

Internship Report on

“Analysis of Grameenphone churn customers”



grameenphone

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Submitted By

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Letter of Transmittal

02 August, 2016

Dr. Salehuddin Ahmed
Professor
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Subject: Submission of Internship Report.

Dear Sir,

It gives me immense pleasure to submit the internship report on “Analysis of Grameenphone churn customers” which I have prepared as per requirement of my internship curriculum at BRAC University. I have tried my level best to complete my internship program with full honesty and determination in Grameenphone Bangladesh Ltd.

I sincerely hope and believe that my internship report would acquire your kind approval and serve its academic purpose.

Thanking You.

Yours Sincerely,

Asif Rahman
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MBA Department,
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ACKNOWLEDGEMENT

Preparing such a report was a great deal for me and it was very helpful to bridge the gap between the theoretical knowledge and real life experience. To initiate, I convey my cordial appreciation to the Almighty Allah for the entire situation I have overcome and enabling me to complete this report successfully.

I must convey special thanks to few people who have helped and encouraged to grow my interest for successfully completing this internship period and properly preparing this report. *First*, I give special thanks to **Asif M K Bashir Khan** (Head of BI Planning and Systems, General Manager) for giving me the opportunity of three months internship program. When any problem occurred, he solved those problems and guided me in a friendly manner.

Then I express my deep gratefulness to my supervisor **Dr. Salehuddin Ahmed** for his continuous inspiration, supervision and patience. Without his guidance and support it would not have been possible to come this far.

TABLE OF CONTENTS

1	Executive Summary	5
2	Organization Part.....	6
2.1	Organizational Background:	6
2.2	History and Key Milestones:.....	6
2.3	Founders:.....	7
2.4	Major Shareholdings:	9
2.5	Organogram & Management of Grameenphone Ltd:	9
2.6	Mission, Vision & Values of Grameenphone:	9
3	Project Part	11
3.1	Introduction:.....	11
3.2	Objectives of the Study:.....	11
3.3	Limitations of the Study:.....	12
3.4	Methodology	12
3.5	Literature Review.....	12
3.6	Project Details:.....	13
3.6.1	Who are the churners?.....	13
3.6.2	Why churned out/remained silent?.....	15
3.6.3	Reasons for Switching from Grameenphone:	16
3.6.4	What will make them regular users?.....	16
3.6.5	Factors those will Result in Using GP SIM Regularly:	17
3.7	Recommendations:.....	17
3.8	Conclusion:	19
4	References	20

1 EXECUTIVE SUMMARY

Churn is frequently spoken of in a communications context, where it refers to the tendency of internet and cell-phone subscribers to switch providers. The most common reasons for churn are dissatisfaction with an existing provider, the lure of a lower price for equivalent service from a different provider, and the lure of better service for the same price from a different provider. Churn can also result from a change in the subscriber's geographic location, the desire for increased connection speed, or a need for different or enhanced cell-phone coverage. Higher rate of churn is an eminent problem for companies like Grameenphone Ltd whose services employ substantial hardware at the subscriber site.

Gross addition had been one of the major factors behind Grameenphone's revenue growth. However, this has slowed down recently. In the face of stiffer competition and declining voice revenue, Grameenphone saw its existing subscriber base as one of its main competitive advantages, alongside network quality and coverage.

The company therefore decided to focus on maintaining and improving the profitability of its valuable subscribers by expanding the consumption of non-voice and value-added services. According to Asif M K Bashar Khan, General Manager of BI Planning and Systems at Grameenphone, "To do this, you have to start by understanding what kind of customers you have and what they want. If you retain their business by making the right offers, this is more effective than recruiting new customers."

The company started doing churn-prevention analysis and micro campaigns based on micro segments of the customer base. This report is based on one of the churn studies that try to identify the reasons of customer switching and ways to retain them.

