Price Discount and Retention of Customers of Pay Television Sector in Ekiti State, Nigeria

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Abstract
Aim: To determine the correlation between price discount and customer retention in the Nigerian pay television sector particularly in Ekiti State, Nigeria.
Study Design: Descriptive survey research design was used for the study.
Place and Duration of Study: Ekiti State, Nigeria between February and November, 2019.
Methods: Multi-stage sampling technique was adopted to select the 390 subscribers of pay television in Ekiti State namely Startimes, Dstv and Gotv who are respondents of the study. Primary data used for the study were collected through a well-structured questionnaire and were analysed using percentages, frequency table and multiple regressions.
Results: Findings from the study revealed that provision of price discount had a significant positive effect on retention of customers of pay television in Nigeria. Also the study revealed that reduction in subscription fees at interval has a positive effect on customer continuous patronage of the pay television service provider.
Conclusion: The study concluded that increased sales promotion led to increased customer retention in the pay television sector in Nigeria. It recommended that pay television service providers should give more of price discounting and free to view stations to customers with a view to attracting potential customers and retaining the existing ones.

Keywords: Customer Retention, Customer Satisfaction, Price Discount, Recommendation.

I. Introduction
Pay Television popularly refers to as digital, cable or subscription television is gradually taking over the Nigerian broadcasting sector. Recently, pay television has become a household commodity in Nigeria. Most customers or subscribers of the analogue television operated nearly by all States and Federal governments in Nigeria are now switching to digital television thereby making the sector keenly competitive. Almost all the houses and offices especially in the urban and major cities in Nigeria have digital/cable television. This may largely be due to varieties of channels, interesting and entertaining programmes, and ability to be aware of the happenings around the world, which subscribers have access to (Afolabi, 2018) and the directive of the Federal ministry of information that all television stations in Nigeria should go digital.

Pay or subscription television according to Ledbetter and Greene (1972) is a means of providing additional and specialized programming for a fee. It is a subscription to a television service from cable, satellite or telephone company (Reed & Reed, 2012). Pay television in this study is the system of television broadcasting through satellite or cable in which people pay
to access a particular programme or channel. The Pay Television service providers in Nigeria are digital satellite television (DSTV), get organised television (GOTV), Startimes Tv, Trend Tv and Daarsat (Afolabi, 2018) which customers can access either through the digital satellite which required installation of dish and decoder or terrestrial digital tv that uses antenna.

The ever increasing competition in the pay television sector in Nigeria has prompted the deployment of series of sales promotion tools especially price discount by the service providers with a view to attracting new customers and retaining the existing ones as well as increasing their customer base. To the service providers, sales promotion is viewed as a veritable tool in increasing their market base.

Customers are familiar with sales promotion messages such as “pay before due date and enjoy seven days of max sport”, “stay connected for three months nonstop and get monthly airtime” and many more. It is not uncommon during festive period for service providers to advertise their products to prospective customers at a cheaper rate. Customers are exposed to such promotional messages through bill boards, short message services (SMS), jingles on radio, and advertisement on television. These promotion messages are carried out with a view to attracting prospective customers and retaining the existing ones.

In today’s competitive business environment attracting and retaining customers have been a herculean task. According to Timothy, Bruce, Lerzan, Tor and Jaw (2007) customer retention is the customer’s intention to continue a business relationship with the firm. Retaining customers in the pay television sector will therefore means keeping the customers active by subscribing regularly to their chosen programme/channel through effective customer service, and offer of interesting, entertaining and informative programmes. According to Oyeniyi and Abiodun (2008), retaining customers means keeping them active (continuous patronage) with firm through the use of a good customer service that is developed based on an understanding of customers’ needs, preferences and want.

Due to keen competition in the pay television sector in Nigeria, the pay television service providers have embarked on massive deployment of different sales promotion tools majorly price discount with a view to retaining the existing customers and attracting potential customers. However despite the massive utilization of price discount, customer still switched from one service provider to the other basically because of low switching cost and this raises the question of customer retention in the sector.

Though several studies on sales promotion and different organizational dimensions and marketing strategies have been conducted researchers seem to have ignored the possible effect price discount may have on retention of pay television subscribers in Nigeria especially when the switching cost is low.

In view of the above, this study determined the effects of price discount on retention of customers of pay television sector in Ekiti State, Nigeria.

1.1 Hypothesis
(i) Price discount has no significant effect on retention of customers of pay television sector in Ekiti State, Nigeria.

