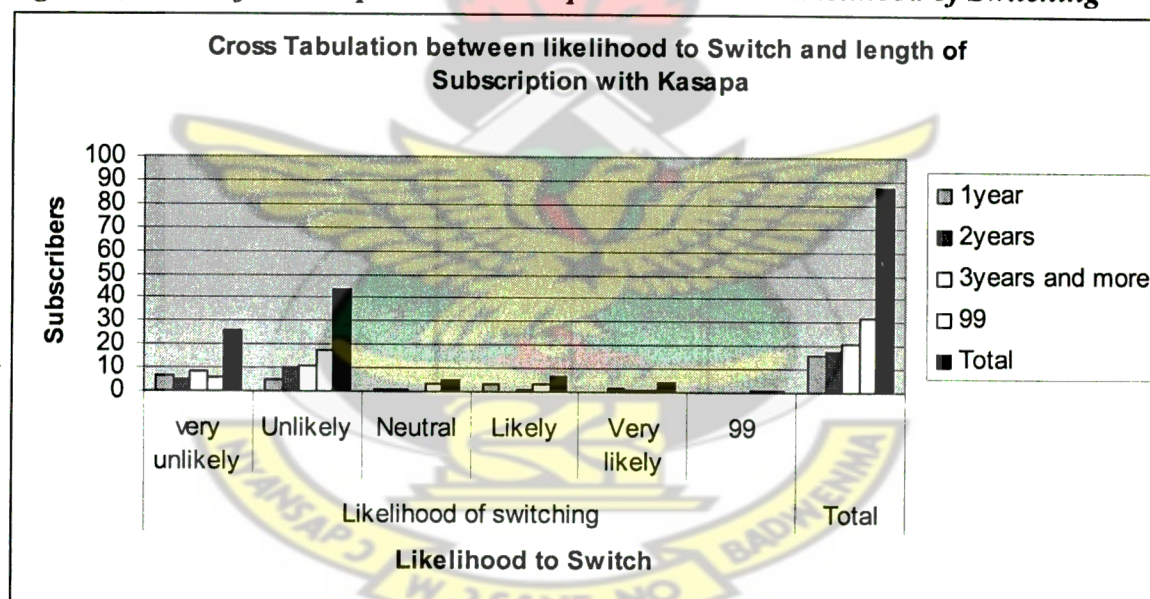
As indicated in Table 7, a cross tabulation between the length of subscription to Kasapa Telecom service and likelihood to switch revealed that twelve (12) respondents representing seventy-five percent (75%) of the sixteen (16) subscribers who have been with Kasapa for one year (1yr) were unlikely to switch as compared to nineteen percent (19%) of respondents who said they were likely to switch. In addition, fifteen (15) respondents representing eighty-three percent (83%) of subscribers who have been with Kasapa for two years said they were unlikely to switch whilst eleven percent of the same group of respondents said they were likely to switch. Meanwhile, nineteen (19) respondents representing ninety percent (90%) of respondents who have been with Kasapa for three or more years revealed they were unlikely to switch. This implies that the longer the subscription period with a cellular service provider the more unlikely the subscriber will switch. This is best shown in Figure 7.

Table 7, Cross Tabulation: Years of Subscription with Kasapa Telecom and Likelihood of Switching

			How long have you been with Kasapa				Total
			1year	2years	3years and more	99	
Likelihood of switching	very unlikely		7	5	8	6	26
	Unlikely		5	10	11	18	44
	Neutral		1	1	0	3	5
	Likely		3	0	1	3	7
	Very likely		0	2	1	1	4
	99		0	0	0	1	1
Total			16	18	21	32	87

Source: Researcher's Field Data

Figure 8, Years of Subscription with Kasapa Telecom and likelihood of Switching



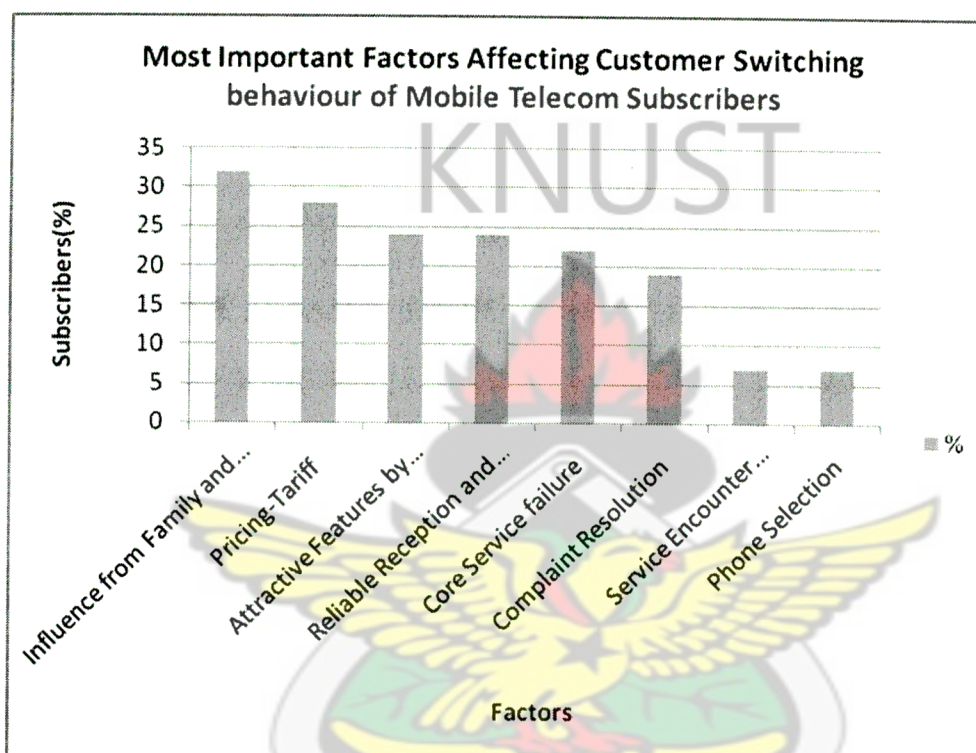
Source: Researcher's Field Data

4.6 Factors Affecting Customer Switching Behaviour

As indicated in Figure 8, the most important factors affecting switching behavior of mobile telecom subscribers in Ghana according to respondents interviewed were,

