What Makes Customers Brand Loyal: A Study on Telecommunication Sector of Pakistan

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Abstract
Recent studies focused on loyalty concept in services sector. Brand loyalty is receiving great deal of attention in telecommunication sector. So there is a need of introducing comprehensive brand loyalty model. This study attempts to provide a broad view of brand loyalty by proposing a model and testing its potential antecedents. The antecedents included in the research are service quality, satisfaction, trust and commitment. A pilot and main study was conducted to test the hypotheses. A sample of 475 customers of cellular network providers was selected. The results depict that in mobile phone network market, service quality is considered as most important factor of brand loyalty. An indirect positive relationship of service quality and satisfaction to brand loyalty has also been affirmed. As customer retention is critical for strategists in dynamic world of telecommunication sector. So it is important for operators to devise well-structured customer loyalty programs for protecting the customers’ base line.

Key Words: Brand loyalty, services sector, service quality, satisfaction, trust, commitment, telecommunications.

Introduction
Over the past four decades brand loyalty has been recognized as a focal point of marketing literatures and for practitioners. It is considered as a contributor to build and maintain brand equity (Aaker, 1991). Some sophisticated analyses suggest that brand loyalty reduces further marketing efforts and cost. Statistics show that it costs 6 times less (for customer retention) than attracting and/or acquiring new customers (Rosenberg & czepeil, 1984). These types of findings enhance the value of brand loyalty. Loyal customers are less engaged in decision making, for example, whether to buy a product or service among alternates or not? (Rundle-Theile & Bennet, 2001) or they are willing to pay more for a particular brand? (Reichheld, 1996 & Bennet, 2001) etc. The concept of brand loyalty is comparatively more important for services sector, especially for those who provide services with little differentiations and compete in dynamic environment i.e. telecommunication sector (Santouridis & Trivellas, 2010). So the stiffer competition needs to meet the expectations of customers by providing remarkable services. Ultimately, the firms are devising strategies to enhance brand loyalty. Brand loyalty received a great deal of interest and attention in telecommunication sector. Many foreign studies carried out for this sector. For example, France (Lee, Lee & feick, 2001), South Africa (Van der wal, Pamplalis & Bond, 2002), Turkey (Aydin & Ozer, 2005), USA (Lim, Widdows & Park, 2006), South Korea (Shin & Kim, 2007) and Greece (Santouridis & Trivellas, 2010).

The study presents the key antecedents of brand loyalty in telecommunication sector. The main objective of the research is to develop and test a model of the potential antecedents of brand loyalty in this service sector. The proposed model stems from previous literatures and researches. The model includes service quality, satisfaction, trust and commitment. These eventually lead to brand loyalty. Service quality is marked as highly significant concept of services management and services marketing. Researchers has proven that “perception of service quality had a direct relationship with customer retention” (clottey, collier & stodrick, 2008). Satisfaction is a core object of marketing strategies for more than five decades (Carroll & Ahuvia, 2006). Satisfaction determines the future purchases pattern and it enhances craving for the product or service (Bennett & Rundle-Theile, 2002). A growing body of researchers link up trust and commitment to brand loyalty. Trust develops positive attitude towards the brand and commitment leads to loyalty towards that brand (Delgado-Bulleser & Munura-Aleman, 2001). Scope of this research is limited to cellular networks of Pakistan. Five operators are competing in pakistan (Mobilink, Telenor, Ufone, Warid and Zong).
Foriegn research organizations consider this segment of telecommunication market lucrative and pakistan is recognized as a dreamland in this regard. Cellular network subscriber base has marked upto 102.77million in pakistan (PTA, 2010). This figure is increasing day by day.

**LITERATURE REVIEW**

**Brand loyalty**

“Brand loyalty as a concept has its origins in the 1920s” (Bennett 2001, p.3). The most commonly used definition of brand loyalty is “The biased (non-random) behavioral response (purchase) expressed over time by some decision-making unit with respect to one or more alternative brands out of a set of brands and is a function of psychological processes” (Jacoby 1971, p.25). Fournier and Yao (1997) described the centre of companies’ marketing strategies is the development and maintenance of consumer brand loyalty. The phenomenon is especially seen in markets with tough competition, highly unpredictable and low product differentiation. Carroll and Ahuvia (2006) suggested that Brand love, in turn, is associated to higher levels of brand loyalty and positive word-of-mouth.

