Determinants of Customer Loyalty in Mobile Telecommunication Industry in Bangladesh

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Abstract- The objective of the study is to investigate the determinants of customer loyalty in telecom industry in Bangladesh. The study surveyed 200 telecom customers in Bangladesh from Dhaka city to determine the key determinants that significantly influence customer loyalty. Convenience sampling method was used to collect primary data. Several hypotheses have been extracted from the conceptual framework and are tested using One-way ANOVA, Multiple regression analysis. Findings of study showed that service quality, customer satisfaction, trust, corporate image have certain degree of relationship with customer loyalty but switching cost did not prove to have any significant relationship with customer loyalty. It is also shown that service quality is the most dominant determinant among four (4) significant determinants which mostly lead customer to use a particular telecom operator’s services repeatedly. The findings suggest that telecom operators should put more emphasis on improving service quality, customer satisfaction, trust, corporate image in order to increase loyalty among customers.

Keywords: customer loyalty, service quality, customer satisfaction, trust, corporate image, switching cost.

GJMBR-A Classification: JEL Code: M10
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I. Introduction

Bangladesh is the third biggest telecom market in Asia after China and India. Mobile phone has become an indispensable part of Bangladesh’s everyday-life that made the communication easier for both urban and rural people in Bangladesh. Every year the number of mobile subscribers has been increased dramatically. The subscriber base was 97.180 million by December 2012. Within four years, the subscriber base has reached more than 119 million by September, 2016 and is continuing to grow at constant rate (BTRC, 2017). Presently, there are five mobile phone operators operating in Bangladesh namely Grameenphone (GP), Banglalink, Robi (Aktel), Teletalk (state-owned company), and Airtel (Warid). Grameenphone is the market leader with 55 million subscribers followed by Banglalink with 29 million subscribers and Robi with 24 million subscribers. Telecommunication service providers offer a wide range of value added services, including SMS (Short Message Service), voice SMS, MMS (Multimedia Message Service), voice services, information service, ringtone, games, electronic transaction, roaming, internet service, video call and customer care service (BTRC, 2017).

There is a fierce competition existing among telecom operators in Bangladesh. In this competitive market, customers are not loyal to one particular telecommunication company. The major telecommunication companies are continuously forced to consider how to create a loyal customer base that will not be eroded even in the face of severe competition. Therefore, it has become a paramount concern for the companies to stay alive and win the market share by making more customers loyal to their firms because acquiring a new customer can cost 6 to 7 times more than keeping or retaining existing customer (Kotler, 2012).

Since competition increases, customers bargaining power gets stronger, building trust and satisfaction becomes more important. Hence, companies should put more focus on factors affecting loyalty among consumers.

a) Problem Statement

There is a fierce competition existing in the mobile telecommunication sector in Bangladesh. So, subscribers now have various alternatives to choose mobile telephone company according to their convenience. Therefore, to maintain the leading position in this competitive market telecom operators have to identify the factors that create customer loyalty. Very few studies are conducted on the determinants of customer loyalty in telecom industry in the context of Bangladesh. Therefore, this study attempts to find out the determinants of customer loyalty in the telecom industry in Bangladesh.

b) Research Objectives

The broad objective of this study is to explore the critical determinants of customer loyalty in Bangladesh. To be specific, the study has the following objectives:

- To examine whether service quality has significant relationship on customer loyalty.
- To examine whether customer satisfaction has significant relationship on customer loyalty.
- To examine whether trust has significant relationship on customer loyalty.
- To examine whether switching cost has significant relationship on customer loyalty.
To recommend some actions plan for telecom operators based on this research findings.