family and friends, pricing in terms of tariff, attractive features by competition, reliable reception/coverage expansion, core service failure, complaint resolution, service encounter failure and finally phone selection in order of importance. Below are detailed analysis and discussion of the individual factors.

Figure 9. Most Important Factors Affecting Customer Switching behavior of Mobile Telecom Subscribers



Source: Researcher's Field Data

4.6.1 Influence from Family and Friends and Customer Switching Behaviour

As indicated in Table 8, twenty –three (23) respondents representing approximately twenty-eight percent (28%) of the total respondents said they were unlikely to switch due to influence from family and friends but twenty-seven(27) respondents representing thirty-two percent(32%) of the total respondents said they were likely to switch due to influence from family and friends. However, whilst twenty (20)

respondents indicated they were very unlikely to switch due to the above reason, only two (2) respondents revealed they were very likely to switch. This implies that among all the factors identified, influence from family and friends was the most important factor affecting customer switching behavior in the Ghanaian Telecom industry especially amongst Kasapa Telecom subscribers.

Table 8, Likelihood of Switching Due to Influence from Family and Friends

		Freq.	%	Valid %	Cumulative %
Valid	Very Unlikely	20	22.7	24.1	24.1
	Unlikely	23	26.1	27.7	51.8
	Neutral	11	12.5	13.3	65.1
	Likely	27	30.7	32.5	97.6
	Very Unlikely	2	2.3	2.4	100.0
	Total	83	94.3	100.0	
	Missing	99	4	4.5	
Missing	System	1	1.1		
	Total	5	5.7		
Total		88	100.	0	

Source: Researcher's Field Data

4.6.2 Pricing and Customer Switching Behaviour

As indicated in Table 9, when respondents were asked whether they were likely to switch cellular providers due to call tariffs thirty-three(33) respondents representing approximately forty percent(40%) said they were unlikely whilst fourteen respondents representing approximately seventeen percent(17%) said they were likely to switch. In addition, whilst fifteen respondents were saying they were very unlikely to switch, nine respondents indicated they were very likely to switch. This implies

that approximately fifty-nine percent (59%) of the respondents revealed they were unlikely to switch whilst about twenty-eight percent (28%) said they were likely to switch due to pricing. This means that Kasapa management has not succeeded in communicating their call charges and offers effectively to the populace and other telecom subscribers in order to attract more subscribers onto their network.

Table 9, Likelihood of Switching Due to High Call tariffs/Charges

		Freq.	%	Valid %	Cumulative %
Valid	Very Unlikely	15	17.0	18.3	18.3
	Unlikely	33	37.5	40.2	58.5
	Neutral	11	12.5	13.4	72.0
	Likely	14	15.9	17.1	89.0
	Very Likely	9	10.2	11.0	100.0
	Total	82	93.2	100.0	
Missing	99	5	5.7		
	System	1	1.1		
	Total	6	6.8		
Total		88	100.0		

Source: Researcher's Field Data

4.6.3 Attractive Features offered by competitors and Switching Behaviour

In response to a question on whether subscribers were likely to switch due to attractive features offered by competitors, thirty-two(32) respondents said they were unlikely and in addition eight(8) respondents indicated they were very unlikely to switch their cellular service providers because of attractive features offered by competitors. Therefore, these add up together to approximately forty-nine percent

(49%) of the respondents not likely to switch due to attractive offers from competitors as indicated in Table 10.

However, fifteen (15) and five (5) respondents revealed they are likely and very likely respectively to switch due to attractive offers by competitors. This then add up to twenty-four percent (24%) of the respondents indicating their likeliness to switch due to attractive offers by competitors as shown in Table 10.

Since approximately over twenty-six percent (26%) of the respondents were undecided when the same question was posed, it stood to reason that they could swing to either way, when they finally decide to behave towards a particular direction it is likely to result in switching. Therefore the attractive offers by competitors are one of the factors that could affect customer switching behaviour in the Ghanaian telecom industry.

Table 10, Likelihood of Switching Due to Attractive features offered by Competitors

		Freq.	%	Valid %	Cumulative %
Valid	Very	8	9.1	9.8	9.8
	Unlikel	32	36.4	39.0	48.8
	Neutral	22	25.0	26.8	75.6
	Likely	15	17.0	18.3	93.9
	Very	5	5.7	6.1	100.0
	Total	82	93.2	100.0	
Missing	99	5	5.7		
	Syste	1	1.1		
	Total	6	6.8		
Total		88	100.0		

Source: Researcher's Field Data

4.6.4 Reliability of Reception and Switching Behaviour

As indicated in Table 11 when respondents were asked about their likeliness to switch their service providers due to unreliable reception, forty-one(41) respondents representing approximately forty-nine percent(49%) of the total respondents revealed they were unlikely to switch whilst approximately twenty-two percent(22%) of the respondents said they were very unlikely to switch due to unreliable reception making the total of subscribers unlikely to switch due to unreliable reception to seventy-one percent(71%) of the total respondents. This implies that majority of the respondents interviewed revealed they are not likely to switch cellular providers due to unreliable reception. However, twenty (20) respondents which represent approximately twenty-four percent (24%) indicated they were likely to switch due to unreliable reception.

