

## **Determinants of Customer Loyalty its Causes and Influences: A Study of Mobile Telecom Industry in Peshawar, Pakistan.**

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### **ABSTRACT**

*The purpose of this study is to investigate the determinants customer loyalty in the Telecom Industry in Peshawar, Pakistan and to analyze its causes and influences. Telecommunication service providers have a great role in strengthening the economy, encouraging the efficiency of telecom users in the country. Customer loyalty and satisfaction are necessary for the success of every firm. In Pakistan there are five mobile phone service providers operating in the market i.e. Ufone, Mobilink (Jazz), Telenor, Warid and Zong. So this study is conducted in order to find out those major variables that are causing customers' loyalty in telecom industry. eighteen major hypotheses are identified by the study that have impact on the customers' loyalty. Target market of this study is university students. 160 Questionnaires were distributed among students of City University of Science and IT, Preston University, Edwards College Peshawar, Abasyin University and University of Peshawar Khyber Pakhtunkhwa, Pakistan. On the basis of non probability convenient sampling, questionnaires were distributed for the collection of primary data, using the non probability (convenient) technique. Regression analysis, descriptive statistics and correlation are used for analyzing the statistical part of the data. IBM, SPSS Statistics Version 20 is used for generating the results. The results are then interpreted for each statistical process. The study revealed that customer satisfaction, switching barriers, price, promotion, sales promotion, customer trust, corporate/brand image, service quality, customer care service, value added services, network coverage, signal strength, call Packages or rates, call quality/call rates, SMS rates, SMS Quality, GPRS rates and GPRS quality are the important factors causing the customers loyalty in telecom industry. A significant relationship exists between all these independent and dependent variables.*

**Key Words:** Customer loyalty, Coverage, GSM, Value Added Services, Cellular Industry, Telecom, Switching Barriers.

### **INTRODUCTION**

Telecommunication refers to sending and receiving or exchanging messages and information through electronic medium such as mobile phones and telephone. The rapid development and growth in the telecom sector has made Pakistan telecom service market more competitive.

Pakistan Telecommunication Authority (PTA) was set up In 1994. It is the Pakistan's first independent telecommunications regulator and the government owned Pakistan

Telecommunication Company Ltd (PTCL). Pakistan telecom market is growing very rapidly. Presently, in Pakistan there are five mobile phone service providers in the market i.e. Ufone, Mobilink(Jazz), Telenor, Warid and Zong.

According to the Pakistan Telecommunication Authority (PTA), by the end of 2012 the total number of cellular subscribers has reached 120,151,235 (120 million). They are contributing Rs 363 billion during the year 2012, making an improvement of 5.4 percent compared to last year. The estimates of data on provinces basis revealed that Punjab has consumer base of 60.67 million, Khyber Pakhtunkhwa 10.28 million, Sindh 30.40 million, Balochistan 4.06 million, and Azad Jammu and Kashmir and Gilgit Baltistan 7.37 million.

This paper investigates and analyzes the relationship of various factors or determinants that are impacting the customers' loyalty in the telecom cellular users of Peshawar, Pakistan. Customer loyalty is considered a very important factor for the survival of Telecom Company.

## **LITERATURE REVIEW**

### **Customer's Loyalty:**

Customer's loyalty means to build, create, maintain and sustain a long term emotional and functional relationship with customers. The successful existence or and long term future oriented development of the company is totally dependent on the importance of their loyal customers that are closely attached and related emotionally with them. If the company is able to build, create and maintain long term relationship with the customers then the company can get competitive advantage through their loyal customers over the competitors. It can grow, develop and succeed in the long term more efficiently and effectively even in the strong competitive environment or market. (Andres, 2007).

### **Customer's Satisfaction:**

Customer satisfaction means that how much the current customers are happy and motivated from the company. It is widely believed that for the growth and successful existence of any vendor or the company, a large number of customers must be available in the market, (Boohene Rosemond, 2011). Those customers that are satisfied with the company show positive, favorable and supportive feedback toward the company by purchasing its product and service and also to be related with them for long period of time. (Jessy, 2010).

