



Determinants of Customer Satisfaction: The Case of Pakistan Telecom Industry

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ABSTRACT

Many telecom companies are facing the customer switching problems. The customers often switch their telecom network in a short time period. Some customers just move to another network with the same mobile contact number. Efforts have been made to explore that how product's service quality, value, brand image, and customer satisfaction create the customer loyalty in Pakistan telecom industry. The structural equation modeling has been used to analyze the relationships of product's service quality, customer satisfaction, and brand image and product value with customer loyalty. The web-based questionnaire was prepared for this purpose by using Google Docs[®] and send to 500 email addresses, out of which 179 were responded. The data was also collected using convenience sampling technique from sixty respondents. The analysis of total 211 respondents was presented in this study. The research model proposed that customer loyalty has a direct and positive relationship with customer satisfaction, quality, and value: But customer loyalty didn't have significant relationship with perceived brand image. Among Pakistani telecommunication customers, customer satisfaction and product's quality directly influence on customer loyalty and play important mediating roles.

KEY WORD: Customer Loyalty, Brand Image, Quality, Satisfaction, Pakistan Telecom Industry

Paper Type: Research Paper

1. INTRODUCTION

Pakistani telecom industry is one of the fastest growing industries in the country since the last decade. According to Pakistan Telecommunication Authority (PTA), Pakistan has 120.96 million telecom users in February 2013. The growth of telecom sector in Pakistan can be seen by Teledensity, which means that "the number of telephone users in every 100 household in the region" In 2002-03, Pakistan has 4.31% teledensity and the teledensity is 71.5% in February 2013. There are only five telecom companies offering their products and services in the Pakistan, namely Moblink(Jazz), Ufone, Telenor, Warid Telecom and China Mobile Pakistan (Zong) (previous known as Paktel acquired by China Mobile Company). These all telecom companies are extensively using modern I.T. technologies to enhance their number of customers in Pakistan. The competition between all of these telecom companies is very tough and stiff due to the less numbers of the telecom operators in the country. Due to perfect competition in the market, telecom companies are facing problem of switching telecom networks. All of these telecom companies extremely advertise the way of switching the telecom services from one network to other.

How can a telecom company carry its business under such mystified conditions? Usually, mobile phone and land-line telephone service providers fight ferociously for new customers. In the USA, the telecom company provides the financial enticement to their new customers for switching the service of other telecom company. With the passage of time and having the experience of the local and international telecom markets in the world, the telecom companies have realized that they can improve their financial performance by providing better services and focusing on the retaining customers rather than wasting time and money on competition. In case of

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Pakistani telecommunication industry, how can these companies manage the customer loyalty? What are the relationships between the product's service quality, customer satisfaction, customer perceived value of the product, perceived brand image and the customer loyalty? How can these variables be inter-connected with each other?

To find out the answers of all of the above mentioned questions, this study was conducted in Pakistan telecom industry.

2. Literature Review and Hypothesis Development

Sesser 1991 analyzed that in those markets where competition is very high customer loyalty is the only major determinant of companies for future's better financial performance. The primary objective of this research study is to scrutinize integrated model of customer loyalty and perceptions. In the past we have some lack of knowledge about the customer loyalty; most of the research works like (Bolton & Drew, 1991); Baban and Attway (2001) only consider that the product quality, customer satisfaction and value has related with each other rather than brand image and customer loyalty. In the past many researches like (Bloemer & Ruyter, 1997); (Donovan RJ & Rossiter, 1982) on business image; mainly has been done on the manufacturing companies and big retail marts. There done on customer image and loyalty in service companies (Lai *et al* 2009).

