

Factors affecting customer loyalty towards Mobile network providers in India

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Abstract:

Customer loyalty is a desired phenomenon. All businesses tend to improve customer loyalty as loyal customers are much more valuable in terms of profitability and sustainability as compared to new customers. Despite this most businesses suffer from how churn rate. This is probably because of failure of understanding of the factors which affect customer loyalty and consequently misdirection of efforts to improve customer loyalty. One of the industries which have been significantly affected by high churn rate is the mobile network industry. It is particularly critical for India mobile network operator because of high costs involved in customer acquisition. This research investigates the factors affecting customer loyalty of Bharati Airtel network operator. This is a mixed research; a framework is prepared by bringing together factors discussed in previous researches and this framework is tested in context of Bharati Airtel. Quantitative data was collected using structured questionnaires and SPSS was used to analyse the data. This research finds that Service quality, customer satisfaction and perceived value have a statistically significant impact on Bharati Airtel customer loyalty while Brand Image and Switching Barriers were found to be ineffective in improving customer loyalty. This research implies that the only manner in which customer loyalty can be improved for service providers such as Bharati Airtel is by focusing efforts in improving perceived service quality and on improving overall customer satisfaction.

Keywords: *Customer loyalty, mobile network, service quality, customer satisfaction, brand image, perceived value, switching costs,*

Introduction:

All the MNC companies have their at most preference on the Customer loyalty. Most of the modern success firms like Apple Inc. who has achieved great success with their strong and loyal customer base. There are several benefits of customer loyalty- not only does it reduces marketing costs and uncertainty in business but it also helps in increasing market share through word of mouth marketing by loyal customers. Customer loyalty generates additional benefits such as “entry barriers to the competitors, enhanced ability to respond to competitive threats, increase in market share and profitability and the customer’s lower sensitivity to marketing efforts of competitors” (Delgado, 2001, p.35). According to some estimates, a company can increase its profits between 25 and 125% by retaining only 5% of its customer base (Bowen & Chen, 2001). Realising these benefits, firms are fighting, with all their might, to protect their customer base and are developing new strategies to improve customer loyalty (Nili and Keramati, 2011).

Literature Review:

With rapid rate of globalization, increased liquidity and rapidly changing customer preferences, the competition in almost all industry sectors is intensifying to unprecedented levels. Firms are under increased pressure to satisfy customers or face rapid decline in their market share as customers, empowered with the information obtained through digital media, are willing and able to switch easily than ever before (Ehrlich and Fanelli, 2012). Customer churn can erode a firm’s market share and then the only way to survive is to acquire new customers; but this is not only costly but also difficult given the negative publicity generated by unsatisfied customers. It is thus, in the best interest of the firm to invest in generating customer loyalty. As a result, “companies in most industries are studying, evaluating or implementing loyalty strategies and programs aimed at cultivating strong relationships with their best customers” (Rudolph, 2011, p. 117). However; not all loyalty strategies are successful and firms need to first identify the factors which affect customer loyalty in context of firm’s business environment before developing a loyalty strategy.

Research Methodology:

Research Objectives:

- ✓ To identify the factors which affect customers' perception about service quality in mobile phone service industry.
- ✓ To scrutinize the value and brand perception of Bharti Airtel among mobile users.

Factors influencing customer loyalty:

Researchers have discussed several factors which can affect brand loyalty: For example, some researchers (e.g. Yavas et. al. 2004; Gerrard and Cunningham, 2004) found service quality and price to be most significant factors which some other (e.g. Mokhtar et. al., 2011) found the overall customer satisfaction as the key determinant of customer loyalty. The difference in the findings could be attributed to different industry contexts in which the researches were conducted suggesting that the factors determining customer loyalty may vary from industry to industry and even firm to firm. According to a research conducted by Nokia Siemens Network (2009), poor network coverage and high costs of services are the two reasons why most of the mobile users switch their networks (please refer to the chart below). This is particularly a problem for network operators such as BSNL, IDEA which target low end consumers and provide basic services at low cost. However; their charges for high end services is higher as compared to network operators such as Bharti Airtel who target high end customers. The result is that customers of Bharti Airtel find it unjustified to pay high prices for services and this is evident on high churn rate of such network operators. This research investigates customer loyalty in mobile network industry. It must be remembered that most of the subscribers have no intention of switching at the time of subscribing to a service provider. However; they may switch if some factor such as poor customer satisfaction may influence them to switch (Muzammil, 2012). There are several factors which may affect customer loyalty in mobile network industry and customer satisfaction is just one of them. In this research study, factors like; price, brand name, in-store environment, promotion and customer satisfaction are discussed:

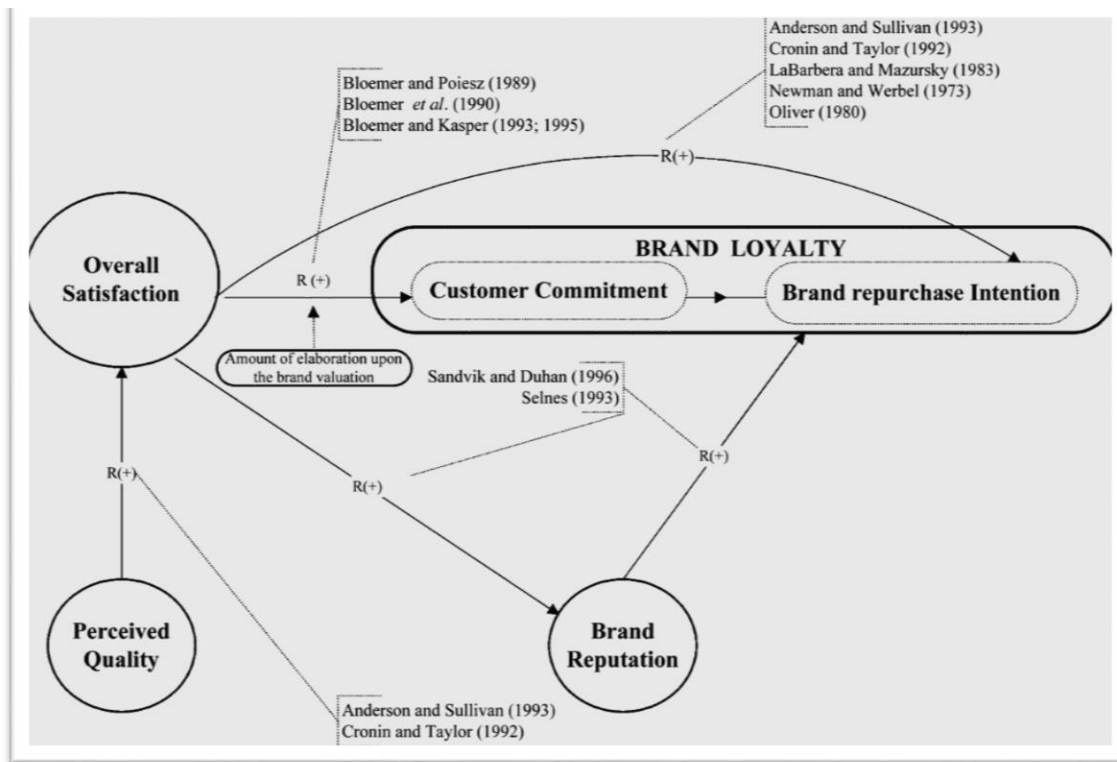


Figure 1 A conceptual model showing satisfaction- the main antecedent behind loyalty.

Source:(Delgado, 2001).