2 ORGANIZATION PART

2.1 ORGANIZATIONAL BACKGROUND:

Grameenphone is the largest mobile telecommunications operator in Bangladesh in terms of revenue, coverage and subscriber base. The company was incorporated on October 10, 1996 as a private limited company. Grameenphone converted to a public limited company on June 25, 2007. Trading of the company's shares started at Dhaka and Chittagong Stock Exchanges from 16 Nov. 2009. The shareholding structure comprises of mainly two sponsor Shareholders namely Telenor Mobile Communications AS (55.80%) and Grameen Telecom (34.20%). The rest 10.00% shareholding includes General public & other Institutions. Workforce: more than 4,800 employees (March 2011) Listed at Dhaka Stock Exchange and Chittagong Stock Exchange Rated AAA for long term loan and ST-1 for short term loan The largest Corporate Tax payer in Bangladesh. Grameenphone has a fully owned subsidiary named Grameenphone IT Ltd. Headquarters in Dhaka, Bangladesh.

2.2 HISTORY AND KEY MILESTONES:

- **November 28, 1996:** Grameenphone was offered a cellular license in Bangladesh by the Ministry of Posts and Telecommunications.
- **March 26, 1997:** Grameenphone launched its service on the Independence Day of Bangladesh.
- **June 1998:** GP started its services in the port city of Chittagong, the second largest city in the country. Cell to cell coverage in the Dhaka Chittagong corridor also enabled GP to introduce its service in a number of other districts along the way.
- **September 1999:** GP started its service in the industrial city of Khulna. Once again, a number of other districts came under coverage of GP because of the cell to cell coverage between Dhaka and Khulna. Earlier in September 1999, it introduced the EASY prepaid service in the local market. It also introduced the Voice Mail Service (VMS) and the Short Message Service (SMS) and other Value Added Services (VAS).

- **June 2000:** Grameenphone started its services in Sylhet, Barisal and Rajshahi, bringing all six divisional headquarters under the coverage of its network. The service in Barisal region was started after the microwave link between Khulna and Chittagong was completed.
- **August 2003:** After six years of operation, Grameenphone has more than one million subscribers.
- **November 2005:** Grameenphone continues to be the largest mobile phone operator of Bangladesh with more than 5 million subscribers.
- **November 16, 2006:** After almost 10 years of operation, Grameenphone has over 10 million subscribers. Grameenphone has built one of the most extensive infrastructures of Bangladesh and is a major contributor to the development of the national economy.
- **December 31, 2007:** Grameenphone is one of the largest private sector investments in the country with an accumulated investment of USD \$1.7 billion up to December 2007. Grameenphone is also one of the largest taxpayers in the country, having contributed nearly BDT 500 billion in direct and indirect taxes to the Government Exchequer over the years of which an amount of BDT 167 billion was paid in 2005 alone.
- **October 8, 2013:** Grameenphone launched 3G high speed internet for its customers of Basundhara and Baridhara areas on a commercial basis. The launch marks the beginning of a nationwide network roll out, with the ambition of covering all 64 District towns by the end of March, 2014.

2.3 FOUNDERS:

The shareholders of Grameenphone contribute their unique, in-depth experience in both telecommunications and development. The International shareholder brings technological and business management expertise while the local shareholder provides a presence throughout Bangladesh and a deep understanding of its economy. Both are dedicated to Bangladesh and its struggle for economic progress and have a deep commitment to Grameenphone and its mission to provide affordable telephony to the entire population of Bangladesh.

Telenor is emerging as one of the fastest growing providers of mobile communications services worldwide with ownership interests in 12 mobile operators across Europe and Asia. Telenor is organized into three business areas; Mobile operations covering 12 countries, and Fixed-line and Broadcast services covering the Nordic region. Telenor holds 55.8 per cent of Grameenphone, with Grameen Telecom Corporation owning the remaining 34.2 per cent. The rest of the shares belong to general retail and institutional investors. Telenor has played a pioneering role in development of cellular communications in Bangladesh.