Numerous researches (Garbarino & Johnson, 1999) show the relations between customer service quality, brand value, and customer satisfaction. The researchers found that higher customer service quality and higher brand value associated with high customer satisfaction. While, Dabholkar (1995) proposed that customer satisfaction engenders product quality and the majority of evidence specifies that product quality engenders customer satisfaction. The foundation of this relation came from service quality and brand value to customer satisfaction (Bagozzi, 1992) and (Lazarus, 1991) framework). Adapting their conceptual framework to service companies context, studies suggest that the more cognitively concerned with product service quality and brand value appraisals may lead to customer emotional satisfaction, which in turn engenders customer loyalty (e.g. (Woodruff, 1997); Chenet *et al.*, 1999; (Ennew & Binks, 1999).

The (Brady & Robertson, 2001) research works have significant support and empirical authentication to service quality and customer satisfaction. Consequently, our first hypothesis is:

H1. Customer service quality has a significant relationship with the customer satisfaction.

In support to the above mentioned studies, Fornell *et al.* (1996) analyzed that there are two main elements of customer satisfaction i.e. customer perceived quality and customer perceived value. Therefore, our second research hypothesis is:

H2. Customer perceived value has a significant relationship with the customer satisfaction.

The Babin *et al* (1994) defined customer value as "value is a customer's perception of the subjective worth of some activity or object considering all net benefits and costs of consumption". In this research work, the applicable consumption act is the complete services received from a telecom companies. According to the (Chang & Wildt, 1994) and the perceived product quality will definitely effects brand value, whereas the price would harmfully influence the brand value.

Rationally, higher product quality is not a precondition for brand value since a decrease in product quality can be counterbalance by lesser total price. Nevertheless, (Andreassen & Lindestad, 1998) and (Cronin, Brady, & Hult, 2000) research work showed a positive association between product quality and brand value. So, our third research hypothesis is:

H3. Customer service quality has a significant relationship with the customer perceived value.

The Bitner (1991) evaluated that brand image is an additional significant feature in the whole service assessment. Brand image is an acuity of firm detained in customer reminiscence and works as a sieve which influences the insight of the process of the firm (Gronroos, 1988); (Keller, 1993). The (Fazio & Zanna, 1978) finds that the service assessments are the important reason of brand image according to the attitude model. Because these attitudes are showing more and more surge in analytical value as they become more available in mind of the customers.

The customer behavior of purchasing a product/service is directly linked with the last purchase experience of this particular product (Oliver, 1980). Selnes (1993) suggested that to check the global acceptability and brand evaluation of any product or service, the performance quality is the best tool.

Aydin and Ozer (2005) argued that brand image of any product/service is fully related to consumer usage experiences and the quality customer services are the main parts of these consumer usage experiences.

Therefore, customer service quality directly affects the brand image

H4. Customer service quality has a significant relationship with the company's brand image.

The (Andreassen & Lindestad, 1998) in their research study shows that how brand image generates a corona effect on customer satisfaction. Customers who made up their positive mind about any brand will incline toward higher customer satisfaction with a corona effect where all things related with that brand are equally disburse Lai et al (2009). So our fifth research hypothesis

H5. High level of Company’s brand image has a significant relationship with the high level of customer satisfaction.

An optimistic brand image makes the customer usage experience extra rewarding; therefore, serving consumers’ experience enjoyable community and sensitive welfares (Holbrook 1994). So, it leads to following hypothesis;

H6. Corporate image has a significant positive effect on perceived value.

We have already plenty of evidence form literature that proposes that there is bivariate and important relationships between service assessments and their results for example word-of-mouth marketing, transfer, and possession the relations among these three variables value, quality and satisfaction are called service assessment variables, but have the problems with its measures of these variables still vague

Some studies discloses little standardization regarding these three variables of service assessment unswervingly affect result measures (Cronin, Brady , & Hult , 2000). The research paper model construction seems extremely reliant on the theory of the research and lag period of time of this research.

Some research studies like (Cronin, Brady , & Hult , 2000)&(Ennew & Binks, 1999) presented three types of model

- Value Model
- Satisfaction Model
- Indirect Model

The value model emphasizes more on perceived customer value rather than customer satisfaction because this model has direct link with customer service perception to usage results. In satisfaction model, they have created link between customer satisfaction and usage results. In indirect model, they have suggested that through satisfaction and value the customer service quality have direct effect on customer loyalty.