II. Literature Review

a) Customer Loyalty

Loyalty as a concept has its root from the consumer behavior theory and is something that consumers may exhibit to brands, services or activities. Customer loyalty is the most important goal of implementing relationship marketing activities. Customer loyalty represents the repeat purchase behavior, and referring the company to other customers (Heskest et al., 1994). Oliver (1997) defined customer loyalty as “a deeply held commitment to rebury or repatronize a preferred product/service consistently in the future, thereby causing repetitive same brand or same brand set purchasing, despite situational influences and marketing efforts having the potential to cause switching behavior”. Customer loyalty is viewed as the strength of the relationship between an individual’s relative attitude and repeat patronage. To deal with highly competitive market, business is trying not only to attract and satisfy customer but also to create a long term relationship with these customers (Gremier and Brown, 1996). Zeneldin (2006) suggested that a company can create loyalty by giving reward for their loyalty. Training employees on relationship marketing skills are the way to make customer loyal to a particular company.

b) Service Quality

Service is any activity or benefit that one party can offer to another that is essentially intangible and does not result in the ownership of anything (Kotler, 2012). Service quality is a global judgment or attitude relating to a particular service (Fogli, 2006). According to Berry et al. (1988), service quality has become a significant differentiator and the most powerful competitive weapon which all the service organizations want to possess. Service quality is the result of an evaluation process where customers compare their expectations about a service with their perception of the service to be received (Gronroos, 1984; Parasuraman et al., 1985, 1988, 1994). The service providers can create competitive advantage by providing high level of service quality (Yoo and Park, 2007). Service quality is determined by SERVQUAL model which includes the components of reliability, responsiveness, assurance, empathy, and tangibles (Parasuraman et al., 1985). Service quality dimensions vary from industry to industry. Customer loyalty results when the quality of network of the service provider is satisfactory and there are small rates of call failure (Jahanzeb et al., 2011).

According to Rahman and Ismail (2010), network quality is one of the significant factors in terms of evaluating service quality in determining the customer loyalty. Services Quality is a major determinant in customer retention and building value relationship (Venetis and Ghauri, 2004). Theoretically, there is positive relationships between service quality, and customer loyalty which are documented in the extant literature (Buzzell and Gale, 1987; Brown et al., 1992; Zeithaml et al., 1996). The above literature can come up with the following hypothesis:

H1: There is a significant relationship between service quality and customer loyalty.

c) Customer Satisfaction

Customer satisfaction has been given much attention among theoretical literatures and practical researches. Fornell (1992) defined satisfaction as an overall evaluation dependent on the total purchase and consumption experience of the target product or service performance compared with repurchase expectations over time. There is a strong positive correlation between customer satisfaction and customer loyalty (Donolet al., 2006; Story and Hess, 2006; Cheng et al., 2008; Anderson & Sullivan, 1993; Bolton & Drew, 1991; Fornell, 1992). Numerous studies in the service sector have also empirically validated the link between satisfaction and behavioral intentions such as customer retention and word of mouth (Anderson & Sullivan, 1993; Bansal & Taylor, 1999; Cronin & Taylor, 2002). Most of the researchers found that customer satisfaction is the predictor of customer loyalty (Faullant et al., 2008; Leverin and Liljander, 2006; Terblanche, 2006). The above literature can come up with the following hypothesis:

H2: There is a significant relationship between customer satisfaction and customer loyalty.

d) Trust

In business, trust is one of the most relevant determinants of stable and collaborative relationships. According to Moorman et al. (1992), trust is a willingness to rely on an exchange partner in whom one has full confidence. If one party trusts another party that eventually stimulates positive behavioral intentions towards the second party (Lau and Lee, 1999). Morgan and Hunt (1994) showed that trust is a major factor that influences relationship commitment which in turns leads to brand loyalty. According to Chauduri and Holbrook (2001), brand trust is directly related to both purchase and attitudinal loyalty. Brand trust helps the organization to sustain even during the time of uncertainty (Moorman et al., 1992; Doney et al., 1997; Dwyer et al., 1987). The above literature can come up with the following hypothesis:
H3: There is a significant relationship between trust and customer loyalty.

e) Corporate Image

Image refers to the ability to influence customers' perception of the goods and services offered by the service provider (Zeithaml and Bitner, 2008). According to Nguyen and Leblanc (1998; 2001) corporate image is correlated to the physical and behavioral attributes of the organization, such as business name, variety of products or services, and the impression of quality communicated by each person communicating with the firm's clients. Thus, image will have an impact on customers' buying behavior. According to Aydin and Zer (2005) corporate image is one of the major determinants of customer loyalty and loyal customers may buy more and spread positive word-of-mouth regarding service provider. Corporate and brand image have also emerged as determinants of customer loyalty (Gronroos, 1988, Groholdt et al., 2000). The above literature can come up with the following hypothesis:

H4: There is a significant relationship between corporate image and customer loyalty.

f) Switching Cost

Switching cost is the form of cost involved in changing from one service provider to another (Porter, 1998). According to Jackson (1985), switching cost is the sum of economic, psychological and physical costs. Switching cost are characterized by customer lock-in, where customer purchase the same brand repeatedly even competing brands have cheaper price (Aydin and Ozer, 2005; Shy, 2002). Previous studies showed that the degree of switching cost may have an influence on customer loyalty in service industry (Anderson and Fornell, 1994; Dick and Basu, 1994; Gremler and Brown, 1996). Jones et al., (2000) showed that switching cost is the significant antecedents for both business to business and business to consumer cases. Hence, the above literature can come up with the following hypothesis:

H5: There is a significant relationship between switching cost and customer loyalty.

g) Development of Conceptual Framework

Service quality, Customer satisfaction, Trust, Corporate image, Switching Cost and Customer loyalty are probably the most widely used variables in the domain of relationship marketing. A research model has been proposed based on literature review to analyze the relationships among these variables in order to detect the discerning impact of several determinants on customer loyalty.

III. Methodology

This study is descriptive in nature. The main purpose of the descriptive research is validation of the developed hypothesis that reflects the existing condition (Zikmund et al., 2012).

a) Sampling Design

The population of this study includes all the individuals in Bangladesh who have a connected mobile phone and used a particular operator network service more than six (6) months. The sampling unit includes both male and female doing business, service, and
students with any level of education but must have age
15 years. Data has been collected from the four areas
namely Narayanganj, Savar, Shantinagar and Azimpur in
Dhaka City. Time frame for collecting survey data is from
September 2016 to October, 2016. Convenience
sampling method of non-probability sampling technique
has been used in this study. Sample size is 200 used for
this research purpose.

b) Data Collection Procedure and Instruments

To attain the objectives of this study both the
primary and secondary data have been used. Secondary data has been collected from journals,
newspapers, magazine, books, reports, and websites
eetc. The researcher conducts a survey to collect the
primary data from the respondents who are using
mobile phone services of a particular company. Primary
data is collected from the respondents through survey
method. Considering the nature of the study, data were
collected through a structured questionnaire using 5-
point Likert scale where Strongly Disagree=1,
Disagree=2, Neutral=3, Agree=4, and Strongly
agree=5) to collect information about the determinants
of customer loyalty in telecom industry.

The questionnaire was designed in two parts. In part-I,
to identify respondents’ specific demographic criteria
including name of the mobile operators, gender, age,
monthly mobile expenses, occupation and education
and in part-II- it includes 18 influential variables of
customer loyalty in telecom industry.

c) Data Analysis

The data were analyzed using the Statistical
Package of the Social Science (SPSS, 16.0). In this
study, both the descriptive and inferential analysis
techniques including reliability statistics (Cronbach
Alpha), and multiple regression analysis were used to
achieve this purpose.

IV. Analysis and Discussion

a) Reliability of Data

The reliability of a measure indicates the degree
to which measures are free from random error and
therefore yield consistent results (Zikmund, et al., 2012).
According to Nunnaly (1978),0.7 is acceptable reliability
coefficient.

Table 1: Reliability Statistics

<table>
<thead>
<tr>
<th>Cronbach's Alpha</th>
<th>No of Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>.815</td>
<td>18</td>
</tr>
</tbody>
</table>

From table 1, Cronbach’s alpha is .815 which
indicates a high level of internal consistency among 18
variables. These results of reliability ensure a proper
ground for further analysis.