The Telenor Group: TMC, a company organized under the laws of the Kingdom of Norway, seeks to develop and invest in telecommunications solutions through direct and indirect ownership of companies and to enter into national and international alliances relating to telecommunications. It is a subsidiary of Telenor Mobile Holdings AS and an affiliate of Telenor. Telenor AS is the leading Telecommunications Company of Norway listed on the Oslo Stock Exchange. It owns 55.80% shares of Grameenphone Ltd. Telenor's strong international expansion in recent years has been based on leading-edge expertise, acquired in the Norwegian and Nordic markets, which are among the most highly developed technology markets in the world. It has substantial International operations in mobile telephony, satellite operations and pay Television services. In addition to Norway and Bangladesh, Telenor owns mobile telephony companies in Sweden, Denmark, Hungary, Russia, Ukraine, Serbia, Montenegro, Thailand, Malaysia, Pakistan and India with more than 174 million mobile subscriptions worldwide as of December 31, 2009. Telenor uses the expertise it has gained in its home and international markets for the development of emerging markets like Bangladesh.

Grameen Telecom: Grameen Telecom Corporation, which owns 34.2% of the shares of Grameenphone, is a nonprofit company and works in close collaboration with Grameen Bank.

GTC's mandate is to provide easy access to GSM cellular services in rural Bangladesh and creating new opportunities for income generation through self-employment by providing villagers, mostly to the poor rural women with access to modern information and communication-based technologies. With the help of Grameen Bank, Grameen Telecom, with its field network, administers the Village Phone Program, through which Grameenphone provides its services to the fast growing rural customers.

2.4 MAJOR SHAREHOLDINGS:

The shareholding structure comprises of mainly two sponsor Shareholders namely Telenor Mobile Communications AS (55.80%) and Grameen Telecom (34.20%). The rest 10.00% shareholding includes General Public (2.81%), Foreign (3.06%) and Other Institutions (4.13%) as on 31 December 2014.

2.5 ORGANOGRAM & MANAGEMENT OF GRAMEENPHONE LTD:

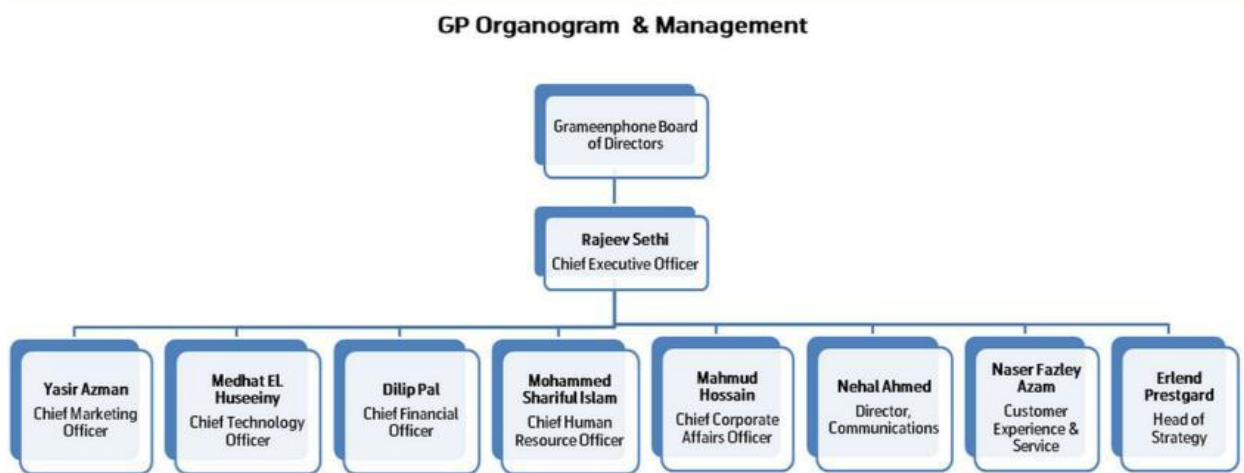


Figure 1 organization structure of GP

2.6 MISSION, VISION & VALUES OF GRAMEENPHONE:

GP Vision: We exist to help our customers get the full benefit of communications services in their daily lives. We're here to help.