After the examination of above mentioned three models and their link with customer loyalty, study has three research hypotheses

H7. Customer satisfaction has a significant relationship with the customer loyalty.

H8. Customer perceived value has a significant relationship with the customer loyalty.

H9. Company’s service quality has a significant relationship with the customer loyalty.

The customer loyalty is also affected by brand image. Some of the studies found that the companies brand image is directly or indirectly influences the customer loyalty (Hart & Rosenberger , 2004)&(Andreassen & Lindestad, 1998). So our last research hypothesis is

H10. Company’s brand image has a significant relationship with the customer loyalty.

Table 1 Research Hypotheses and Evidence from Literature

Name	Hypothesis Statement	Evidence from Literature
H1	Customer service quality has a significant relationship with the customer satisfaction.	Gotlieb et al (1994)
H2	Customer perceived value has a significant relationship with the customer satisfaction.	Gotlieb et al (1994)&Fornell et al (1996)
H3	Customer service quality has a significant relationship with the customer perceived value.	Cronin et al(2000),
H4	Customer service quality has a significant relationship with the company’s brand image.	Oliver(1980)&Selnes (1993)
H5	High level of Company’s brand image has a significant relationship with the high level of customer satisfaction.	Andreassen and Lindestad (1998)
H6	Company’s brand image has a significant relationship with the customer perceived value.	(Holbrook 1994)
H7	Customer satisfaction has a significant relationship with the customer loyalty.	Cronin et al (2000) &Ennew and Binks (1999)
H8	Customer perceived value has a significant relationship with the customer loyalty.	Cronin et al (2000) &Ennew and Binks (1999)
H9	Company’s service quality has a significant relationship with the customer loyalty.	Cronin et al (2000) &Ennew and Binks (1999)
H10	Company’s brand image has a significant relationship with the customer loyalty.	Hart and Rosenberger (2004) &Andreassen and Lindestad (1998)

Table 1 shows the evidence from previous literature that these researchers have already done their research work on these variables. This research work will use these hypotheses as a reference throughout this paper.

3. Problem Statement

Many telecom companies are facing the switching problems from its new customers; often customers switch their telecom network with-in a month and some has just move to another network with the same number. The problem statement is that how product service quality, the value, brand image, and customer satisfaction create the customer loyalty in Pakistan telecom industry.

4. Research Objective

The primary objective of this research paper is to scrutinized integrated model of customer loyalty and what are the effects of value, satisfaction, quality and image on customer loyalty in telecom sector of Pakistan.