### **Customer Trust:**

The customers trust has both impact on the purchase behavior and decision of the customers. It shows their ability to be loyal with the company and give favorable and positive feedback to them over the competitors. The customers trust is not only helpful and beneficial when the company is in good stable mode but also it is a main source for

the customers to be in the market and to remain in the market even when there is high level of uncertainty for the company or suppliers in the current market situation. (Jessy, 2010).

**Corporate/Brand Image:**

The corporate/brand image means the perception or the personal opinion of the customers when they hear about the brand or when they see it or more specifically when they experience it. That personal point of views or opinions or the ideas that are generated by the customers are known as the brand image. (Bezos, 2008). It helps the customers to easily differentiate one brand from the other brand. It is not only the conceptual visualizations of the attached features and characteristics of the brand but it also has the power and ability to effectively communicate and convey the idea, view, message of the company, product or service in the mind of the end users or the customers.

**Switching Barriers:**

The switching barriers refer to all type of emotional, psychological, physical, operational and financial hurdles and problems arises from the customers to stop using service of one supplier or company and then to invest a lot of time, money, information and in finding another company, vendor or supplier that has the ability to satisfy the customer need in a more effective way. All these difficulties and hurdles, barriers that are faced by the customers are known as the switching barrier or simply the costs that are incurred by the customers by leaving one vendor or supplier and move to another. (Moshe, 2012).

**Service Quality:**

The combination of all those attributes and benefits that are associated with the product or service. It also includes the ability to efficiently and effectively meet all the requirements of the customers. (McGraw-Hill, 2002).

**Price:**

Price means the interchanging of financial values of one product or service between two or more person that are participating in this exchange. In the mobile telecom market specifically the cellular mobile phone service provides the benefits to the customers and inturn the customers are paying a price. So price is playing a vital role in building and communication customer loyalty. Studies have revealed that those telecom service provider companies that are charging their customers low, have comparatively high ability to grab the intention of the large number of customers.

**Customer Care/Service:**

Providing supportive and friendly communicative feedback to the customers before as

well as after the purchase from the company by the employees and other management people to their customers is known as customer care service or simply customer support. It has positive favorable impact on increasing the loyalty of the customers toward the company and its service and products. (Customer Management IQ, 2012). So that customers can easily exchange information with the company and can also get knowledge from them regarding the company and its product. (Margaret, 2007).

### **Promotion:**

Promotion is non personal but is paid activity of communicative nature done for conveying the information from the company to their customers while building a profitable relationship with them. (Morello, 2012). Promotion or more specifically advertising are the important aspect of any growing business. It also creates customers loyalty by gaining the competitive advantage in the market. The promotion also clear the idea of the customers that the current company has the best product and service available in the market on all aspects whether its price, quality, availability or any other related factor. (Chen, 2011).

### **Sales Promotion:**

Sales promotion includes all those activities carried out by the company directed toward their customers with the aim of motivating & impacting them. It can increase the rate of purchase and can also improve the customer's behavior towards the company. It also boosts their purchasing activity. The sale promotion has only one big motive to amplify the sales for the company and many customers purchase many service and products from the company. (Marla, 2012). The sale promotion activities are very effective in increasing the sales because it helps the company or suppliers in attracting not only their customers but also those customers who are dissatisfied from the company (Gallato Cristina, 2012).

### **Value Added Services:**

The value added services are those interrelated combination of services that further improve the quality of the service and product and also add value to the primary product or service of the company. The value added service is for the purpose of encouraging the behaviors of the customers and do more and more purchase of the primary main offering of the company. (Wikipedia, the free encyclopedia, 2013). The purpose of value added services is to increase the market share for the company by making the customers more loyal toward the company and by getting a competitive edge and advantage over the competitors in a market.

### **Network Coverage:**

Network coverage is very important to the service provider to make sure that their cellular service is available and is working best in all the places without having or