GP Mission: Grameenphone is the only reliable means of communication that brings the people of Bangladesh close to their loved ones and important things in their lives through unparalleled network, relevant innovations & services.

GP Values:

- **MAKE IT EASY:** Everything we produce should be easy to understand and use. We should always remember that we try to make customers' lives easier.
- **KEEP PROMISES:** Everything we do should work perfectly. If it doesn't, we're there to put things right. We're about delivery, not over-promising. We're about actions, not words.
- **BE INSPIRING:** We're creative. We bring energy and imagination to our work. Everything we produce should look fresh and modern.
- **BE RESPECTFUL:** We acknowledge and respect local cultures. We want to be a part of local communities wherever we operate. We want to help customers with their specific needs in a way that suits way of their life best.

3 PROJECT PART

3.1 INTRODUCTION:

With over 50 million mobile phone subscribers that account for 41.9 percent of the SIM card market, Grameenphone is the leading provider in Bangladesh. But the company is facing tough market conditions in recent days.

More than 95 percent of subscribers are from the prepaid market. Average revenue per user (ARPU) is low at less than US\$4, and there is a moderately high rate of churn, around 4 percent. Grameenphone's big advantage over the competition has been network coverage and quality, "but that advantage is slowly eroding, especially in urban areas, as the competition is catching up," Khan says. As new suppliers have entered the market, subscribers have learned to shop around for the best deals.

The current gross churn rate appears to be quite high and is generating a lot of concern and discussions. Commercial division kicked off a Churn Investigation study with BI, Finance and CRM. This report covers the key findings of the study based on customer survey.

As an executive of BI Planning and Systems at Grameenphone I got the opportunity to take part in the study under Asif M K Khan's supervision.

3.2 OBJECTIVES OF THE STUDY:

- To identify who are the churners i.e. age, profession, education, average revenue, network age, multi SIM status, mobile usage behavior etc.
- Why they churned out or remain silent.
- Reasons for Switching from Grameenphone.
- Factors those will result in Using GP SIM regularly.
- Findings and way forward.

3.3 LIMITATIONS OF THE STUDY:

This report is basically based on surveys among customers living in mostly urban areas. So it may not reflect the overall situation of the whole nation. Also the survey may be conducted over larger sample by taking more time.

3.4 METHODOLOGY

Primary Sources:

- Quantitative survey among 1000 random mobile subscribers.
- Focused group discussion across divisional HQ.
- BI data warehouse for regional splitting of churned and churn back subscribers.

Secondary Sources:

- GP annual reports.
- Newspapers.

3.5 LITERATURE REVIEW

Customer churn can be defined as when a customer (subscriber, user, client, etc.) ceases his or her relationship with a company.

Companies typically classify a customer as ‘churned’ after a specific time has elapsed since their last interaction. In case of GP this period is 90 days. Customer churn is a key component to business growth. Knowing the lifetime customer value helps companies allocate marketing costs for acquisition. Before calculating lifetime customer value, organization must calculate their customer churn rate. The best churn rate formula to use to calculate customer churn is to take the number of clients lost, divided by the number of clients at the start of the month.

When thinking of churn impact, the statistics by Forrester research comes to mind: it costs 5 times more to acquire new customers than it does to keep the existing ones. To make the matters even more serious, the Harvard Business School report claims that on average, a 5% increase in customer retention rates results in 25% – 95% increase of profits.

The same truths are revealed in a KPMG report below that shows that customer retention is the main driver of a company's revenue.



Figure 2: Most significant retail revenue drivers

3.6 PROJECT DETAILS:

3.6.1 Who are the churners?

- Most churners are low revenue providing subscribers with relatively new to GP network
- But this does not mean that they belong to low household income.
- This group basically belongs to high HH income, with students dominating the pie.
- In addition to that most of the churners are multiple SIM owners. But most of them do not keep two or more SIM active simultaneously.
- Rather a big chunk of these groups basically wait for churn back campaign of different operators.
- And awareness level about different offers was found much higher among this group than the industry average.
- So it can be said that they are very smart subscribers.