Table 11, likelihood of Switching Due to Unreliable Receptions

		Frequ ency	Perce nt	Valid Percent	Cumulative Percent
Valid	Very Unlikely	18	20.5	21.7	21.7
	Unlikely	41	46.6	49.4	71.1
	Neutral	4	4.5	4.8	75.9
	Likely	14	15.9	16.9	92.8
	Very Likely	6	6.8	7.2	100.0
	Total	83	94.3	100.0	
Missing	99	4	4.5		
	System	1	1.1		
	Total	5	5.7		
Total		88	100.0		

Source: Researcher's Field Data

4.6.5 Core Service Failure and Customer Switching Behaviour

Table 12 indicate that forty (40) respondents representing approximately forty-eight percent (48%) of the total valid responses said they were unlikely to switch from their current service providers due to service disruptions like network upgrades whilst approximately nineteen percent (19%) of the respondents revealed they were very unlikely to switch cellular providers due to service disruptions. This brings the total number of respondents who claim they would not switch due to service disruptions to fifty-six (56) respondents representing approximately sixty-seven percent (67%) of the total valid responses. However, twelve(12) and seven(7) respondents representing approximately fourteen percent(14%) and eight percent(8%) respectively said they were likely and very likely respectively to switch due to service disruptions. This brings to a total nineteen (19) respondents representing twenty-two percent (22%) who were likely to switch due to core service failure. It is then evident that service disruptions are not likely to lead or cause a mobile telecom subscriber to switch service providers contrary to the assertion by Keaveney (1995) that service disruptions(core service failure) was the single most important reason for switching. Analysis of the data presented ranked core service failure as the fifth most important reason that may cause subscriber to switch. This is a contributing factor to the reason why MTN the Ghanaian market leader did not lose its subscribers and market share even when there were lots of customer complaints about their core service failure which necessitated the directive from the National Communication regulator NCA. However, no matter less the insignificant nature the factor is in the market it still has marketing implications that need to be improved to attract more subscribers.

Table 12, Likelihood of Switching Due to Service Disruptions

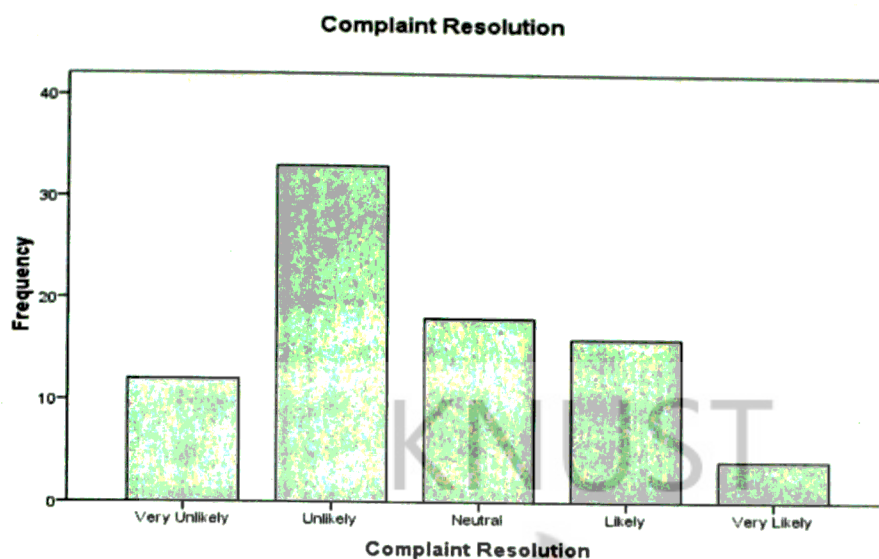
		Freq	%	Valid %	Cumulative %
Valid	Very Unlikely	16	18.2	19.3	19.3
	Unlikely	40	45.5	48.2	67.5
	Neutral	8	9.1	9.6	77.1
	Likely	12	13.6	14.5	91.6
	Very likely	7	8.0	8.4	100.0
	Total	83	94.3	100.0	
Missing	99	4	4.5		
	System	1	1.1		
	Total	5	5.7		
Total		88	100.0		

Source: Researcher's Field Data

4.6.6 Complaint Resolution and Customer Switching Behaviour

As shown in Figure 9, thirty-three (33) respondents representing approximately forty percent (40%) of the total respondents said they were unlikely to switch due to inadequate and ineffective complaint resolution whilst sixteen (16) respondents representing nineteen percent (19%) indicated they were likely to switch. This implies that majority of respondents are not likely to switch due to inadequate and ineffective complaint resolution. But as indicated in the literature, amalgamation of all these factors informs the consumer in his or her decision making or behaviour. Therefore, since Kasapa is the only service provider using the CDMA technology, their outfit and distribution channel are the only point where customer complaints could be resolved unlike the GSM operators who have wider distribution channel spread to resolve customer complaints.