2. Materials
2.1 Price Discount
Price discount also known as price offs is a reduction in the price of the product or service being promoted. With this, the consumer saves some amount of money upon purchase. Price discount is expected to attract consumers and influence the kind of purchase decisions they make regarding the promoted service or product. Price-offs/discount is a reduction in regular price of a brand. According to Blair and London in Fill (2002), the major purpose for marketers’ use of price discount is that it readily presents a kind of value to consumers especially when they have to compare it with a reference price point. With this, customers recognize the value of the discount given.

Price discount offers consumers opportunity to purchase a product at reduced price from regular price of the product. It means that the manufacturer has actually lowered the price of the product to make it more affordable. Price discount is a promotion tool commonly used by marketers to induce product trial and enhance repeat purchase by new and realised customers (Inman, Winer & Ferraro, 2009). According to Fill (2002) it is the simplest promotion tool that offers a direct reduction in the selling price of a product with the offer clearly labeled on the package. Price discount is assumed to significantly influence consumer product trial. It has been discovered that price discount plays significant role when it comes to brand switching, purchase acceleration, product stock piling and trial. It also encourages consumer to spend more in the store (Farrag, 2017; Osman, Chan & Foon, 2011)

Contrarily, Mittal and Sethi (2011) averred that price discounts are more effective in inducing stock piling, and purchase acceleration, moderate in brand switching and new product trial in that order but are not effective enough in inducing customers to spend more. Alvarez and Cavanagh in Olorunleke (2017) maintained that price-off or money-off are very common promotion techniques and are effective in attracting customers. According to Dawes in Shrestha (2015) price discount increases the volume of sales during the promotion period.
2.2 Customer Retention

Customer retention is the customer’s identified continuation of a business relationship with the firm (Timothy, Bruce, Lerzan, Tor & Jaw, 2007). Customer retention is the process whereby customers continue to buy product/service of a particular organisation within a specified time period (Njane, 2013). It is the deliberate activity undertaken by a marketing organization with a view to attracting potential customers, retaining the existing customers and reducing defections.

Retaining customers implies keeping them active with the organisation through a good customer service that is based on proper understanding of customers’ needs, preferences and want (Oyeniyi & Abiodun, 2008).

Several factors have been employed by scholars to measure customer retention. Some of which are customer recommendation intention, share of the wallet, customer Satisfaction, complaints-handling, positive word-of-mouth, recommendation and expected repurchase, customer repurchase intention (Bassey, Okon & Umorok, 2011; Timothy, et al., 2007). The metrics of customer retention used in this study are customer satisfaction and recommendation.

2.3 Customer Satisfaction

It is a measure of how products and services meet, or surpass customer expectation. Satisfied customers tend to be loyal (Timothy, et al., 2007), take less of firm’s time, are less sensitive to prices and pay less attention to competitor’s advertising (Stum & Thiry in Aka, Kehinde & Ogunnaike, 2016). It has been proven in the literature that satisfaction influenced repurchased intention and satisfied customers are likely to be retained (Anderson & Sullivan in Brakus, Schmitt & Zarantonello, 2009).

2.4 Recommendation

This is an important driver of customer retention. Recommendation could be verbal or written. Barnes (2003) averred that loyal customer can experience a delicate or emotional connection with the enterprise. The connection of this kind of emotion according to the author makes the customer loyal, enthusiastically recommending the products and services of the enterprise to potential customers and thus makes the enterprise acquire more customers. Loyal customers usually generate positive words of mouth, strongly recommending the product or service and communicating its benefits to others.

2.5 Theoretical Framework

This study is underpinned by Technological Acceptance Model (TAM). The theory was first introduced by Davis (1989) and was adapted from the Theory of Reasoned Action (TRA) by Ajzen and Fishbein (1977) by substituting the determinants of attitude with a set of two variables, namely perceived usefulness and perceived ease of use. Both Theory of Reasoned Action (TRA) and TAM were used to predict the interests and usage of information technology satisfactorily. However, TAM was adjudged to be simple, easy to use and more powerful in modeling the determinants of user acceptance of information technology such as the case of digital or pay television.