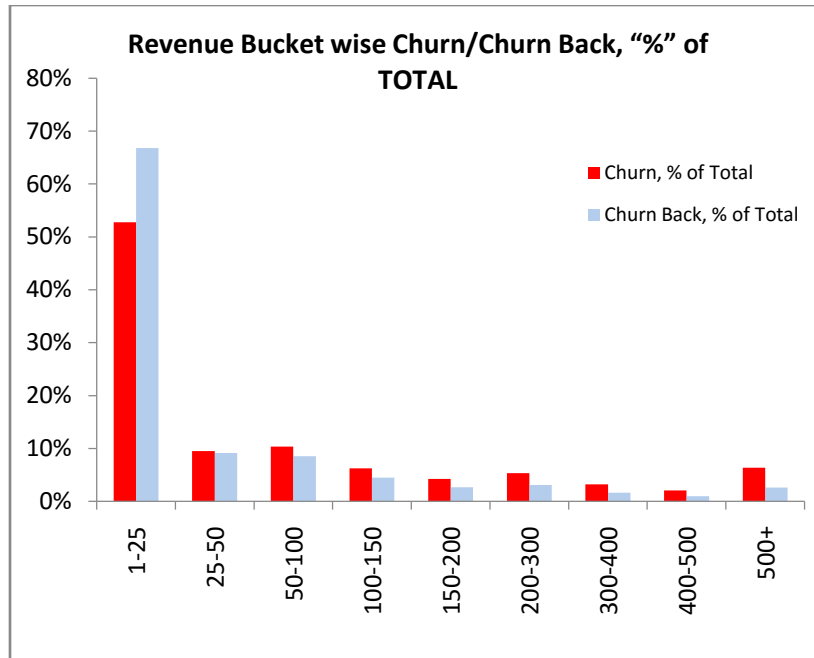


Figure 3 Most Churners/Churn Backs are low revenue Subscribers

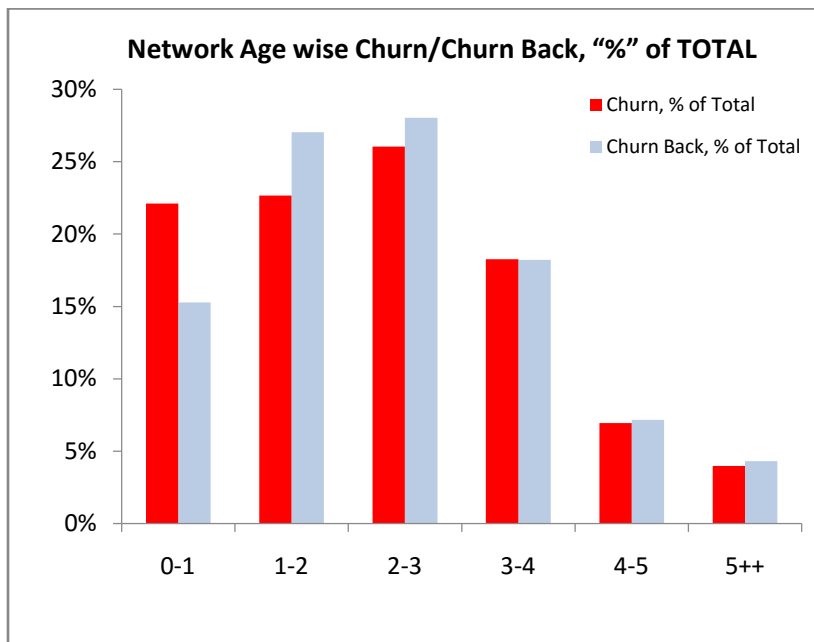


Figure 4 Most Churners/Churn Backs are relatively new to GP network.