Figure 10, Cross Tabulation: Current Cellular Service Provider and Likelihood to Switch Due to ineffective Complaint Resolution



Source: Researcher's Field Data

4.6.7 Service Encounter Failure and Customer Switching Behaviour

As indicated in Table 13, Sixty-two (62) respondents representing approximately seventy-five percent (75%) of the valid respondents said it was unlikely for them to switch due to impolite customer service. However, only six (6) respondents representing seven percent (7%) of the total valid responses said they were likely to switch due to impolite customer service. Therefore it is evident that Susan Keaveney's (1995) postulation that service encounter failure is the second most important reason for consumer switching behaviour in service industry is not entirely applicable in the Ghanaian Telecom industry and in particular Kasapa subscribers based on the analysed data in this research. It could be deduced that because it is mobile service, encounter with customers are limited.

Table 13, Likelihood of Switching due to Impolite Customer Service

		Freq	%	Valid %	Cumulative %
Valid	Very Unlikely	21	23.9	25.3	25.3
	Unlikely	41	46.6	49.4	74.7
	Neutral	14	15.9	16.9	91.6
	Likely	6	6.8	7.2	98.8
	Very likely	1	1.1	1.2	100.0
	Total	83	94.3	100.0	
Missing	99	4	4.5		
	System	1	1.1		
	Total	5	5.7		
Total		88	100.0		

Source: Researcher's Field Data

4.6.8 Phone Selection and Switching Behaviour

As indicated in Table 14, fifty-three(53) respondents representing approximately sixty percent (67%) of the total respondents said they were unlikely to switch their cellular providers due to lack of trendy phones whilst only seven(7) respondents representing nine percent(9%) affirmed they were likely to switch their current cellular provider due to lack of trendy phones. Meanwhile, twenty-four (24%) percent of the respondents said they were undecided. This implies that the 24% of respondents who are undecided might decide to switch due to lack of trendy phones in the face of the recent technological advancement and competition in the handset manufacturing sector example the increase in demand for *i phones and blackberry*.

Table 14, Likelihood of Switching Due to Lack of Trendy Phones

		Freq.	%	Valid %	Cumulative %
Valid	Very Unlikely	23	26.1	29.1	29.1
	Unlikely	30	34.1	38.0	67.1
	Neutral	19	21.6	24.1	91.1
	Likely	3	3.4	3.8	94.9
	Very Likely	4	4.5	5.1	100.0
	Total	79	89.8	100.0	
Missing	99	8	9.1		
	System	1	1.1		
	Total	9	10.2		
Total		88	100.0		

Source: Researcher's Field Data

4.6.9 Kasapa Telecom vs. Other Cellular Service Providers

As indicated in Table 15, Kasapa Telecom services generally received higher rating in almost all the factors except phone selection. The table shows rating of Kasapa service by all respondents (both Kasapa and other service providers) as against rating of other Cellular service by their own subscribers. As indicated all the factors were rated above average (i.e. good) but in comparison Kasapa Telecom services like customer service (3.96), Service disruptions (3.69), reception (4.07), Competitive offerings (3.76) overall services (3.89) received higher ratings than other cellular service providers except Phone selection(3). This implies that in terms of customer service they were perceived as providing good service, not disrupted core service, and

reliable reception and satisfactory over all services provision. This also implies that Kasapa has competitive advantage in core service delivery therefore has to consolidate that by further improving it. In fact Table 15 indicates that Kasapa Telecom in terms of phone selection is rated much worse than other cellular service providers' subscribers as the mean difference is -0.42. This implies that Kasapa would have to improve on the trendy nature of their Handsets in order to attract more customers thereby increasing their subscriber base.

Table 15, Comparison: Kasapa Telecom rating by both its Subscribers and other cellular service subscribers vs. Other Cellular Providers (Zain, MTN, Vodafone, And Tigo)

VARIABLES	MEAN	MEAN	Mean Difference
	Kasapa Telecom	Others(MTN,ZAIN,TIGO VODAFONE)	
Customer Service	3.96	3.86	0.1
Service Disruptions	3.69	3.42	0.27
Receptions	4.07	3.75	0.32
Phone Selection	3	3.42	-0.42
Competitive offering	3.76	3.52	0.24
Complaint Resolution	3.6	3.6	0
Over all services	3.89	3.79	0.1

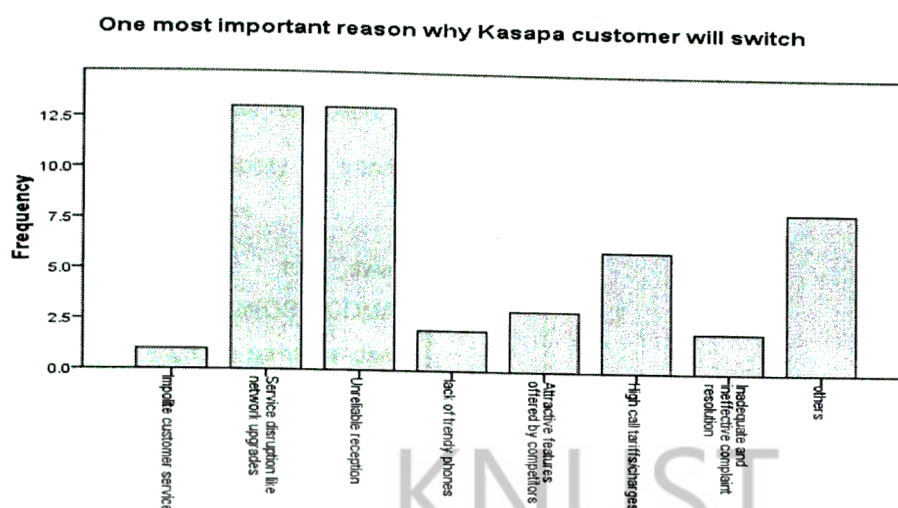
1 Reflects Very Poor and 5 Reflects Very Good