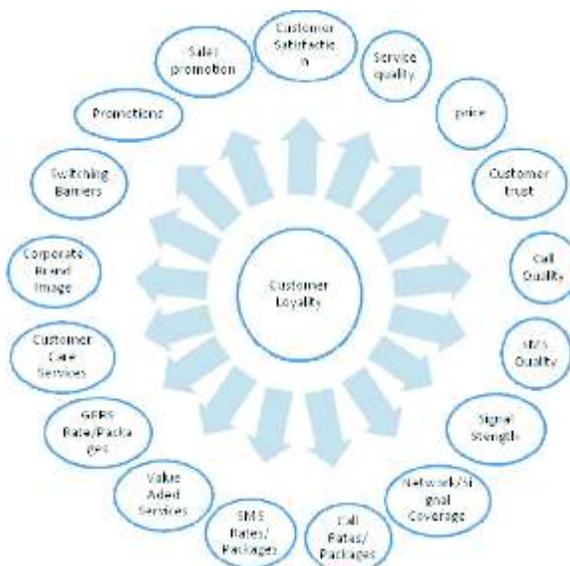
causing any troubles to their customers. If the cellular service provider fails to provide full exposure coverage in the terms of accessibility through mobile cellular service (Mohd Rozhan Nik Ismail, 2010) It will cause the customers to be unhappy and demotivated and eventually decrease the loyalty of the customers that is not good for them.

### Signal strength:

Signal strength means the voice quality of the cellular service. If the signals are better, the customers will feel happy and if in case the signal strength of any company is poor then consequently it will badly impact and will cause a decline in the loyalty of the customers. (Shahzad Khan, 2012).

### Other Variables:

The other variables include the call rates / packages, call quality, SMS rates/ packages, SMS quality, GPRS Rates/packages and GPRS quality. All these factors play an important role in the building up of the loyalty among the customers of the company. All these variables play essential role in impacting the overall quality and performance of the cellular service providers. These variables also have some contribution in the building up of communicative relationship between the company of supplier that provides the cellular service and the customers. They are influencing the satisfaction of the customers that in turn have side effects on the loyalty of the customers. (Shahzad Khan, 2012).



Theoretical Framework of the Study

Based on the literature review, the study develops the conceptual framework given above to analyze the determinants of customer loyalty, its causes and influences in the mobile telecom industry. Customer's loyalty is the dependent variable of this article. This means that the primary or the main focus of the paper is on this variable, while customer satisfaction, service quality, price, corporate/ brand image, promotion, customer care/service, network coverage, signal strength, sales promotion, customers trust, switching barriers, call quality/ call rates, SMS quality/ GPRS rates, GPRS quality/ SMS rates and value added services are the independent variables. When the customers are happy they feel very comfortable with such company or service provider and so in response they also provide their favorable and positive response to that company. This means that the customer's loyalty doesn't change or vary itself but if variation comes in any of the independent variables it will cause the dependant variable customer's loyalty to change.

### **HYPOTHESIS OF THE STUDY**

A description of the hypothesis that independent variables are in significant relationship with the dependant variable monitored by the study are discussed as follows:

- Customer satisfaction has positive association with customer's loyalty.
- Customer trust has positive association with customer loyalty.
- Corporate/ brand image has positive association with customer loyalty.
- Switching Barriers has positive association with customer loyalty.
- Service Quality has positive association with customer loyalty.
- Price has positive association with customer loyalty.
- Customer Care/Service has positive association with customer loyalty.
- Promotion has positive association with customer loyalty.
- Sales promotion has positive association with customer loyalty.
- Value Added Services has positive association with customer loyalty.
- Network Coverage has positive association with customer loyalty.
- Signal Strength has positive association with customer loyalty.
- Call Packages has positive association with customer loyalty.
- Call Quality/ Call Clarity have association with customer loyalty.
- SMS Packages has positive association with customer loyalty.
- SMS Quality has positive association with customer loyalty.
- GPRS Packages has positive association with customer loyalty.
- GPRS Quality has positive association with customer loyalty.

**Reliability of scale:**

The table given below shows the reliability value of all variables of the study. The Cronbach's alpha values of all the variables are greater than 0.70, that is the minimum value at which the data becomes reliable. This shows that all the responses are highly reliable for the study. It means that the respondents have answered the questions correctly as required by the study. Hence it proves that the data.

Table 1. Reliability scale of the study.

