Factors Contributing to Customer Loyalty Towards Telecommunication Service Provider

Salmiah Mohamad Amin*a, Ungku Norulkamar Ungku Ahmad*a & Lim Shu Hui*b

Faculty of Management and Human Resource Development, Universiti Teknologi Malaysia, 81310 UTM Johor Bahru, Malaysia

Abstract

The study aims to determine contributing factors to customer loyalty towards telecommunication service provider in Malaysia. Data were collected from 185 telecommunication users among university students using self-administered questionnaire. The findings indicated that there is a positive relationship between switching cost, trust, corporate image and perceived service quality with customer loyalty. Perceived service quality was found to be the most critical factor in affecting users’ customer loyalty.

© 2012 Published by Elsevier Ltd. Selection and/or peer-review under responsibility of the Asia Pacific Business Innovation and Technology Management Society

Keywords: Customer loyalty; Telecommunication service; Perceived service quality; Switching cost

1. Introduction

In the telecommunication industry, the main condition to protect subscriber base is to win customer loyalty, a key necessity for the long term maintenance of the brand’s life [1]. Gerpot et al. [2] believed that customer long-term relationship with a service provider is of greater importance to the success of a company in a challenging and competitive market. Loyal customers build businesses by buying more, paying premium prices, and providing new referrals through positive word of mouth over time [3]. According to Serkan and Gorhan [1], corporate image, switching cost, trust and service quality have significant effect on customer loyalty. Therefore, the purpose of this study is to determine the potential antecedents of customer loyalty towards telecommunication service provider in Malaysia.

* Corresponding author. Tel.: +6(0)13-7414831; fax: +6(0)07-5566911.
E-mail address: salmiah@utm.my.
2. Literature Review

2.1. Customer loyalty

Customer loyalty is a key component for a brand’s long-term viability [4, 20]. It helps a company face many uncertainty problems in an intense competitive market. Oliver [5] defines customer loyalty as a deep held commitment to repeat patronage from a preferred product/service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts that may potentially cause switching behaviour. Customer loyalty has been found to be the key mediating variable in explaining customer retention, which is the likelihood of a customer returning, making business referrals, providing strong word-of-mouth, as well as providing references and publicity [6,7].

According to Uncles et al. [8], customer loyalty can be categorized as (a) attitudinal-loyalty to the brand whereby customers have a favourable set of stated belief towards the brand purchased, (b) behavioural-loyalty to the brand where loyalty to a certain brand is defined mainly with reference to the pattern of past purchases, and (c) co-determinants of buying brand where loyalty is moderated by contingency variables such as individual’s current circumstances, their characteristics, and/or the purchasing situation faced. In this study, the concept of customer loyalty is based on both user’s attitudinal-loyalty and behavioural-loyalty to the telecommunication service provider.

2.2. Framework measuring customer loyalty in telecommunication market

According to Serkan and Gorhan [1], there are four dimensions that influence customer loyalty in choosing desired telecommunication service providers. These dimensions are corporate image, perceived service quality, trust and switching cost.

Corporate image is described as the overall impression made on the minds of public about a firm which is related to physical and behavioural attributes of the firm [9]. It is a result of an aggregation process which incorporates with diverse information used by consumers to form perception of a firm. A good corporate image has been found to help establish and maintain loyal relationship with customers [10] and influence repeat patronage [11].

Meanwhile, perceived service quality refers to the degree of discrepancy between customer’s normative expectations for the service and their perception of service’s performance [12]. According to Fornell [13], high service quality leads to high level of customer retention which can constitute for profitability. It has been found that perceived service quality is positively related to repurchase intention, recommendation, and resistance to attractive and better alternatives [14,15].

According to Anderson and Narus [16], trust is a belief to another party’s word or promise because the party is considered as integral, honest, truthful, and able to perform actions that will result in positive outcomes or prevent actions that will end in negative results. A customer who trusts a certain brand is likely to form positive buying retention towards the brand [17].

Switching cost, on the other hand, is the costs associated with switching from one service provider to another which will not incur if a customer stays with the current service provider [18]. Increase in switching cost would result in higher risk and burden on the customer [15,19].

Serkan and Gorhan [1] found that these four factors, not only directly influence customer loyalty, but also interact with each others in influencing the customer loyalty in the telecommunication industry. The framework measuring customer loyalty in telecommunication industry is depicted in Figure 2.1.
3. Methodology

Data were collected from 185 telecommunication users among university students. A set of questionnaire developed by Serkan and Gorhan [1] was employed in collecting the data. In order to identify factors that constitute to customer loyalty, respondents were asked to indicate their agreement for each statement asked based on a 5-point Likert scale ranging from 1 = strongly disagree to 5 = strongly agree. Multiple regression analysis was performed in analyzing the contributing factors of customer loyalty.