**Importance of brand loyalty**

Brand loyalty is of paramount importance for marketers and consumer researchers (Aaker, 1991; Reichheld, 1996). In services context, many scholars focused on importance and significance of brand loyalty (Asuncian et al., 2004; Bloamer et al., 1999; Caruana, 2002). The organization that have pool of brand loyalists have greater market share and higher rates of return on investments, in turn. Many other researchers favored this (Buzzell et al., 1975; Raj, 1985; Jensen and Hansen, 2006). Such results persuade marketing officials to generate and up-hold brand loyalists. To attain such targets, information about variables which causes brand loyalty becomes a core issue.

Anderson et al. (2004) argued a loyal and contented customer base helps to increase the organizations’ relative bargaining power regarding suppliers, partners and channels. So, customer loyalty should affect shareholder value in a positive manner by reducing instability and associated risk with expected future cash flows. Dick and Basu (1994) hold a view that customer loyalty creates positive WOM communication (word of mouth) and competitive strategies are resisted by loyal customers. Such findings appeal to strategists and marketers to build and hold strong customer loyalty. Oliver (1999) agreed with Dick and Basu that customer loyalty is engaged in affirmative word of mouth communication. Kotler and Keller (2005) said that “based on a 20-80 principle, the top 20% of the customers may create 80% of profit for a company”. Thus a favorable connection between a company and its customers is lucrative for the business.

**Services**

Loyalty literature has revealed that for consumable, durable and services, markets have different approaches so loyalty is measured differently. Literature also revealed that goods and services market are different in terms of what and how we measure brand loyalty. Javalgi and Moberg (1997) stated if consumer has a good relation with service provider, there are more chances of consumer being loyal to the brand. Lovelock et al. (1998) said services are becoming increasingly important to the Australian economy as it represents 70% of GNP and 77% of total employment in Australia. “In the next decade 90% of all new jobs in Australia and Newzealand are expected to be in the services sector” (Lovelock et al. 1998, P6).

Moreover, amongst the services, the cellular network providers sector is significant one because of its high penetration. So this sector has become an essential because of its widespread use now a day. Thus, marketers considered it as attractive avenue in which firms try to behave responsibly towards the service users.

**Antecedents of brand loyalty**

Some drivers of brand loyalty are perceived risk, inertia, habit, involvement, satisfaction, and relationship between product or service providers (Rundle-Theile and Bennet, 2001). A series of very positive encounters will increase customer satisfaction, trust, relationship commitment and continuity (Hellier et al., 2003; Morgan and Hunt, 1994; Selnes, 1998). Aydin and Ozer (2005) stated some antecedents of customer loyalty. Corporate image, perceived service quality, trust and customer switching costs are the influential factors of brand loyalty. Moreover the results described that trust is one of the most important antecedents of brand loyalty. Although perceived service quality and perceived switching cost appeared to have the same level of influence on brand loyalty.

**Service Quality**

Parasuraman et al. (1988) defined service quality as “the overall evaluation of a specific service firm that results from comparing that firm’s performance with the customers’ general expectations of how firms in that industry should perform”.

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Jamal and Anastasiadou (2007) held the viewpoint through literature that a small area of research examined the affect of certain facets of service quality on satisfaction and loyalty. They also argued that customer satisfaction is positively related to brand loyalty. Cody and Hope (1999) commented that examining the service quality construct is more difficult task because of its characteristics as compared to examining product quality construct. Furthermore this examination could be attached to the service providing practice alongside its consequences.

**Consumer satisfaction**

In most literature related to behavioral intentions, overall satisfaction was integrated as a dominant factor of purchase intentions with reference to brand loyalty (Spreng et al., 1996). In the viewpoint of Bloamer and Kasper (1995), customer loyalty is one of the considerable paths with which customer satisfaction about product or services received is expressed. For this reason brand loyalty is at heart of strategic marketing.