Source: Researcher's Field Data

4.6.10 Reasons Why Kasapa Subscriber will switch to other cellular Service Provider

In order to ascertain what really are the key factors that could affect the subscriber growth of Kasapa Telecom, respondents were asked to pick one of the most important reason why they will leave Kasapa, it was then revealed twenty-six (26) respondents representing approximately fifty-four percent (54%) of the total sampled respondents picked unreliable reception and service disruptions as the two key factors. Moreover, next to the above was other factors and high call tariffs. Impolite customer service was the least ticked factor that was likely to cause a Kasapa Telecom subscribers to switch to other cellular provider with a frequency of one(1) representing approximately two percent(2%) of the sampled respondents. This is shown in Figure 10. This implies that Kasapa customers are satisfied with the reception and clarity of the calls they make and receive therefore, maintaining and improving reception should be paramount to Kasapa Telecom if it wants to retain all its existing customers and attract more through word of mouth. In addition they are also satisfied with the level of call charges therefore any attempt to increase the charges might lead to switch to other networks. The decision should rather be a reduction in charges to further delight its subscribers.

Figure 11 Key Reasons likely to cause Kasapa Customer to Switch



Source: Researcher's Field Data

4.6.11 Key Reasons likely to cause switch from other Cellular Service Provider's Subscribers to Kasapa Telecom.

As shown in Table 16, thirty-nine (39) respondents representing approximately sixty-six percent (66%) of the total responses chose reliable reception as the most important reason that would convince them to switch from their cellular service providers to Kasapa Telecom. This question was put to respondents who were not Kasapa subscribers. The second most important factor indicated as important reason that would convince a non Kasapa Telecom service subscriber to switch to Kasapa was ability to use both GSM with CDMA on the same handset. But since this is not possible because of the differences in technology the issue of technology as switching barrier according to the literature is affirmed here.

Table 16, Two most important reasons that would convince other Cellular subscribers to switch to Kasapa

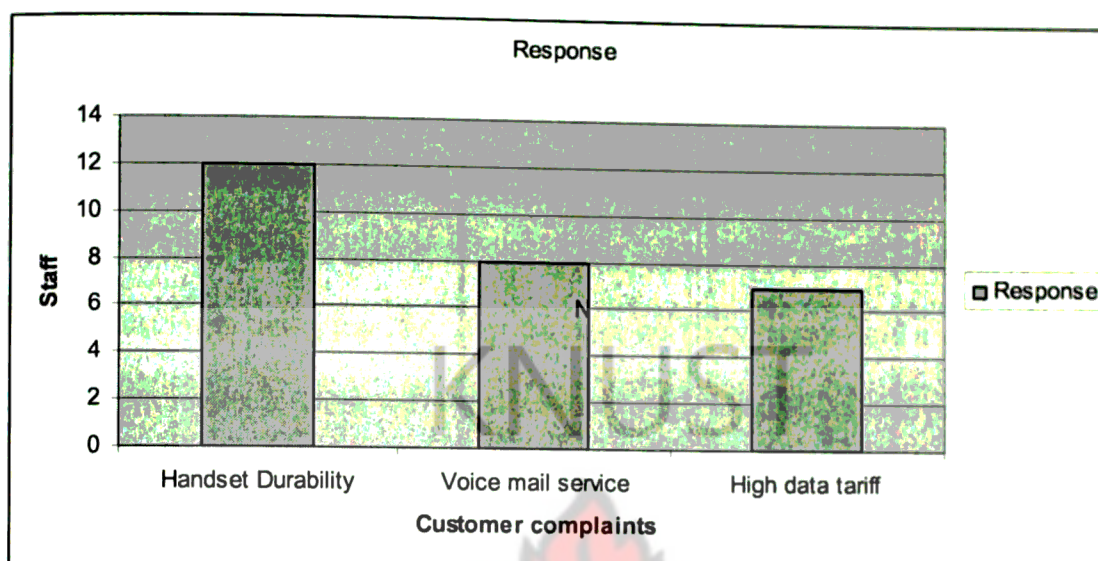
		Freq.	%	Valid %	Cumulative %
Valid	Reliable Reception	39	44.3	66.1	66.1
	Availability of trendy phones	3	3.4	5.1	71.2
	Ability to swap sim/uim(GSM/CDMA) on the same handset	10	11.4	16.9	88.1
	competitive tariff	6	6.8	10.2	98.3
	Expanded coverage areas	1	1.1	1.7	100.0
	Total	59	67.0	100.0	
Missing	99	29	33.0		
Total		88	100.0		

Source: Researcher's Field Data

4.6.12 Kasapa Staff and Switching Behaviour

In order to know some of the main complaints and concerns which normally come to the notice of the Kasapa staff and likely to affect subscriber growth, staff were asked to indicate by ticking the most frequent customer complaint that come to their attention. This is indicated in Figure 11, which has handset durability being cited by all the twelve staff members interviewed, representing One Hundred percent (100%). This is likely to contribute to churn. In addition, eight (8) respondents representing approximately sixty-seven percent (67%) of the total staff members interviewed said the mandatory voice mail service also formed majority of customer complaints which according to them were a major concern to majority of their customers who are illiterate and therefore do not understand the concept.

Figure 12, Opinion of Kasapa Staff on Unresolved Customer complaints frequently reported



Source: Researcher's Field Data

The third factor mentioned by the staff interviewed was high data tariff. They reiterated that since Kasapa is perceived as affordable network, it is assumed their data tariff would also be cheaper. Therefore, most cellular service subscribers rush to acquire handset for data service just to find out later that it was expensive than competition hence the tendency to later drop the handset resulting in high churn rate as indicated in Figure 11. Therefore, Kasapa management should take these three key factors into consideration because it is likely to be the main determinant of churn rate.