Table 2: Demographic Profile of the Respondents

<table>
<thead>
<tr>
<th>Variables</th>
<th>Respondents N = 200</th>
<th>Frequency (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name of the Mobile Operators</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grameenphone</td>
<td>88</td>
<td>44%</td>
</tr>
<tr>
<td>Banglalink</td>
<td>51</td>
<td>26%</td>
</tr>
<tr>
<td>Robi</td>
<td>32</td>
<td>16%</td>
</tr>
<tr>
<td>Airtel</td>
<td>18</td>
<td>9%</td>
</tr>
<tr>
<td>Teletalk</td>
<td>11</td>
<td>5%</td>
</tr>
<tr>
<td>Gender</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>114</td>
<td>57%</td>
</tr>
<tr>
<td>Female</td>
<td>86</td>
<td>43%</td>
</tr>
<tr>
<td>Age (Years)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>15-25</td>
<td>57</td>
<td>29%</td>
</tr>
<tr>
<td>26-35</td>
<td>96</td>
<td>48%</td>
</tr>
<tr>
<td>36-45</td>
<td>33</td>
<td>16%</td>
</tr>
<tr>
<td>Above 45</td>
<td>14</td>
<td>7%</td>
</tr>
<tr>
<td>Monthly Mobile Expenses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Below 500 TK</td>
<td>89</td>
<td>45%</td>
</tr>
<tr>
<td>500-1000 TK</td>
<td>74</td>
<td>37%</td>
</tr>
<tr>
<td>1000-1500 TK</td>
<td>31</td>
<td>15%</td>
</tr>
<tr>
<td>Above 1500TK</td>
<td>6</td>
<td>3%</td>
</tr>
</tbody>
</table>
Table-2 shows the demographics profile of the customers who use mobile phone services more than 6 months including name of the mobile operator, gender, age, monthly mobile expenses, education and occupation. From this study, it has been found that most of customers use Grameenphone (44%) while only 5% using Teletalk. It is also shown that male respondents are dominant (57%) compared to female respondents (43%). In case of age group, 26 to 35(48%) are mostly the users of mobile phone services where only 7 percent uses mobile phone services whose age above 45. The respondents monthly expenses below 500 Taka are 45% followed by 37% within the range of monthly expenses 500-100 Taka. The respondents who have HSC, Graduation and Post-graduation degree are the major users of mobile phone representing 79%. Finally, statistics related to occupation shows that significant number of the respondents are students (49%) followed by business (28%) and service (23%).

b) Multiple Regression Analysis

Table 3: Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.646a</td>
<td>.519</td>
<td>.503</td>
<td>.78599</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Switching Cost, Customer Satisfaction, Corporate Image, Trust, Service Quality

Table 4: ANOVAb

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Regression</td>
<td>112.622</td>
<td>5</td>
<td>22.524</td>
<td>23.729</td>
<td>.000a</td>
</tr>
<tr>
<td>Residual</td>
<td>184.152</td>
<td>194</td>
<td>.949</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>296.774</td>
<td>199</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Switching Cost, Customer Satisfaction, Corporate Image, Trust, Service Quality

b. Dependent Variable: Customer Loyalty

In this study, multiple regression analysis has been used to find out the determinants of customer loyalty in telecom industry in Bangladesh. In table 3, the model summary shows that the R value is .646, which is the correlation of five (5) independent variables with dependent variable. It also found that the coefficient of multiple determination is R²=.519. This means that 51.9 percent variations in the dependent variable i.e. customer loyalty of telecom sector are explained by independent variables that are service quality, trust, customer satisfaction, corporate image, switching cost and the remaining 48.1% can be attributed by other factors which are not studied. Table 4 shows that the ANOVA test result (F = 23.729, P = .000) represents the fitness of the model. Therefore it can be concluded that the combination of the independent variables significantly predicts customer loyalty of telecom sector in Bangladesh.
c) Hypothesis Testing