Soloman (1994) explored that purchase decisions of loyal customer may become a habit in nature, even quite simple and provide satisfaction with current brand(s) as a result. Many scholars concluded that satisfaction is one of the important determinants of customers’ loyalty (Jamal and Anastasiadou, 2007; Bearden and Teel, 1983; Dick and Basu, 1994). Bontis et al. (2007) conducted the research and found that customer satisfaction improves reputation in the services markets. Reputation partially intervene the relationship between satisfaction and loyalty and the relationship between satisfaction and recommendation. Tovikkai and Jirawattananukool (2001) pointed out that realizing the fact that retaining existing consumers are easier than finding new consumers. Consumers who have high purchase frequency are most likely considered as satisfied with the products.

**Commitment**

Kelley et al. (1990) stated that “the organizational commitment of service customers is indicative of the organization’s likelihood of developing or maintaining customer identification with organizational goals and values and retaining the service customer as an active participant the service encounter” (p. 322).

Tax et al. (1998) focused on complaint handling in service sector and commitment. Many firms hold a view that well handling of customer complaints and grievances provide a source of brand commitment and brand loyalty. Effective complaint handling dramatically increases the customer retention rate and improves service quality as well.

**Trust**

Morgan and Hunt (1994) described that “Trust is an important factor in the development of marketing relationships and exists when one party has confidence in an exchange partner's reliability and integrity”(p. 23). Ballester and Aleman (2001) described that trust and satisfaction are conceptually connected. As variables that generate consumer commitment especially in the situation of high involvement. Anderson and Narus (1990) argued that trust arise when someone hold a belief that the second person’s actions would cause affirmative effects for his/herself. Accordingly, in order to trust a brand, consumers should perceive quality as favorable object.

**Telecommunication sector**

Lin (2010), argued, in competitive and highly segmented markets, it is getting more and more challenging to keep bald customers and attracting new ones. Now brand loyalty creation has been propounded as the universal remedy for all organizations as well as to cope with day by day increased competition in the market place. This could be generalized to telecommunication sector. Gerpott et al. (2001) remarked, “in telecommunication services, it is frequently pointed out that once customers have been acquired and connected to the telecommunication network of a particular operator, their long-term relations with the focal operator are of greater importance to the success of the company in competitive markets than they are in other industry sectors” (p. 249). This is one of the justifications of selection of the telecommunication sector in broad spectrum and the cellular network provider market in particular. Negi (2009) described mobile service industry in that manner; the amazing diffusion of mobile services has surpassed the expectations from experts. It has become a leading sector providing commoditized services from a trivial industry. Mobile market has reached to maturity in most developed countries.

However, service quality is reported as assurance, availability, flexibility, reliability, security, and simplicity. Aydin et al. (2005) researched the GSM mobile telephony sector, according to them; the foremost precondition of brand loyalty creation among customers is to guard the clients’ base who have subscribed to the services. This is also an essential requisite for the brand’s existence in far future. In order to achieve this goal, customer satisfaction and trust must be considered. Llias and Trivellas (2010) investigated critical factors that lead to customer loyalty in the mobile telephony sector in Greece. It is of great significance for mobile operators in a mature market; to understand what the drivers of customer loyalty are.
These variables included service quality and customer satisfaction. These eventually have a considerable positive effect on customer loyalty. Customer satisfaction has an intrusive effect on the service quality construct. Moreover, their correlation has been affirmed. Such results suggested that cellular network providers should have awareness that what drives customer satisfaction and brand loyalty to fabricate valuable company’s policy for customer retention.

Hypotheses Development

Aydin and Ozer (2005) concluded that service quality is an important antecedent of brand loyalty. Furthermore, Ward and Mullee (1997) reported service quality is one of the major concerns to customers of telecommunications services. These findings help to draw the hypothesis.

H1 = Improved service quality creates brand loyalty.

Many researchers stated the fact in a way that in what so manner brand loyalty is describe, service providers should boost up customer satisfaction by lifting up offered service quality (Anderson and Sullivan, 1993; Brady and Robertson, 2001; Fornell et al., 1996).

H2 = Service quality is positively associated with satisfaction.