3. Methods

Descriptive survey research design was used to explore the relationship between sales promotion and customer retention in the Nigerian pay television sector using Ekiti State as a case study. Primary data used for the study were gathered through a well-structured questionnaire administered on respondents selected through probability sampling techniques. The multi-stage sampling technique was used for the study. In the first stage, three Pay television service providers namely Startimes, Dstv and Gotv was selected using purposive sampling technique. The second stage involved selection of 72, 132 and 186 respondents for Startimes, Dstv and Gotv respectively using proportionate sampling technique. The third stage involved random selection of two (2) Local Government Areas (LGAs) from each of the three senatorial districts in Ekiti State using Table of Random Number (TRN); making six (6) LGAs namely Ikole, Moba, Ado, Ijero, Ise/Orun and Ikere in all. The last stage involved selection of 12, 22 and 31 respondents for Startimes, Dstv and Gotv respectively from each of the six Local Government Areas. This will bring the total sample to 390.

Following the work of Kumaran (1967) model for calculating sample size for stratum, the sample size for this study was 390 subscribers of pay television service providers in Ekiti State, Nigeria. Multiple regression model was used to achieve the objective of the study.

3.1 Model Specification

The regression equation for the objective of the study was developed as follows:

\[ CR = \beta_0 + \beta_1 \text{APD} + \beta_2 \text{RRSF} + \beta_3 \text{RFFP} + \beta_4 \text{PDCP} + \beta_5 \text{RRO} + \beta_6 \text{SPD} + \epsilon \]  

(1)

Where CR = Customer Retention  
APD = Availability of Price Discount  
RRSF = Regular Reduction in Subscription Fee  
RFFP = Reduction in Fee at Festive Period  
PDCP = Price Discount and Continuous Patronage
RRO = Regular Rebate offer
SPD = Satisfaction with Price Discount
$\beta_0$ = intercept
$\beta_1 - \beta_6$ = Parameter estimates
$\epsilon$ = Error term

4. Results
4.1 Distribution of respondents’ perception on the effect of price discount on retention of customers of pay television

Table 1. Respondents’ perception on the effect of price discount on retention of customers of pay television

<table>
<thead>
<tr>
<th>S/N</th>
<th>Test Variables</th>
<th>SA (%)</th>
<th>A (%)</th>
<th>U (%)</th>
<th>D (%)</th>
<th>SD (%)</th>
<th>Mean</th>
<th>Std</th>
<th>Remark</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>My pay tv service provider used to grant customer price discount</td>
<td>147</td>
<td>134</td>
<td>2</td>
<td>10</td>
<td>38</td>
<td>4.09</td>
<td>1.24</td>
<td>Sign</td>
</tr>
<tr>
<td></td>
<td>(44.42)</td>
<td>(40.48)</td>
<td>(0.60)</td>
<td>(3.02)</td>
<td>(11.48)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>My pay tv service provider reduces subscription fees regularly</td>
<td>50</td>
<td>136</td>
<td>13</td>
<td>49</td>
<td>83</td>
<td>3.09</td>
<td>1.47</td>
<td>Sign</td>
</tr>
<tr>
<td></td>
<td>(25.11)</td>
<td>(41.08)</td>
<td>(3.93)</td>
<td>(14.80)</td>
<td>(15.08)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>I used to enjoy reduction in subscription fee during festive period</td>
<td>69</td>
<td>96</td>
<td>41</td>
<td>83</td>
<td>42</td>
<td>3.14</td>
<td>1.34</td>
<td>Sign</td>
</tr>
<tr>
<td></td>
<td>(20.85)</td>
<td>(29.00)</td>
<td>(12.40)</td>
<td>(25.07)</td>
<td>(12.68)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Price discount offered by my pay tv service provider encourages my continuous patronage</td>
<td>102</td>
<td>135</td>
<td>33</td>
<td>56</td>
<td>5</td>
<td>3.82</td>
<td>1.09</td>
<td>Sign</td>
</tr>
<tr>
<td></td>
<td>(30.80)</td>
<td>(40.80)</td>
<td>(10.00)</td>
<td>(16.90)</td>
<td>(1.50)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Due to price discount offered by my pay tv service provider I’m not contemplating patronizing other service providers</td>
<td>75</td>
<td>120</td>
<td>72</td>
<td>54</td>
<td>10</td>
<td>3.61</td>
<td>1.07</td>
<td>Sign</td>
</tr>
<tr>
<td></td>
<td>(32.66)</td>
<td>(36.25)</td>
<td>(11.75)</td>
<td>(16.32)</td>
<td>(3.02)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>I’m satisfied with the price discount given to me by my pay tv service provider</td>
<td>81</td>
<td>108</td>
<td>31</td>
<td>97</td>
<td>14</td>
<td>3.44</td>
<td>1.26</td>
<td>Sign</td>
</tr>
<tr>
<td></td>
<td>(24.50)</td>
<td>(32.60)</td>
<td>(9.40)</td>
<td>(29.30)</td>
<td>(4.20)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Researcher's Field work, 2019