5. Research Questions

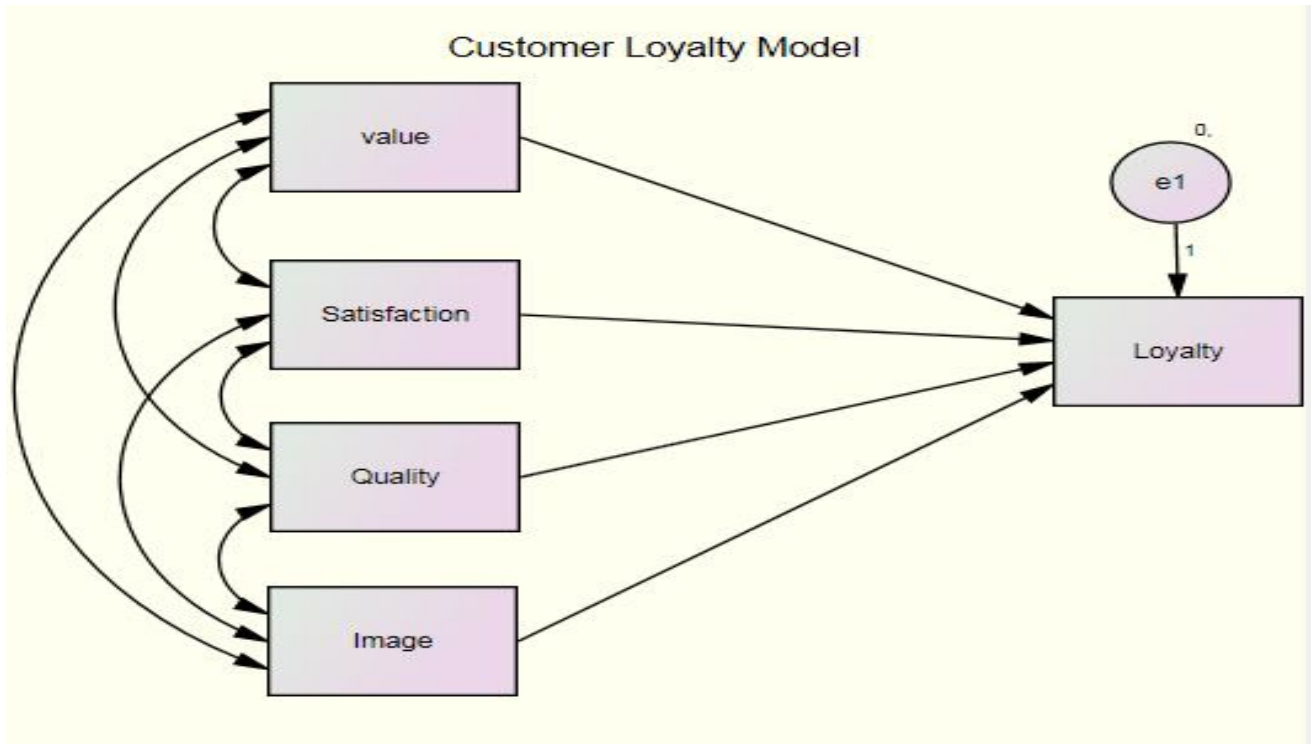
The study has following research questions for this research work

- What are the relationships between the product service quality, customer satisfaction, customer perceived value of the product, perceived brand image and the customer loyalty?
- How can telecom companies manage the customer loyalty?
- How can these variables are interrelated with each other?

6. Theoretical Frame Work

Figure 1 shows five variables in which customer value, satisfaction, product quality and brand image acts as independent variable. Figure shows the customer loyalty of telecom sector of Pakistan and act as dependent variable. This model was also used by Lai et al. (2009).

Figure 1 Model



Demographic Characteristics of Respondents

Table 2

	Variables	Frequency	% of Total Population
Gender	Male	159	75.35%
	Female	52	24.65%
Education	Undergraduate	26	12.32%
	Graduate	176	84.41%
	Post graduate	9	4.26%
Age	21-30	145	68.72%
	31-40	26	12.32%
	41-50	40	18.95%
	Above 50	0	0.00%
Mobile Network	Moblink Jazz	43	20.37%
	UFONE	36	17.06%
	Zong	22	10.42%
Profession	Telenor	48	22.74%
	Warid	62	29.38%
	Business	10	4.73%
	Service	78	36.97%
	Student	67	31.75%
	Others	55	26.06%

7. RESEARCH METHODOLOGY

This research work has been done through structured questionnaire. Convenience sampling technique was used to collect the data from respondents. The web-based questionnaire has been made for this purpose through Google Docs© and send this questionnaire to 500 email addresses. The paper-based questionnaire was also developed and sent 60 questionnaires to the respondents through postal services. SPSS 16.0 was used to calculate the statistical measurements and model fitness. We have received 179 online responses and 46 responses through paper-based questionnaire. Due to some missing values, we also had fourteen unusual responses out of 225. The response rate was 40.18 percent, which was acceptable.