S.No.	Variable Factors	Cronbach's Alpha
1	Customer loyalty	0.879
2	Customer satisfaction	0.876
3	Service quality	0.768
4	Price	0.793
5	Corporate/brand image	0.866
6	Promotion	0.840
7	Customer service/care	0.788
8	Network coverage	0.828
9	Signal strength	0.805
10	Sale promotion	0.781
11	Customer trust	0.876
12	Switching barriers	0.813
13	Call rate/quality	0.800
14	SMS rate/quality	0.870
15	GPRS rate/quality	0.837
16	Value added services	0.799

**METHODOLOGY**

This research paper is conducted to determine the factors or variables that are causing the customers to become loyal or disloyal toward their companies. For the purpose of this research article following research methodology was used:

**Population:**

All the university students of Peshawar, Khyber Pakhtunkhwa, Pakistan are the target population of this research study. As the whole Peshawar district is very large so it requires a lot of resources and time to collect the large data, therefore, survey technique is applied for data collection from the cellular users' by using questionnaires on the basis of non probability convenient sampling method.

**Sample:**

The proposed sample size of the study is composed of 160 students chosen from the population of students of universities of Peshawar district on the basis of non probability (convenient) sampling method. For this purpose 160 questionnaires were distributed out of that 145 were received.

**Demographic characteristics:**

for the analysis of demographic features of sample students, The SPSS software

version 20.0 is used for carrying out this analysis portion of the study. Then on the basis of this analysis different results are drawn out. The table given below shows the results drawn by doing the frequency distribution of the data collected through questionnaires from the respondents i.e. the demographic factors of the study.

Table 2. Demographic characteristics

Measures	Items	Frequencies	Percentage
Gender	Male	113	77.9
	Female	32	22.1
	Total	145	100
Age (years)	18-21	43	29.7
	22-25	50	34.5
	26-29	48	33.1
	30-33	2	1.4
	Total	2	1.4
Cellular Network you use	Mobilink	15	10.3
	Telenor	49	33.8
	Ufone	51	35.2
	Warid	9	6.2
	Zong	21	14.5
	Total	145	100
Number of years	0-3	38	26.2
	4-7	71	49.0
	8-11	14	9.7
	12-15	22	15.2
	Total	145	100
Number of other operators	1	59	40.7
	2	24	16.6
	3	32	22.1
	4	7	4.8
	5	23	15.9
Total	145	100	

The above table results in the following descriptions.

Out of 145 respondents, 77.9% are male and 22.1% are female in the target area.

29.7% respondents are in the age range of 18-21 years of age, 34.5% in the range of 22-25, 33.1% in 26-29 years of age, 1.4% in 30-33 years of age, and 1.4% in the range of 33 or above years. Mobilink users are 10.3%, Telenor users are 33.8%, Ufone users are 35.2%, Warid users are 6.2% and 14.5% users uses Zong.

26.2% respondents are using their gsm telecom operator for less than or equal to 3 years, 49% are using for 4 to 7 years, 9.7% are using for 8-11 years while the remaining 15.2% of the respondents are using for 12-15 years.

The outcomes of the study also reveal that 40.7% of the respondents are utilizing the services of single gsm operator, 16.6% using two gsm operators, 22.1% are using three gsm operators, and 4.8% are using four gsm operators while the remaining 15.9% are using 5 available gsm operators.

## RESULTS AND ANALYSIS

The SPSS software version 20.0 is used for analysis and then on the basis of this analysis, different results are drawn out. The statistical tools used in this study include descriptive statistics and regression analysis. Descriptive statistics is used to describe

the independent and dependent variables and regression analysis is used to explain the cause and effect.

Table 3. Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.888 <sup>a</sup>	.788	.763	.58705
Predictors: (Constant), VAS, Call, Customer Care, Corporate Image, Switching Barrier, GPRS, Price, Sales Promotion, Service Quality, Promotion, Network Coverage, Customer Satisfaction, Signal Strength, Customer Trust, SMS				

The adjusted R square value in the outcomes of the data clearly shows that Customer loyalty is impacted 76.3% by the all independent variables. As R square value 0.788 is near to "1" that is standard value for R square so it illustrates that these independent, which variables are causing impact on the customer loyalty of the telecom service operator users.

#### ANOVA Analysis and Interpretations:

The result of the ANOVA table demonstrates the significance of the model and is also statistical test of the hypotheses about the population mean. If the p value is less than 0.05, it is significant. In the table given above "p" value is 0.00 that is less than 0.05 so the model of this study is significant statistically. This means that all the independent variables of the model are significantly in relationship with the dependant variable of the article that is Customer loyalty.