4. Findings

Results of multiple regression analysis indicated that corporate image, perceived service quality, trust and switching cost jointly explained 77 percent to the variance in customer loyalty. In addition, a significant value of 0.000 suggested that the regression model for this study is statistically significant (see Table 4.1).

| Corporate Image | Perceived Service Quality | Trust | Customer Loyalty | Switching Cost |
|-----------------|--------------------------|-------|-----------------|---------------|
|                 |                          |       |                 |               |

Table 4.1: Multiple Regression Model Summary

| R    | R²   | Adjusted R² | Std. Error of the Estimate | Sig. |
|------|------|-------------|---------------------------|------|
| 0.887| 0.770| 0.765       | 0.448                     | 0.000*|

* Significant at p<0.05

The results as shown in Table 4.2 revealed that the four contributing factors are significantly and positively related to consumer loyalty. The beta value indicates that perceived service quality is the most critical factor influencing customer loyalty. This is followed by corporate image and trust. The least contributing factor to customer loyalty is switching cost.
Table 4.2: Relationship Between the Contributing Factors and Customer Loyalty

| Model                      | Unstandardized Coefficients | Standardized Coefficients | t    | Sig  |
|----------------------------|-----------------------------|---------------------------|------|------|
| (Constant)                 | -0.918                      | 0.201                     | -4.576 | 0.000 |
| Switching Cost             | 0.131                       | 0.054                     | 2.449 | 0.015 |
| Trust                      | 0.173                       | 0.071                     | 2.441 | 0.016 |
| Corporate Image            | 0.341                       | 0.081                     | 4.231 | 0.000 |
| Perceived Service Quality  | 0.603                       | 0.096                     | 6.295 | 0.000 |

* Significant at p<0.05

5. Conclusion

Based on the findings of this study, it is concluded that corporate image, perceived service quality, trust and switching cost are positively related to customer loyalty towards telecommunication service provider in Malaysia. As a matter of fact, perceived service quality was found to be the most critical contributing factor to customer loyalty, followed by corporate image, trust and switching cost. This means that customers’ judgment about the overall excellent services of the telecommunication service provider will increase their commitment to repeat patronage to a preferred service provider in the future. Furthermore, favourable corporate image can influence the repeat patronage of customer and thus constitute to customer loyalty. In addition, customers’ trust towards a service provider can restrain them from changing to another provider. Lastly, higher switching cost will make customer less likely to switch to other providers.

References

[1] Serkan, A. and Gorhan, O. (2004). The Analysis of Antecedents of Customer Loyalty in the Turkish Mobile Telecommunication Market. European Journal of Marketing, 39, 910-925.
[2] Gerpott, T. J., Rams, W., and Reynolds, K. E. (2000). Customer Retention, Loyalty and Satisfaction in the German Mobile Cellular Telecommunication Market. Telecommunication Policy, 25, 249-269.
[3] Ganesh, J., Arnold, M. J., and Reynolds, K. E. (2000). Understanding the Customer Base of Service Providers: An Examination of The Differences Between Switchers and Stayers. Journal of Marketing, 64, 65-87.
[4] Krishnamurthi, L. and Raj, S.P. (1991). A Empirical Analysis of The Relationship Between Brand Loyalty And Consumer Price Elasticity. Marketing Science, 10 (2), 172-83.
[5] Oliver, R. L. (1997). Satisfaction: A Behavioural Perspective on the Customer. New York: McGraw-Hill.
[6] Bowen, J. T. and Shoemaker, S. (1998). Loyalty: A Strategic Commitment? Cornell Hotel and Restaurant Administration Quarterly, 12-25.
[7] Pritchard, M.P. and Howard, D. R. (1997). The Loyal Traveler: Examining a Typology of Service Patronage. Journal of Travelers Research, 35 (4), 2-11.
[8] Uncles, M. D., Dowling, G. R., and Hammond, K. (2003). Customer Loyalty and Customer Loyalty Programs. Journal of Consumer Marketing, 20, 294-316.
[9] Nguyen, N. and LeBlanc, G. (2001). Corporate Image and Corporate Reputation is Customers’ Retention Decisions in Services. Journal of Retailing and Customer Services, 8, 227-236.
[10] Andreassen, T. W. and Linstedt, B. (1998). The Effect of Corporate Image in the Formation of Customer Loyalty. Journal of Service Research, 1 (1), 82-92.
[11] Dick, A. S. and Basu, K. (1994). Customer Loyalty: Toward an Integrated Conceptual Framework. Journal of the Academy of Marketing Science, 22, 99-113.
[12] Parasuraman, A., Zeithaml V. A., and Berry L. L. (1988). Servqual: A Multiple-item Scale for Measuring Consumer Perceptions of Service Quality. *Journal of Retailing*, 64 (1), 12-40.

[13] Fornell, C. (1992). A National Customer Barometer: The Swedish Experience. *Journal of Marketing*, 56, 6-21.

[14] Bloomer, J., Ruyter, K. and Wetzels, M. (1998). On the Relationship Between Perceived Service Quality, Service Loyalty and Switching Costs. *International Journal of Industry Management*, 9, 436-453.

[15] Jones, M. A., Beatty, S. E., and Mothersbaugh, D. V. (2002). Switching Barriers and Repurchase Intention in Services. *Journal of Retailing*, 76 (2), 259-274.

[16] Anderson, J. C. and Narus, J. A. (1990). A Model of Distributor Firm and Manufacturer Firm Working Relationship. *Journal of Marketing*, 54, 42-58.

[17] Lau, G. and Lee, S. (1999). Customer Trust in a Brand and Link to Brand Loyalty. *Journal of Market Focused Management*, 4, 341-370.

[18] Porter, M. (1998). *Competitive Strategy: Techniques for Analyzing Industries and Competitors*. New York: The Free Press.

[19] Morgan, R. M. and Hunt, S. D. (1994). The Commitment-Trust Theory of Relationship Marketing. *Journal of Marketing*, 15, 529-546.

[20] Chen, Y.H., Tseng, M.L.*, Lin, R.J., (2010). *Evaluating the customer perceptions on in-flight service quality*. African Journal of Business Management 5(7), 2865-2873