Bennet (2001) stated that satisfaction is an emotional comeback in the context of good or service consumed. Hence satisfaction performs a significant role to determine brand loyalty in service sector. Lee et al., (2001) advocated that a high level of satisfaction and increased customer loyalty are highly correlated.

H3 = Satisfaction is positively associated with brand loyalty.

The results showed that customer satisfaction has a linear positive impact on trust and commitment.

H4 = Satisfaction with the services creates commitment for the brand(s).

Brand loyalty and its Antecedents Framework

Quester and Lim (2003) were of a viewpoint, the origin of brand loyalty is the commitment to the particular brand that goes well beyond repetitive purchases.

H6 = Commitment to a preferred brand develops loyalty for that brand.

Matzler et al. (2008) suggested, in academics and professionals’ knowledge, building and development of brand trust are an important issue to enhance customer loyalty. In order to gain brand loyalty firms should guarantee customers’ trust in the operating organization (Fournier, 1998; Morgan and Hunt, 1994).

H7 = There is a connection between trust and brand loyalty.
Methodology

Telecommunication sector of Pakistan was selected for the research. The study was restricted to cellular network provider networks. Five mobile network companies, Mobilink, Telenor, Ufone, Warid Telecom and Zong are operating in Pakistan. All were selected for the study.

A sample of 475 customers of the companies was selected. The study sample includes the respondents from two universities of Lahore, university of the Punjab and university of management and technology. The sample was chosen by probability sampling. ‘Simple random sampling technique’ was used to select sample. This technique was selected because all types of cellular network subscribers are available in most areas of Pakistan. Questionnaire was used to collect data. Through literature review, it was found that this instrument commonly used for related studies for example (Aydin et al., 2005; Bennet, 2002; Lim et al., 2006). Questionnaire was developed through adopting questions from various researches and revised to create link to this specific study. It included 31 questions about brand loyalty, service quality, satisfaction, commitment and trust. 5-point Likert scale (a form of ordinal scale) has been used to get the answers. The objects used for Likert scale were, strongly disagree, disagree, neutral, agree, strongly disagree (1 for strongly disagree and 5 for strongly agree).

Self administered questionnaires were distributed to the respondents. 475 questionnaires were distributed to the respondents. Out of which 400 were completed in all respects. 35 were not returned and 13 respondents refused to take part in survey. 27 were not completed in some aspects.

Results

The main objective of pilot study was to check the reliability of the instrument used for research purpose. To check the internal consistency of instrument, cronbach’s Alpha (reliability test) is used normally and result statistics above .7 are considered good (Bennet, 2001). reliability statistics are overall (.94), brand loyalty (.76), service quality (.83), satisfaction (.88), commitment (.80) and trust (.86).

Table-1 exhibits the correlation coefficients among variables included in research. Correlation coefficients ranged from 0.46 to 0.64. All are significant at level 0.01. Correlation coefficient that lies between the limit 0 < r 0.5 has weak positive position and 0.5 < r < 0.8 demonstrates fair positive correlation.

<table>
<thead>
<tr>
<th>Correlations</th>
<th>Brand loyalty</th>
<th>Service quality</th>
<th>Satisfaction</th>
<th>Commitment</th>
<th>trust</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brand loyalty</td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service Quality</td>
<td>.595</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Satisfaction</td>
<td>.572</td>
<td>.608</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commitment</td>
<td>.473</td>
<td>.570</td>
<td>.641</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>trust</td>
<td>.461</td>
<td>.586</td>
<td>.595</td>
<td>.624</td>
<td>1</td>
</tr>
</tbody>
</table>

All pearson Correlations are significant at the 0.01 level (2-tailed).

H1= Improved service quality creates brand loyalty.

Correlation between service quality and brand loyalty is .595. Positive correlation shows that there is positive linear relation between two variables. Moreover t-values are positive (see table-3) which confirm that respondents who are satisfied with the service quality are brand loyal round about at same level.

H2 = Service quality is positively associated with satisfaction.

Correlation figure of service quality and satisfaction is .608 which shows a strong positive relation between the two variables. t-values are positive and significant at level p<0.01. So, the relation is accepted.

H3 = Satisfaction is positively associated with brand loyalty.