4.7 Effect of Customer Switching Behaviour on Subscriber Growth.

As indicated in the earlier analysis durability of handset was among the key drivers of customer switching behaviour as revealed by the staff of Kasapa frontline staff as the

most frequent unresolved complaints that they encounter with customers. In this case because Kasapa is the only cellular service provider operating the Code Division Multiple Access (CDMA) technology, they are the only source of handsets and repairs therefore, if problems concerning handsets are not resolved there is the likelihood that customers with unresolved handset problems would drop their handset hence leading to increase in churn which has negative effect on subscriber growth.

In addition, since there is limited and unreliable reception as identified in the analysis, Kasapa customers being transferred to the three northern regions and a greater part of the Western region to work will involuntarily switch to other cellular providers. This will lead to increase in churn hence, leading to either positive or negative effect on subscriber growth.

Moreover, High data tariff as compared to offers by competition since the last quarter of the year 2008 has also affected churn and subscriber growth. Research revealed that most Homework service subscribers mainly acquired the phone for data purposes therefore when it was realized later that the tariffs were more expensive than competition, they probably stop using the homework terminal and its service, which caused churn hence leading to decrease in subscriber growth since the last quarter of the year 2008.

CHAPTER FIVE

FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter outlines the major findings of the study, conclusions and recommendations. It brings out all the main factors affecting customer switching behaviour in the mobile telecom industry in Ghana, the churn and subscriber growth trend of Kasapa from January 2006 to May 2009 and the relationship between churn and subscriber growth on Kasapa Telecom. The findings provide the basis for the study to make certain recommendations that would help staff and management of Kasapa Telecom Ltd to develop and improve its services to reduce churn, increase their subscriber base and further strengthen the competitive position of the company to become more profitable.

5.2 Summary of Findings

- It was found out that majority of subscribers(77%) interviewed subscribe to more than one cellular service providers with reasons given as fear of losing existing business contacts built since time of acquiring the first service provider through complete switch, ability to take advantage of low intra-network call tariff and different unique offers being offered by various service providers and finally being able to make calls everywhere he or she goes because of unreliable reception being provided by individual service providers.

- Meanwhile it was also revealed that from January 2006 to December 2006, Kasapa's subscriber base grew from 64,254 subscribers to 135,912 representing

212% annual growth rate and then continued its positive growth in the year 2007 to 289,066 subscribers representing an annual growth of forty –one percent (41%) by year end. This positive trend continued to 2008 year end subscriber base of 394,111 representing annual growth of thirty-three percent (33%) by December 2008. However, this positive growth trend has seen a reversal from January 2009 to May 2009 that is from 393,349 subscribers to 360,357 representing a negative growth of eight percent (-8%). This implies that although Kasapa subscriber base had seen a gradual annual increase it was increasing at a decreasing rate up till end of 2008 and then took a sharp turn downwards from January 2009 to May 2009 probably due to new entrants like Zain and Vodafone on to the market.

- Meanwhile, it was also revealed as shown in Figure 3 that churn as at the beginning of the year 2006 was 5,082 subscribers in the first quarter, increased gradually to its highest in the fourth quarter, then in the year 2007 increased from 13,181 subscribers to its highest point in the last quarter with a total of 28,469 subscribers. The churn out subscribers then saw a decrease in the second quarter of year 2008 to 23,258 subscribers and then another sharp increase in the third and last quarter in year 2008 to 44,428 subscribers. The year 2009 the first quarter saw an increase in churn as compared to same periods in the previous three years. This is attributed to probably unresolved handset problems as indicated by Kasapa staff in figure 10 and probably worsening economic conditions in the country due to the global economic crisis.

- It was also found out that there was an inverse relationship between Churn and subscriber growth from the year 2006 to 2007. This then changed in year 2008 which saw an increase in churn but resulted in a gradual increase in subscriber growth rate and then in the first quarter of 2009 a reduction in churn resulted in further reduction in subscriber growth due to other factors as reduced sales promotional activities to acquire more new subscribers and increased sales promotional activities by new entrants like Zain and Vodafone in the market.
- The study also revealed that majority (81%) of mobile telecom subscribers who made up the respondents indicated they were unlikely to switch their current cellular service provider whilst a minority (13%) indicated they were likely to switch current cellular service provider. This re-enforces a survey of consumer opinion in the UK (Ofcom, 2007) which discussed the difficulty of customer switching in the telecom industry due to high switching cost.
- It was also found out that majority(74%) of the respondents indicated that it was unlikely for them to switch their current cellular service provider due to impolite customer service as opposed to eight percent(8%) of the respondents who indicated they were likely to switch cellular service provider due to impolite customer service. This goes contrary to postulation made by Susan Keaveney (1995) which identified service encounter failure in her paper as the second most important reason for consumer switching in service industry.
- As found in the cross tabulation between likeliness to switch and length of subscription with Kasapa subscribers who have subscribed to a cellular service

provider for more than two years is less likely to switch. Hence Kasapa should ensure they keep acquired subscribers on network for two or more years.