8. Data Analysis and Results

8.1 Descriptive Statistics

The age group of 21-30 years has the main share in total respondents with almost 69%. The overall mean age was 26 years with standard deviation of 2.3. The male respondents hold the major part in total respondents with 75% and the remaining 25% were female respondents. The 85% respondents had graduate level of education and 12% had undergraduate level and remaining 3% represented postgraduate level respectively. We have respondents from every network that is working in Pakistan with Warid Telecom has the major share with 29% and while other belongs to Moblink Jazz 22%, Ufone 17%, Zong 10% and Telenor 22% respectively. The reliability of data was calculated by Cronbach's Alpha. The overall reliability of all five variables is 0.845, which means that independent variables explained dependent variable by 84.5%. The reliability was 0.845 which was over 0.70. Cronbach's Alpha shows sound reliability of the data.

8.3 Model Summary and ANOVA Table

Table 3 shows the overall model summary and table 4 shows the ANOVA statistics for the fitness of the model.

Table 3. Results of Regression Analysis

Model Summary					
R	R ²	Adjusted R ²	S.E	Sig. F Change	Durban Watson
0.925071	0.8557	0.8454	0.4993	0.000	2.334

The R² value shows that all four independent variables explained 85.57 percent of dependent variable. Results of the SPSS analysis are shown in Table 3 and Table 4. The overall statistics “p-value=0.000” which designated the overall model fitness. Thus, the SPSS results fit the model well enough to propose the sufficient validity and justify a closer look. The Durban Watson value “2.33” shows that there is no correlation observed among these variables.

Table 4. ANOVA Statistics

ANOVA					
Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	289.903	14	20.707	83.058	.000
Residual	48.865	196	.249		
Total	338.768	210			