The conceptual framework developed is as follows:

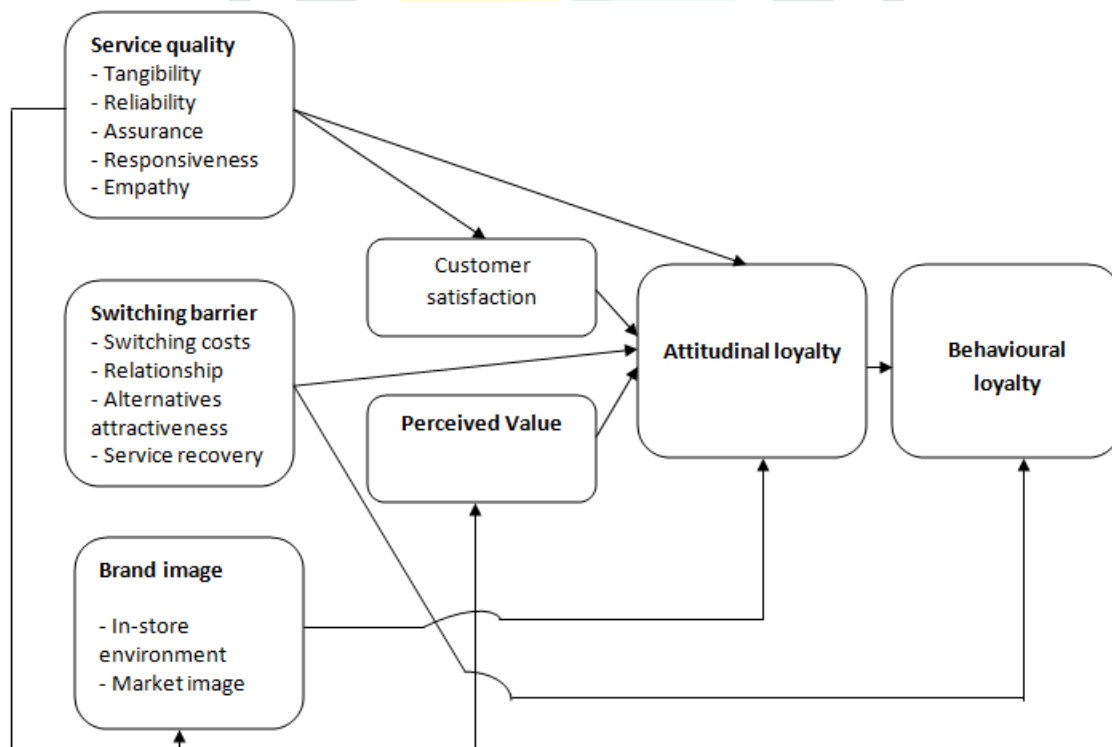


Figure 2: Proposed research framework. Source: Self.

For the proposed research framework, research hypothesis are as follows:

H₁: Switching Barrier (SB) has a positive impact on Attitudinal Loyalty (AL)

H₂: Service quality (SQ) has a positive impact on Attitudinal Loyalty (AL)

H₃: Customer Satisfaction (CS) has a positive impact on Attitudinal Loyalty (AL)

H₄: Perceived Value (PV) has a positive impact on Attitudinal Loyalty (AL)

H₅: Brand Image (BI) has a positive impact on Attitudinal Loyalty (AL)

H₆: Service Quality (SQ) has a positive impact on Behavioural Loyalty (BL)

H₇: Attitudinal Loyalty (AL) has a positive impact on Behavioural Loyalty (BL).

Research Data:

This research uses both primary and secondary data. Firstly, secondary data (from books and journals) is used to form the theoretical framework and questionnaire. Then the questionnaire is used to collect primary data for testing the framework. This research also used questionnaire surveys for data collection. Questionnaire survey was emailed to some of the respondents and was also uploaded on mysurvey.com. Respondents had the choice of downloading and filling the questionnaire survey and emailing it back or simply to go on the survey website and fill in the questionnaire survey. Filling online questionnaire surveys guaranteed the respondents anonymity. The drawback of self-administered questionnaire surveys is that the researcher cannot verify the truthfulness of the responses. Furthermore, if the respondents do not understand any question, they may provide incorrect answer. These problems can be resolved to certain extent using pilot surveys. Sampling strategy involves identifying the sample so that it accurately represents the target population. Since there is no specific characteristic that characterizes mobile phone users hence a randomized sampling strategy was adopted for this research. This meant that anyone could participate in this research. There were however two restrictions on the sample set:

- That the respondents should be aged 18 or over.