Table 4. ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.	
1	Regression	165.299	15	11.020	31.977	.000 <sup>a</sup>
	Residual	44.457	129	.345		
	Total	209.756	144			
a. Predictors: (Constant), VAS, Call, Customer Care, Corporate Image, Switching Barrier, GPRS, Price, Sales Promotion, Service Quality, Promotion, Network Coverage, Customer Satisfaction, Signal Strength, Customer Trust, SMS						
b. Dependent Variable: Customer Loyalty						

Table 5. Results of Regression

Model	Coefficients <sup>a</sup>					
		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.335	.188		1.778	.000
	Customer Satisfaction	.534	.091	.512	5.859	.000
	Service Quality	.005	.091	.004	.053	.000
	Price	.001	.078	.001	.008	.000
	Corporate Image	.213	.081	.195	2.622	.000
	Promotion	.079	.086	.074	.916	.000
	Customer Care	.134	.081	.120	1.661	.000
	Network Coverage	.064	.086	.070	.741	.000
	Signal Strength	.046	.089	.048	.518	.000
	Sales Promotion	.324	.086	.283	3.790	.000
	Customer Trust	.178	.098	.167	1.818	.000
	Switching Barrier	.069	.082	.062	.849	.000
	Call	.074	.078	.067	.952	.000
	SMS	.019	.092	.020	.212	.000
	GPRS	.005	.086	.005	.062	.000
VAS	.227	.088	.207	2.583	.000	
a. Dependent Variable: Customer Loyalty						

The above table shows the Regression Coefficients which identify the cause and effect relationship of all the independent variables on the dependant variables of the study. The individual impact of each variable is shown that how much each and every independent variable is causing impact on the dependant variable. The unstandardized coefficient value in the given table shows that the customer loyalty is significantly influenced by all the independent variables of the study. While the value of standardized coefficient demonstrates that the Customer satisfaction is the first factor that has the most significant contribution in creating positive customer's loyalty with having the highest standardized coefficient value of 0.512. Sale promotion is the second most important factor that has the second highest contribution in creating positive customer loyalty and the highest standardized coefficient value of 0.283. The third most active and important factor is the Value added services that has the third highest standardized co-efficient value of 0.207. The fourth most active factor that has the fourth highest standardized coefficient value of 0.195. From the table it is clear that the significance value of all the variables is 0.00 which is less than 0.05, therefore the hypotheses of the study, that there is a significant relationship among the independent variables and the customer loyalty the dependant variable are accepted.

### **CONCLUSION**

The main objective or the purpose of this article is to appropriately explore the determinants of customer loyalty in the Telecom industry of users in Peshawar, Pakistan and to analyze its causes and influences of the telecom service providers. From the results of the study it is found that all the independent variables of the study that are customer satisfaction, service quality, price, corporate/ brand image, promotion, customer care service, network coverage, signal strength, sales promotion, customers trust, switching barriers, call quality/ call rates, SMS quality, GPRS rates, GPRS quality, SMS rates and value added services are having direct and significant relationship with the loyalty of the customers in the telecom industry of Peshawar, Pakistan. It is extracted from the study that mostly the users of the telecom are males genders which is 77.9% of the overall population of the study while the remaining 22.1% are the females. It is concluded that there is low correlation among the sale promotion and customer loyalty of telecom users in Peshawar, Pakistan. The result illustrates that Customer satisfaction is the first, sales promotion is the second and value added services are the third most important factors that are highly valued in creating positive customer loyalty of the telecom mobile service users in district Peshawar, Pakistan.

### **RECOMMENDATIONS**

From the above conclusion of the study, the following are proposed recommendations. It is highly recommended for the telecom firms to effectively and efficiently build, grow and maintain the loyalty of their customers for long period of time. The companies should highly emphasize on the customers' satisfaction so as to create positive customer

loyalty and the company should not only make hold of their present customers but also more and more new customers are attracted toward the company. It is also recommended for the firms to formulate and implement their marketing and promotional tasks, activities and programs in such a strategic way that they improve and encourage the customers' loyalty. The network coverage should be extended along with the improved signal, so that the customers do not have any obstacle in communicating while using their service. The price must not be increased in any case as it will cause negative impact on the loyalty. The quality of call, sms and Gprs services should be improved by the implementation of the modern technology.

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