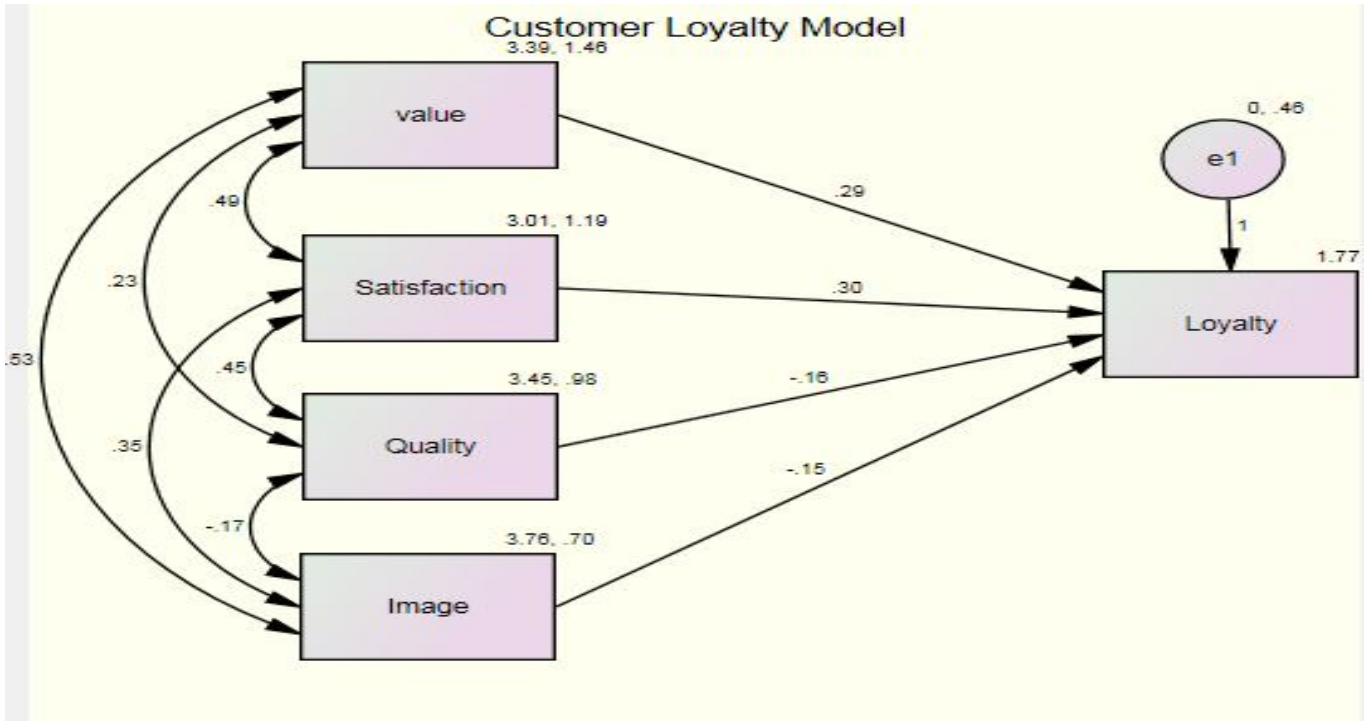


Figure 2 Model Estimation

The AMOS Graphics 20.0 was used for Confirmatory Factor Analysis and model is derived. Table 5 shows the acceptance and rejection of hypothesis of this research on the bases of p-value. Only one out of 10 hypotheses has been rejected because of lower p-value. The research model proposes that customer loyalty has a direct, positive relationship with customer satisfaction, quality, and value. The path estimates in table 5 show customer loyalty is forecaster of their three values, with customer satisfaction have positivity affected (H7; $\beta = .306$, $p=0.001$) with perceived customer value have a positive link (H8; $\beta = 0.293$, $p=0.001$) and with perceived customer quality have a strong negative relationship (H9; $\beta = -.165$, $p=0.001$) but didn't have significant relationship with perceived brand image (H10; $\beta = -.145$, $p=0.063$) and service quality shows positive influence on customer satisfaction (H1; $\beta = 0.448$, $p=0.001$) with perceived value has strong positive relationship (H3; $\beta = .231$, $p=0.006$) with brand image it has a negative strong link (H4; $\beta = -.170$, $p=0.003$). Three factors i.e. quality, value, and satisfaction are projected to concurrently affect customer loyalty.

Table 5 Results of Hypothesis Test (*) means less than a 0.001)**

Path	Estimates	SE	p-value	Hypothesis Name	Result
Service quality with satisfaction.	.448	.080	***	H1	Accept
Perceived value with satisfaction.	.491	.097	***	H2	Accept
Service quality with perceived value.	.231	.084	.006	H3	Accept
Service quality with brand image.	-.170	.058	.003	H4	Accept
Brand image with satisfaction.	.346	.067	***	H5	Accept
Brand image with perceived value.	.527	.079	***	H6	Accept
Satisfaction with customer loyalty.	.304	.055	***	H7	Accept
Perceived value with customer loyalty.	.293	.048	***	H8	Accept
Service quality with customer loyalty.	-.165	.060	.006	H9	Accept
Brand image with customer loyalty.	-.145	.078	.063	H10	Reject

Fitness Model Statistics

Table 6: Fitness of model indices

Fit indices	Rule of Thumb	Model Estimates
GFI	>.95	.984
IFI	>.95	.953
RMR	< .10	.011
NFI	>.95	.994
CFI	>.95	.973
CMIN/df	<3	2.777
AGFI	>.8	.855

The above table indicates the GFI with a value of .964, IFI with a value of .953. NFI with a value of .994, CFI with a value of .973, CMIN/df with a value of 2.777, AGFI with a value of .855. These indices showed a fitness of research model.

Conclusion

The overall results and the proposed model concluded that the product service quality, brand image, and customer satisfaction has positive significant relationship with customer loyalty and brand perceived image of products didn't have positive relationship with customer loyalty. In the end we find out that Pakistani telecom industry face switching problem due to low perceived brand image, if they have to retain their customer than they have to work on brand image.

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