- In addition, the research also found that sixty seven percent (67%) of respondents indicated that they were unlikely to switch their current cellular service provider due to service disruptions emanated from network upgrades whilst twenty two percent (22%) revealed they were likely to switch due to service disruptions. This also goes contrary to findings made by Keaveney (1995) which suggest that core service failure is the most important reason for a switch to take place in the service sector.
- Furthermore, it was also found that seventy-one percent (71%) of the respondents revealed that they were unlikely to switch cellular service provider due to unreliable reception whilst twenty-four percent (24%) of the respondents affirmed they were likely to switch their current cellular service provider due to unreliable service.
- Meanwhile, it was also found out that a sixty-seven percent (67%) of the respondents indicated that they were unlikely to switch current cellular service provider due to lack of trendy phones whilst nine percent (9%) of the respondents said they were likely to switch due to lack of trendy phones.
- The study also discovered that forty nine percent (49%) of the respondents indicated that they were unlikely to switch their current cellular service provider due to attractive features offered by competitors whilst twenty-four percent (24%) of the respondents revealed they were likely to switch due to attractive

features offered by competitors. However, twenty-six percent of the respondents were neutral or undecided to switch or not.

- The research in addition found out that majority of fifty-nine percent (59%) of the respondents said they were unlikely to switch their cellular service provider due to high call tariffs/charges whilst twenty –eight percent (28%) of the respondents said they were likely to switch due to high call tariff/charges.
- In addition, it was also found out that fifty four percent (54%) of the respondents indicated they were unlikely to switch current cellular service provider due to inadequate and inefficient complaint resolution whilst twenty-four percent (24%) of the respondents indicated other wise.
- The research also found out that fifty-two(52%)of the respondents revealed they were unlikely to switch cellular service provider due to influence from family and friends whilst thirty-five percent(35%) of the respondents indicated that they were likely to switch their current service provider due to influence from family and friends.
- However, a critical analysis of the factors affecting customer switching behavior revealed that although majority of the respondents indicated they were unlikely to switch, when their likeliness to switch is ranked in terms of importance, influence from family and friends is perceived as the major factor affecting customer switching behaviour followed by pricing i.e. tariff, then complaint resolution, attractive features, reliable reception, core service failure and finally service encounter failure.

- The research also found out that all twelve (12) Kasapa staff interviewed on most important reason causing high churn rate identified unresolved handset or phone durability complaints as the major factor followed by mandatory voice mail service with sixty-seven percent (67%) and lastly high data tariff.
- Finally it was revealed that lack of durable handsets contributed a lot to high churn thereby having negative effect on subscriber growth. In addition because Kasapa Telecom is the only service provider operating a CDMA technology it is causing switching barrier for other cellular provider's customers to easily switch to Kasapa telecom which has effect on the customer acquisition thereby affecting subscriber growth. Involuntary switching due to limited coverage and network reception nationwide cause even some existing subscribers' to stop using Kasapa service when they are transferred to the three northern regions therefore, resulting in high churn which has negative effect on subscriber growth. It was also revealed that High data tariff as indicated by staff of Kasapa has also in a way contributed to increase in churn from January to May 2009.

5.3 Conclusion

In this study it is evident that Customer switching behavior is not necessarily a total change of service providers but less usage of the current and increase usage of the new cellular service subscribed to. In addition all the factors identified by Susan Keaveney (1995) in her study on factors affecting consumer switching behavior in the service industry are relevant but in Ghana, influence from family and friends is

perceived as the major factor affecting customer switching behaviour followed by pricing i.e. tariff, then complaint resolution, attractive features, reliable reception, core service failure and finally service encounter failure which is contrary to the assertion by Susan Keaveney(1995) which identified the major factor as core service failure, service encounter failure, pricing followed by response to service failure.

In respect of subscriber growth in Kasapa Telecom, the year 2006 saw significant growth of 212% which was reduced to 41% positive growth in 2007, then a further reduction in annual rate of growth to 33% and sharp decline in subscriber growth to a negative growth of 8% from January 2009 to May 2009. The major reason for this growth trend was increasing churn caused by unresolved handsets problem, limited reception, high switching cost as a result of technological barrier since it is the only CDMA network in Ghana, intense competition from new entrants in the market who are employing integrated marketing communication approach in customer acquisition and retention.

5.4 Recommendations

From the summary and conclusions, the researcher believes the following recommendations, will go a long way to help Kasapa Telecom to reduce churn and increase their subscriber base in order to increase their market share.

- In order to attract more subscribers from other Cellular operators Kasapa should encourage the use of durable Dual mode Phones (GSM/CDMA phone) to address the problem of technological switching barriers and offer to inform all

existing contacts and business partners of newly acquired subscriber to address the fear of losing contacts with long time family and friends.

- It is also recommended that Kasapa Telecom responds promptly to customer complaints on Handsets, educate them on the usefulness of voice mail service and if possible make that service optional and lower their interconnection charges to solve the problem of high switching cost.
- It is also recommended that Kasapa increase their network coverage and reception to cover major areas of Ghana in order to avoid involuntary switching that causes high churn due to unreliable reception.
- As found in the Cross tabulation test in Figure 7, Ghanaian telecom subscribers who have been with a particular cellular service provider for more than 2 years are less likely to switch hence Kasapa management needs to institute customer retention strategies and customer relationship management to ensure that its acquired customers are retained for more than 2 years to build strong customer loyalty.
- It is also recommended that Kasapa management concentrate on providing trendy and durable phones since its subscribers gave it lower rating as compared to ratings given to competitor's phone selection by their own subscribers.
- Kasapa should also consider re-branding in order to change the populace perception of its brands association with cheap services. So that there would be perception change which will go a long way to encourage word of mouth as it has worked for Vodafone and Zain since their rebranding exercise from GT one touch and Westel respectively.