- That the respondent should be a customer of Bharti Airtel

Findings and Discussion:

Descriptive Analysis and Cross Tabulation:

The frequency diagrams indicate that 42% of the respondents were from the young (18-25) age group while 31% were from the middle (25-35) age group. None of the respondents were above 45 year of age. This could lead to some bias in our results if the consumption behaviour of older (45 years above) age group is different from that of the younger age groups. However; the sample was accepted because the researcher had little control over the composition of the age group. In terms of relationship with Bharti Airtel, the largest group was of individuals who have been with Bharti Airtel, for 6-12 months. Over a quarter of respondents had been with Bharti Airtel, for 1-3 years. Only 16% of the respondents have been with Bharti Airtel, for over 3 years. In terms of gender, 62% of the sample was males and 38% were females.

Regression Analysis

The table below shows the correlation statistics for the variables. The correlation test results indicate that there is statistically significant correlation between some of the variables discussed in the framework. However; correlation does not explain causality. In other words, correlation merely explains co-movement of two variables but does not suggest is one of the variables is causing the movement in the other variable. Regression testing is done for explaining causality.

Correlations

	SQ	SB	BI	PV	CS	AL	BL
SQ Pearson Correlation	1	.463**	.457**	.207	.567**	.038**	.335**
SQ Sig. (2-tailed)		.001	.002	.173	.000	.003	.024
SQ N	45	45	45	45	45	45	45
SB Pearson Correlation	.463**	1	.328**	.001	.220	.098	.094
SB Sig. (2-tailed)	.001		.028	.993	.147	.521	.539
SB N	45	45	45	45	45	45	45
BI Pearson Correlation	.457**	.328**	1	.223	.294	.228	.214
BI Sig. (2-tailed)	.002	.028		.140	.050	.132	.159
BI N	45	45	45	45	45	45	45
PV Pearson Correlation	.207	.001	.223	1	.100	.243**	.411**
PV Sig. (2-tailed)	.173	.993	.140		.513	.048	.005
PV N	45	45	45	45	45	45	45
CS Pearson Correlation	.567**	.220	.294	.100	1	.387**	.441**
CS Sig. (2-tailed)	.000	.147	.050	.513		.009	.002
CS N	45	45	45	45	45	45	45
AL Pearson Correlation	.038**	.098	.228	.243	.387**	1	.475**
AL Sig. (2-tailed)	.003	.521	.132	.108	.009		.001
AL N	45	45	45	45	45	45	45
BL Pearson Correlation	.335**	.094	.214	.411**	.441**	.475**	1
BL Sig. (2-tailed)	.024	.539	.159	.005	.002	.001	
BL N	45	45	45	45	45	45	45

** Correlation is significant at the 0.05 level (2-tailed).

Table 6: Results of Correlation tests.

Simple linear regression test was used to test causality in variables. The table below summarises the results of the regression tests:

Dependent variable	Explanatory Variable	p-value	t-stat
Brand Image	Service Quality	.002**	3.365
	Customer Satisfaction	.000**	4.511
Perceived Value	Service Quality	.173	1.386
Attitudinal Loyalty	Service Quality	.018**	2.469
	Switching Barrier	.387	.875
	Brand Image	.245	1.182
	Perceived Value	.088*	1.751
	Customer Satisfaction	.002**	3.346
Behavioural Loyalty	Service Quality	.012**	2.623
	Switching Barrier	.384	.880
	Attitudinal Loyalty	.001**	3.707

(*)Variable significant

at 90% confidence interval. (**) Variable significant at 95% confidence interval

Table7: Summary of regression tests

Model testing:

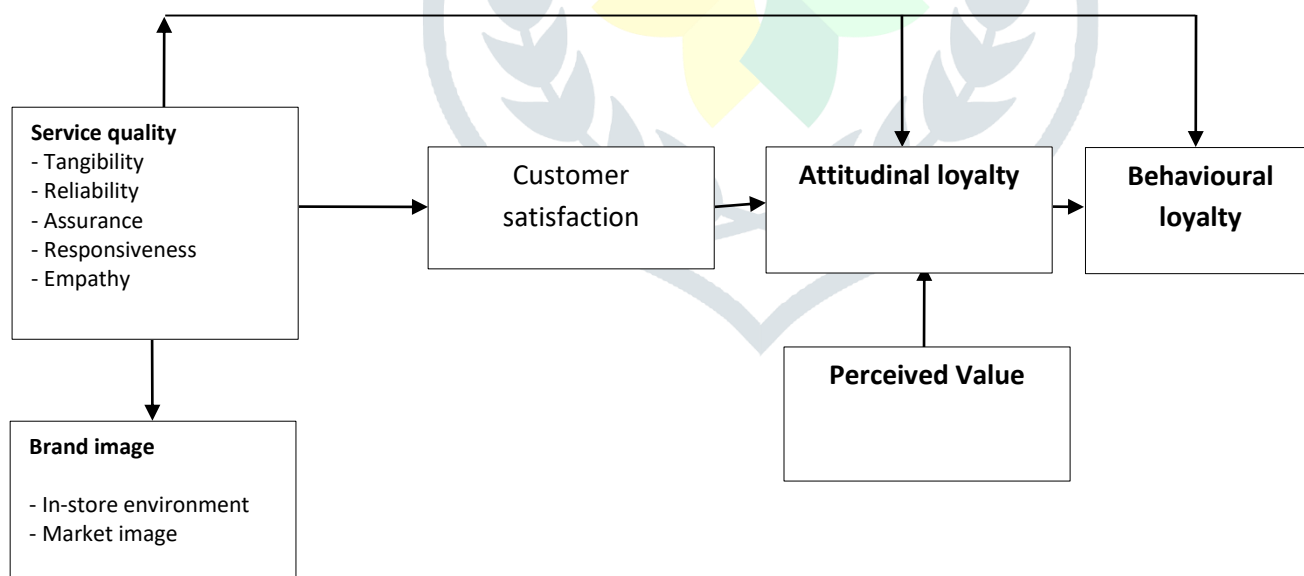


Figure 1: Derived research model

The figure 1 above shows the framework resulting from this research.

Testing of hypothesis:

The table below summarises the results of the hypothesis tests on the basis of the regression results in the table above.

Hypothesis	Outcome
H ₁ : Switching Barrier (SB) has a positive impact on Attitudinal Loyalty (AL)	Reject
H ₂ : Service quality (SQ) has a positive impact on Attitudinal Loyalty (AL)	Accept
H ₃ : Customer Satisfaction (CS) has a positive impact on Attitudinal Loyalty (AL)	Accept
H ₄ : perceived Value (PV) has a positive impact on Attitudinal Loyalty (AL)	Accept*
H ₅ : Brand Image (BI) has a positive impact on Attitudinal Loyalty (AL)	Reject
H ₆ : Service Quality (SQ) has a positive impact on Behavioural Loyalty (AL)	Accept
H ₇ : Switching Barrier (SB) has a positive impact on Behavioural Loyalty (AL)	Reject
H ₈ : Attitudinal Loyalty (AL) has a positive impact on Behavioural Loyalty (AL).	Accept

*Accept at 90% confidence level

This research investigates different factors that affect brand loyalty for BHARTI AIRTEL brand. This research finds that factors service quality and pricing are the most significant determinants of BHARTI AIRTEL.

Service quality: The results indicate that service quality has a significant impact on both attitudinal and behavioural loyalty. This research thus, confirms the previous findings (Oyeniya and Abiodun, 2009; Mokhtar et. al. 2011; Boohene and Agyapong, 2011; Lee, 2010) that service quality has a significant impact on both attitudinal and behavioural loyalty in mobile network industry. In addition, service quality also has a significant and positive impact on customer satisfaction and the brand image. In mobile network service, service quality has several dimensions; it includes the quality of service in terms of network coverage, quality of service in terms of customer service, quality of service in terms of store accessibility and environment etc. (Mokhtar et. al. 2011). Due to its significance on customer loyalty, mobile network operators must aim to provide a holistic service to its customers.