Table 1. presents the distribution of respondents’ perception on the effect of price discount on retention of customers of paid television. From the Table, it was found that majority of the respondents (84.9%) agreed that their paid television service provider used to grant customer price discount. Conversely, 15.1% of the respondents were either undecided or disagreed with the statement. This revealed that sufficient numbers of the respondents agreed that their paid television service provider used to grant customer price discount. The ability of a paid television to grant price discount to its customers might enhance customer patronage of the pay television. As posited by Akintunde and Akaighe (2016) that new customers would be attracted to product and service on which there was price discount. The mean value obtained for the test item of 4.09 indicated that the test item was significance with a standard deviation of 1.24 that showed a slight variation from the mean.
It was discovered that 66.19% of the respondents agreed that their paid television service providers reduced subscription fees regularly while 33.81% of the respondents disagreed with the statement. This implied that sufficient numbers of the respondents agreed that their paid television service providers reduced subscription fees regularly. The hyper subscription fees had been found by Alimpic (2014) to be one of the reasons while pay television service providers lose the patronage of their customers. For instance, many subscribed shifted to start time when it was first introduced into the market due to its low subscription fees. More so, it was on record that a lot of subscribed had shifted away from DSTv as a result of its high subscription fees. A subscription fee was a major determinant in the continuous use of a pay television by customers. The mean value obtained for this test item of 3.08 confirmed that the test item was significance.

Also, the study revealed that approximately 50% of the respondents agreed that they used to enjoy reduction in subscription fee during festive period while about 50% also disagreed. The implication of this was that the reduction in subscription during festive period might enhance the retention of customers for a pay television service providers and vice-versa. Alimpic (2014) posited that the granting of subsidizing prices on paid television during festive periods had been noted to enhance increasing patronage for the products and services of digital television in Nigeria. The mean value obtained for this test item of 3.14 confirmed that the test item was significance. This assertion was premised on the fact that the mean value computed for the test item of 3.14 was better than the acceptable mean of 3.00 with a standard deviation of 1.34 that showed a slight variation from the mean.

Furthermore, the result revealed that 71.6 % of the respondents agreed that price discount offered by their pay tv service provider encouraged their continuous patronage while 28.40% of the respondents disagreed. This showed that substantial numbers of the respondents agreed that price discount offered by their pay tv service provider encouraged their continuous patronage. The right price discount on paid television could encourage existing customers to continue to use the product. A consistently price discount that takes into cognizance the prevailing economic situation in the country may attract the right patronage to the product and services of such organization. This indicated that customers were only interested in digital television that usually put them into consideration before inflating the prices of their services. The mean and standard deviation computed for this test item of 3.82 and 1.09 confirmed that the test statement was significance.

It was discovered that 68.91% of the respondents agreed that due to price discount offered by their pay television service provider, they were not contemplating of patronizing other service providers while 31.09% of the respondents disagreed with the test item. This showed the right price discount by a pay television might discourage its customers from patronizing other paid television services. Customers according to Emmanuel (2016) would continue to patronize a pay television that offered the best price discount for its services. Customers were always interested to patronize services and products that offered the best prices for them. In fact, a rational customer would not continue to use a product and service of a company that had refused to offer him or her best price considering his loyalty to the company. The mean value obtained for this test item of 3.61 affirmed that the test statement was significance.

In addition, 57.10% of the respondents agreed that they were satisfied with the price discount given to them 42.90% of the respondents disagreed with the statement. This revealed that sufficient numbers of the respondents agreed that they were satisfied with the price discount offered by their pay television service provider. Customer satisfaction must be considered essential by pay tv when offering price discount. Customer dissatisfaction with the discount offered by the pay television might spell doom for the service provider in term of customer patronage. The mean value obtained for this test item of 3.44 confirmed that the test item was significance.