- Kasapa management should also consider diversifying into data service since they are finding difficulty in penetrating the voice market which is dominated by the GSM operators who do not have switching barrier in terms of technology and penetration. A recent report from the National Communications Authority indicated that whilst mobile voice telephony penetration has seen tremendous increase to fifty-five percent(55%) that is about twelve million(12 million) subscribers, data service can boast of only eight hundred thousand(800,000) subscribers according to their first quarter report(NCA,2009) therefore, there is lots of opportunities in the data service, since CDMA technology is seen as having competitive advantage in data service in terms of capacity and speed compared to GSM.

5.5 Suggestions for Further Research

Future researchers interested in this area could also dig into the following areas:

- The impact of Re-branding on Subscriber Growth of Cellular Service Providers in Ghana
- The impact of competition on Average Revenue Per User (ARPU) in the Ghanaian Telecom Industry
- The Impact of Internationalization on the Mobile Telecom Industry In Ghana

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APPENDICES

APPENDIX 1

QUESTIONNAIRE FOR CUSTOMERS

Dear Sir/Madam,

As part of the requirement for the award of a certificate, the researcher is expected to write a project work on “The Impact of Customer Switching behaviour on Subscriber Growth in the Mobile Telecom Industry in Ghana, A Case Study of Kasapa Telecom Ltd-Kumasi” and will be very grateful if you could kindly take time and answer the questions for me.

- 1) Your current Cellular provider(s) is (are)...

Kasapa Telecom.....

MTN.....

Tigo.....

Vodafone.....

Zain.....

- 2) If you subscribe to more than one(1) service provider please state reason(s).....

.....
.....
.....

- 3) How long have you been with Kasapa? 1 year ☐ 2years ☐ 3years and ☐
more

4) On an average how many minutes do you use per day on your mobile phone

Less than 14 minutes

15-24 minutes.....

25-34minutes.....

35-44minutes.....

45minutes an over.....

In the questions below, please tick one box on the scale, where left most indicates very unlikely and box on the extreme rights indicate very likely

	Very Unlikely	Unlikely	Neutral	likely	Very likely
5) How likely are you to switch away from your existing cellular provider?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6) How likely are you to switch your service Provider due to:					
a. Impolite customer service	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b. Service disruptions like network upgrades and cell site breakdown	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c. Unreliable reception	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d. Lack of trendy phones	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
e. Attractive features offered by competitors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
f. High call tariffs/charges	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
g. Inadequate and ineffective complaint resolution	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

h. Influence from family and friends ☐ ☐ ☐ ☐ ☐

Please tick one box on the anchored that best fits your opinion

7) Regardless of whether Kasapa Telecom is your cellular provider or not, how would you rate the company on the following?

	1	2	3	4	5
	Very				Very
	Poor				Good
a. Customer Service	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b. Service disruptions like network upgrades	Very often				Not disrupted at all
	Disrupted				
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c. Reception (clarity and connection)	Very Unreliable				very reliable
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d. Selection of phone models	Not trendy At all				Very Trendy
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
e. Kasapa's offering compared to that of competition	Much Worse				Much Better
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
f. Resolution of customer complaints	Not resolve At all				Very well resolved
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Very Unsatisfied				Very Satisfied
g. Overall services provided	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Please tick only one response that best applies to you

8) Of the following, pick only one, the most important reason that would convince you to leave Kasapa

- a. Impolite customer service
- b. Service disruptions like network upgrades
and cell site breakdown
- c. Unreliable reception.....
- d. Lack of trendy phones.....
- e. Attractive features offered by competitors.....
- f. High call tariffs/charges.....
- g. Inadequate and ineffective complaint resolution.....
- h. Influence from family and friends.....
- i. Others (specify).....

NOTE: If Kasapa is your service provider, please skip these questions and go to question 11 and 12.

9) Of the following, pick only two, the most important reason(s) that would convince you to switch to Kasapa

- a. Reliable reception.....
- b. Availability of trendy phones.....
- c. Ability to swap Sim/UIM (GSM&CDMA) on the same handset.....
- d. Competitive tariff.....
- e. Expansion of coverage areas.....
- f. Others (specify).....

If Kasapa is not your service provider please tick one box on the anchored that best fits your opinion

10). How would you rate your current cellular service provider on the following?

	1	2	3	4	5
	Very Poor				Very Good
a. Customer Service	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b. Service disruptions like network upgrades	Very often Disrupted				Not Disrupted at all
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c. Reception (clarity and connection)	Very Unreliable				Very Reliable
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d. Selection of phone models	Not trendy At all				Very trendy
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
e. Current Provider offering compared to that of Kasapa	Much Worse				Much Better
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
f. Resolution of customer complaints	Not resolve At all				Very well resolved
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
g. Overall services provided (Voice, internet etc)	Very Unsatisfied				Very satisfied
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

11). Your Gender? Please tick Male.....

Female.....

12). Your Age? Please tick

19-24years old _____

25-29years old _____

30-34years old _____

35-39years old _____

40-44years old _____

45-49years old _____

50-54years old _____

55years old or more _____

KNUST



APPENDIX 2

QUESTIONNAIRE FOR KASAPA STAFF

Dear Sir/Madam,

As part of the requirement for the award of a certificate, the researcher is expected to write a project work on “The Impact of Customer Switching behaviour on Subscriber Growth in the Mobile Telecom Industry in Ghana, A Case Study of Kasapa Telecom Ltd-Kumasi” and will be very grateful if you could kindly take time and answer the questions for me.

What are the most recurring unresolved customer complaints that comes to you

- 1.....
- 2.....
- 3.....
- 4.....
- ...
- 5.....
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