3.6.2 Why churned out/remained silent?

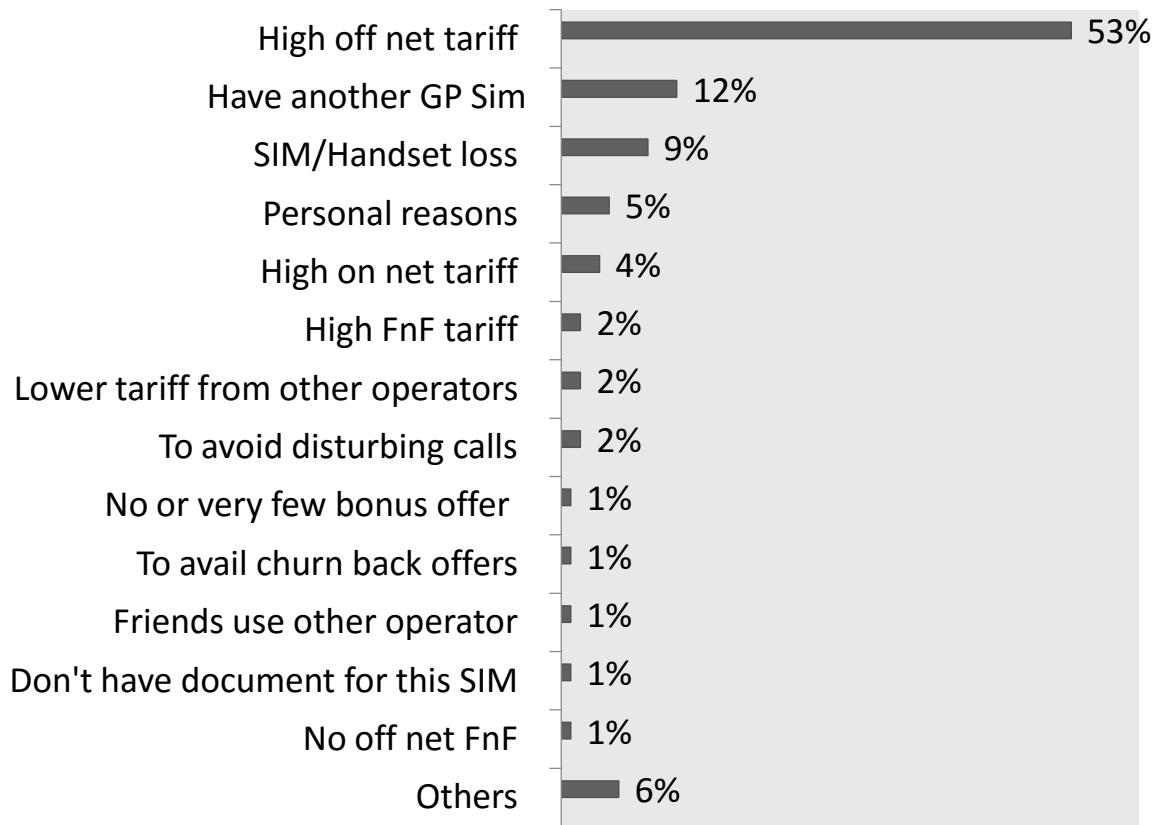






Figure 5 Key reasons of subscriber churn out

3.6.3 Reasons for Switching from Grameenphone:

To	Reasons
	<ul style="list-style-type: none"> - Friends and relatives use it - Low call rate -Network is good inside Dhaka and usually don't travel outside Dhaka -Desh, ladies first is widely used package -More FnF
	<ul style="list-style-type: none"> -Lower tariff rate -More facility than GP -Cash back -Friends are using -My favorite is most popular package -More FnF
	<ul style="list-style-type: none"> -Gift from friends/family -Recommendation from friends -Community tariff -FnF to other operators -Each second pulse facility
	<ul style="list-style-type: none"> -Low call rate -Gift from family -Special offer
	<ul style="list-style-type: none"> -Pulse facility -Low call rate then GP - Bonus