### 4.2 Test of Hypothesis

**H₀:** Price discount has no significant effect on retention of customers of pay television in Ekiti State, Nigeria.

Table 2. Ordinary least square results showing relationship between price discount and customer retention

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Standard Error</th>
<th>T-calculated</th>
<th>P-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>1.227605</td>
<td>0.171383</td>
<td>7.162949</td>
<td>0.0000</td>
</tr>
<tr>
<td>PD</td>
<td>0.058912</td>
<td>0.024565</td>
<td>2.398848</td>
<td>0.0173</td>
</tr>
<tr>
<td>PM</td>
<td>0.155162</td>
<td>0.028444</td>
<td>5.455069</td>
<td>0.0000</td>
</tr>
<tr>
<td>BP</td>
<td>0.114694</td>
<td>0.034324</td>
<td>3.341462</td>
<td>0.0009</td>
</tr>
<tr>
<td>SP</td>
<td>0.093284</td>
<td>0.033574</td>
<td>2.637051</td>
<td>0.0088</td>
</tr>
</tbody>
</table>

**OTHER STATISTICS**

<table>
<thead>
<tr>
<th>R-squared</th>
<th>0.978963</th>
<th>Mean dependent var</th>
<th>1.740181</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjusted R-squared</td>
<td>0.968889</td>
<td>S.D. dependent var</td>
<td>0.386167</td>
</tr>
</tbody>
</table>
The test statistics results computed for the null hypothesis one was presented in Table 2. From the Table, it was found that the p-value of the t-statistics computed for price discount of 0.0173 was less than the critical value of 5%. This implied that the null hypothesis which stated that price discount was not significance on customer retention was rejected. It was reasonable to state that price discount was essentially significance on customer retention by the pay TV service providers. The implication of price discount on customer loyalty had been found by Karthikeyan and Panchanatham (2013) to be substantially impactful on the ability of a company to continue to enjoy the patronage of its customers. New customers might be attracted to the product and services of pay television service providers that offered the best price discount for their service. Customers by nature had been found by Genchev and Todorova (2017) always got the best for their money. In fact, they loved to continue to patronize a service provider that was continually ready to offer them reduce subscription. The regression coefficient obtained for price discount of 0.06 was positive with significant t-statistics of 2.40. This indicated that there was a positive relationship between price discount and customer retention and hence, a 1% increase in the availability of price discount might lead to 0.06% improvement in customer retention. Therefore, this variable might be a determinant of customer retention.

The results of the other test statistics obtained for the study revealed that price discount as a sale promotion strategy could influence customer retention greatly. For instance, the p-value of the F-statistics computed for the test of 0.0000 was less than the critical value of 5%. This revealed that the joint null hypothesis which stated that price discount had no significant effect on retention of customers of pay television in Ekiti State, Nigeria was rejected. Also, the coefficient of determination (R²) calculated for the test of 0.978 indicated that approximately 98% of customer retention of the pay television in Ekiti State might be as a result of price discount offered by the service providers and hence, it was reasonable to assert that price discount was a good predictor variable for customer retention for the pay tv service providers. Resultantly, the Akaike information criterion, Schwarz criterion and Hannan-Quinn criterion obtained all revealed that price discount was essentially a better explanatory variable for customer retention for the pay TV service providers. The Durbin-Watson statistics obtained of 1.674261 showed that the variables of the study were free from auto-correlation and hence, price discount exert a considerable impact on customers retention.

5. Discussion and Implication of the Study

The study provided information on price discount and customer retention which pay television service providers, managers and government regulatory agency will found useful in making decisions and formulating relevant policies that would enhance satisfaction and retention of customers of the pay television sector in Nigeria. The results of the study indicated that price discount had a significant positive effect on retention of customers of pay television sector in Nigeria. This finding corroborated the work of Shrestha (2015), and Genchev and Todorova (2017) which indicated that price discount along with free samples and in store displays are associated with the product trial and popular among retailers and preferred by consumers. Also the study was consistent with the study conducted by Alimpic (2014) and Farrag (2017) in which the study established that price discount and bonus packs were the most effective sales promotion tools influencing consumer behaviour. In addition, the study reaffirmed the findings of Gilbert and Jackaria (2002) which indicated that only price discount promotions proved to be statistically significant on consumer reported buying behaviour. It implied that a unit increase in price discount provision led to a significant increase in retention of the customer of the pay television service providers. This means that the pay television service providers should give more of price discount or reduction in subscription fees to their customers with a view to increase their customer base hence earn more profit.

6. Limitations of the Current Study

The data used for this survey were collected from only selected subscribers of the three main pay television service providers namely Startimes, Dstv and Gotv in Ekiti State, Nigeria using only six Local Government Areas (LGAs) of the state. Care therefore must be taken in generalisation of the results of the study.

The study was conducted in only one state in the southwest, Nigeria. Southwest is one of the six geopolitical zones in Nigeria. This therefore places restrictions on the generalisation of the study. A similar study in other geopolitical zones is therefore suggested due to variation in culture and level of literacy in the country.
Also the study only considered the relationship between price discount and customer retention. Research on other aspects of sales promotion is necessary for comparative purpose.

References


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