Table 5: Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1 (Constant)</td>
<td>0.503</td>
<td>0.771</td>
<td>0.652</td>
<td>.515</td>
</tr>
<tr>
<td>Service Quality</td>
<td>0.505</td>
<td>0.106</td>
<td>0.364</td>
<td>4.765</td>
</tr>
<tr>
<td>Customer Satisfaction</td>
<td>0.237</td>
<td>0.102</td>
<td>0.169</td>
<td>2.318</td>
</tr>
<tr>
<td>Trust</td>
<td>0.261</td>
<td>0.094</td>
<td>0.203</td>
<td>2.773</td>
</tr>
<tr>
<td>Corporate Image</td>
<td>0.214</td>
<td>0.087</td>
<td>0.159</td>
<td>2.443</td>
</tr>
<tr>
<td>Switching Cost</td>
<td>-0.182</td>
<td>0.106</td>
<td>-0.131</td>
<td>-1.721</td>
</tr>
</tbody>
</table>

*a Dependent Variable: Customer Loyalty

Testing H1

From table 5, it has been revealed that there is a significant positive relationship between service quality and customer loyalty in telecom industry in Bangladesh with (Beta=.364) and (p=.000<.05). This means that service quality is most significant determinants contributing more than 36% customer loyalty in telecom sector. These results of the study support H1.

Testing H2

From table 5, the result shows that there is a significant positive relationship between customer satisfaction and customer loyalty in telecom industry in Bangladesh with (Beta=.169) and (p=.021<.05). This means that customer satisfaction influences more than 16% customer loyalty in telecom industry. These results of the study accept H2.

Testing H3

From table 5, the result shows that there is a significant positive relationship between trust and customer loyalty in telecom industry in Bangladesh with (Beta=.203) and (p=.006<.05). This means that trust contributes more than 20% customer loyalty in telecom sector in Bangladesh. These results of the study support H3.

Testing H4

From table 5, it is shown that there is a significant positive relationship between corporate image and customer loyalty in telecom industry in Bangladesh with (Beta=.159) and (p=.015<.05). This means that corporate image influences more than 15% customer loyalty in telecom sector in Bangladesh. These results of the study accept H4.

Testing H5

From table 5, the result shows that there is no significant relationship between switching cost and customer loyalty in telecom industry in Bangladesh with (Beta=-.131) and (p=.087>.05). Hence, this result of the study rejects H5.

Based on the SPSS results, regression model of the study is

\[
\text{Customer loyalty} = 0.503 + 0.505 (\text{Service quality}) + 0.237 (\text{Customer satisfaction}) + 0.261 (\text{Trust}) + 0.214 (\text{Corporate image}) - 0.182 (\text{Switching cost}) + e
\]

V. Conclusion

The study examines the determinants influencing customer loyalty in the telecom industry in Bangladesh. Multiple regression analysis is conducted in this study in order to find out influential determinants that lead customer loyalty in telecom industry. Based on previous literature, five (5) influential factors of customer loyalty were identified. The results show four factors significantly influencing the customer loyalty namely service quality, customer satisfaction, trust, corporate image. Switching cost is an insignificant determinant in developing customer loyalty in telecom industry in the context of Bangladesh. The findings of the study also indicate that service quality is the most significant determinant of customer loyalty in telecom industry in Bangladesh. Therefore, telecom operators should focus on service quality, customer satisfaction, trust, corporate image for the purpose of customer retention and building customer loyalty.

VI. Recommendations

Building customer loyalty in telecom industry in Bangladesh is an urgent need due to the increased competition. Few guidelines are given for telecom operators based on the findings.

- Telecom operators should improve service quality as much as possible because it is the most significant determinant of customer loyalty in telecom industry in Bangladesh. To create a distinctive and desirable place in mind of target customers, telecom operators should give more
focus on strong network coverage, infrequent call drops, and voice clarity in their network.

- A satisfied customer is the best advertisement for the organization. Telecom operators should provide different types of updated facilities and consumer promotion like price discount, FNF facilities in other operators, 3G network, 4G network, free video calling, free talk time and SMS bundle on special occasion so that customers feel that they are getting extra facilities compared to others operators.

- Telecom operator should build a trusting relationship with loyal customers by offering promised telecom services with no hidden charge. Strong interpersonal relationships between telecom operators and customers are the way to build customer loyalty, even when competitors try to win them over with lower prices.

- Telecom operators should create positive corporate image through corporate social responsibility. Consequently, it will give high impression and perception in the mind of the target customer regarding their operators.

References Références Referencias