3.6.4 What will make them regular users?

Conditions	Probability
If FnF tariff get slower	68%
If off net tariff get slower	64%
If on net tariff get slower	62%
If bonus is offered on regular basis	45%
If attractive offer is launched regularly	29%
If number of FnF is increased	22%
Pulse facility (1 sec pulse)	1%
Others	7%

3.6.5 Factors those will Result in Using GP SIM Regularly:

- Lower tariff (preferably below TK 1).
- More FnF within the same operator as well as others.
- Lower FnF Tariff.
- Bonus on voice call and data usage.
- Low tariff for calling to other operators.
- Pulse facility.
- Special tariff for the business people.
- Updating the current balance or call charge after each call.

3.7 RECOMMENDATIONS:

After analyzing the study results I can recommend the following to prevent customer churn:

- 1. Engaging Customers:** GP should give their customers reasons to keep coming back by showing them the day-to-day value of using its products. In other words, they have to make their products, services, offers, etc. a part of customers' daily work flow. Engagement can be achieved through providing ample and clear content about the key functional benefits of the product and offering regular news updates, such as announcements of deals or special offers.
- 2. Knowing who is at risk:** The best way to avoid churn is to prevent it from happening in the first place. There is always a group of customers that is more likely to leave than others – so it should be in best interests to know who is balancing on that dangerous edge. This way GP can reach out to them in time to make them stay.
- 3. Identifying the most valuable customers:** GP should separate the most valuable customers from the rest and go an extra mile to make sure that at least they are getting what they have signed up for. They can segment their customers into groups of profitability, readiness to leave, and their likelihood to positively respond to the offers to stay. In this way they can better predict customer churn.

- 4. Offering incentives:** Another recommendation is to offer incentives, such as discounts and special offers, to those customers who were identified as likely to defect. But they should be aware that they have correctly evaluated whether offering incentives is beneficial for GP. That means they have to be sure that the costs of retention campaign do not outweigh the profits to be gained from the customers they intend to save.
- 5. Targeting the right audience:** No matter how sophisticated all of the retention tricks are, they may all go in vain if they are attracting the wrong audience. That is interacting with the customers with “free” and “cheap” offers may attract the people who are not looking for the value. These “freebies” collectors are the most likely to leave. It’s better to target those who appreciate the long term value of products and see investing in good quality as an advantage.
- 6. Paying attention to complaints:** Complaints are like tips of the icebergs – they suggest that the bigger part of the problem is hidden. According to Ruby Newell’s “Understanding Customers” survey 96% of unhappy customers don’t complain, and 91% of those will simply leave and never come back. So, they should take complaints seriously and act on them, and in this way prevent customer churn, because dissatisfied customers whose complaints are attended to are more likely to remain loyal, and even become advocates, than other average customers.
- 7. Make best people to deal with cancellations:** Best, most vocal and convincing sales reps should be given the task to talk to the customers who decided to leave and prevent customer churn. They can make use of their charisma and experience in dealing with difficult situations and dissatisfied customers. Sometimes it only takes a good listener who is eager to walk in the customers’ shoes to change things around. According to the customer satisfaction survey conducted by Customer Service Group, the majority of respondents said that being heard and respected are more important than having their issue resolved.

3.8 CONCLUSION:

Since an organization simply cannot afford to lose customers, it is better to focus on being a keeper. That means the customers have to clearly see why it is better to stay with the company instead of leaving.

So GP should be proactive in how they prevent customer churn by creating the conditions in which customers would clearly see and make use of the benefits the products offer. It is also worth remembering that the importance of customer service in keeping customers by company's side can hardly be overestimated. According to Forum Corporation research, "Almost 70% of the identifiable reasons why customers left typical companies had nothing to do with the product. The prevailing reason for switching was poor quality of service."

All in all, keeping customers is not magic. It all boils down to analyzing the reasons behind churn and then acting on them. So, GP should communicate with customers and involve them with their products, improve their customer service levels and make sure they see what they are gaining if they stay with GP, rather than stray away from it.

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