While most of the services provided by network operators are standard but there are some services which adds more value to the network service and one of these is customer service. Customers prefer that network operators handle their queries rapidly and efficiently and for this employing skilled and knowledgeable staff is extremely essential (Oyeniya and Abiodun, 2009). Furthermore, these staff members should be trained to

provide the best customer service experience to the customers. In addition, establishing easily accessible stores with pleasant in-store environment will draw more people to store which will certainly add to the positive dimensions such as customer satisfaction, service quality and customer loyalty. The same stands for online stores as well because a large proportion of individuals now access brand stores on web instead of going to a brick and mortar store.

Customer Satisfaction: This research finds that Customer Satisfaction is an absolute prerequisite for customer loyalty because the switching costs have gone down to the extent that dissatisfied customers would switch without hesitation. This confirms the previous findings of Lee(2010), Boohene and Agyapong (2011) and Kim *et. al.* (2003) who suggested that customer satisfaction has a significant and positive impact on customer loyalty. The rising competition in the mobile network industry has raised the level of expectations of customers and hence achieving high level of customer satisfaction has become even more difficult. However; ensuring that customers' expectations are met will result in equally higher rewards.

Perceived Value: Perceived Value has a significant impact on Attitudinal Loyalty. This confirms the findings of Lee (2010) who found Perceived Value to be a significant determinant of customer loyalty in mobile network industry. Perceived Value refers to what the customers get in return for their money. This brings in the pricing aspect which has been highlighted as a key determinant of customer loyalty in mobile network service. Although most network operators provide competitive pricing plans for their target segments but still the industry is far from developing a model for customising the pricing plans for each and every individual. Because the usage of mobile phone service varies from individual to individual, the perceived value derived from price plans will also vary from individual to individual. The best strategy for mobile network operators is to create a mix price plan which allows the users greater flexibility about using their mobile phone service. This would certainly affect the profitability of the mobile networks but this loss will be offset by higher level of customer satisfaction and customer loyalty that this strategy will generate.

Brand Image: Brand image does not affect customer loyalty probably because people stay with a network based on their own experience and personal utility rather than on that of others. However; a negative brand

image may convince some customers to try out other brands and that may affect the customer churn rate. This research thus contradicts the findings of Kim and Lee (2010) who found that Brand Image has a positive impact on customer loyalty. Since the brand image of almost all the mobile network brands is almost the same, brand owners must ensure that their brand image is not negatively affected. Although a consistent brand image may not improve customer loyalty but a negative brand image would certainly affect customer loyalty negatively.

Conclusion:

- ✓ To identify the factors which affect customers' perception about service quality in INDIA mobile phone service industry: This research finds that all five dimensions of Service Quality (i.e. tangibility, reliability, assurance, responsiveness and empathy) critically affect customer's perception of the service quality. One of the most significant determinants of service quality in mobile network industry is responsiveness which refers to firm's ability to resolve customer queries as and when they arise. Most of the customers do not face much problem with their network provider but they expect that, if and when a problem arises it should be resolved almost instantaneously. This could be because the important role that mobile phones play in modern lifestyle and the impact it can have on their personal (social) and professional aspects of their life.
- ✓ To scrutinize the value and brand perception of BHARTI AIRTEL among mobile users: Customers did not exhibit any significant and distinguishable response towards BHARTI AIRTEL brand. In fact, customers did not exhibit any knowledge of the brand aspect which indicates that branding does not have a significant impact on brand loyalty. There are several reasons for this. Firstly, customers do not switch their mobile networks unless they are extremely dissatisfied for prolonged period. Customers select network providers not on the basis of brand image but on their personal utility i.e. factors such as calling plans, quality of network coverage, choice of handsets etc.

- ✓ To assess the customer retention strategies adopted by BHARTI AIRTEL: There are primarily two customer retention strategies that adopted by BHARTI AIRTEL. It aims to provide the best and latest handsets to its subscribers and also calling plans which suit their requirements. Incidentally, these are also the key determinants for customers' choice of network provider.
- ✓ To explore the major factors that affects customer loyalty towards BHARTI AIRTEL: This research finds that Service Quality, Customer Satisfaction and Perceived Value have a significant impact on customer loyalty towards BHARTI AIRTEL.

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