Correlation statistics of satisfaction and brand loyalty are .572. Fair positive correlation affirms the above mentioned relation. t-values are positive and significant at p<0.01 The results are in line with third hypothesis that respondents who tend towards satisfaction are brand loyal.

H4 = satisfaction with the services creates commitment for the brand(s).

Satisfaction and commitment correlation is .641 that is a strong correlation. According to recorded responses, this correlation is highest among all relations proposed in the framework. t-values are significantly positive (p< 0.01).
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Table-2

<table>
<thead>
<tr>
<th>Path</th>
<th>R</th>
<th>R²</th>
<th>β</th>
<th>F</th>
<th>P(sign)</th>
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</thead>
<tbody>
<tr>
<td>Service Quality → Brand loyalty</td>
<td>.595</td>
<td>.353</td>
<td>.595</td>
<td>217.608</td>
<td>.000*</td>
</tr>
<tr>
<td>Service Quality → Satisfaction</td>
<td>.608</td>
<td>.370</td>
<td>.608</td>
<td>233.939</td>
<td>.000*</td>
</tr>
<tr>
<td>Satisfaction → Brand loyalty</td>
<td>.572</td>
<td>.327</td>
<td>.572</td>
<td>193.739</td>
<td>.000*</td>
</tr>
<tr>
<td>Satisfaction → Commitment</td>
<td>.641</td>
<td>.411</td>
<td>.641</td>
<td>277.33</td>
<td>.000*</td>
</tr>
<tr>
<td>Satisfaction → Trust</td>
<td>.595</td>
<td>.354</td>
<td>.595</td>
<td>217.719</td>
<td>.000*</td>
</tr>
<tr>
<td>Commitment → Brand loyalty</td>
<td>.473</td>
<td>.224</td>
<td>.473</td>
<td>114.568</td>
<td>.000*</td>
</tr>
<tr>
<td>Trust → Brand loyalty</td>
<td>.461</td>
<td>.212</td>
<td>.461</td>
<td>107.189</td>
<td>.000*</td>
</tr>
</tbody>
</table>

*Significance level is 0.01

H5 = satisfaction and trust are conceptually connected.
Correlation result of satisfaction and trust is .595 that depicts fair positive correlation. t-values are positive and significant at p<0.01. These figures affirm the relation. In addition to this results demonstrate that the relationship is significant positive for the selected study sector.

H6 = commitment to a preferred brand develops loyalty for that brand.
Commitment and brand loyalty’s correlation level is .473 and t-values are positive and significant (p<0.01). The results depict a weak positive relationship. Commitment has low influence on brand loyalty.

H7 = there is a connection between trust and brand loyalty.
Correlation statistics of trust and brand loyalty are .461 with weak positive relation. t-values are positive and significant at 0.01 level.
Among all four main constructs of brand loyalty, service quality has the highest influence on brand loyalty. Moreover strongest relation exists between satisfaction and commitment. All others are significant and show acceptable values.

Table-3

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>Standard Deviation</th>
<th>t-Values</th>
<th>P(sign)</th>
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</thead>
<tbody>
<tr>
<td>Brand loyalty</td>
<td>3.4453</td>
<td>.58625</td>
<td>117.53</td>
<td>.000</td>
</tr>
<tr>
<td>Service Quality</td>
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<td>.64785</td>
<td>107.403</td>
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<tr>
<td>Satisfaction</td>
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<td>89.846</td>
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<td>Commitment</td>
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<td>.76475</td>
<td>88.081</td>
<td>.000</td>
</tr>
<tr>
<td>Trust</td>
<td>3.4925</td>
<td>.76708</td>
<td>91.059</td>
<td>.000</td>
</tr>
</tbody>
</table>
Discussion and Conclusions

This research intended to investigate the factors that influence brand loyalty in telecommunication sector. The objective of the study was to provide a comprehensive conceptual model of brand loyalty and its antecedents for this service sector and for those who share common characteristics. Examination of related literature provided the base to construct and test the hypothesized model (see figure 1). The main antecedents selected for the model include service quality, satisfaction, commitment and trust. Their interrelations and relations to brand loyalty provide in-depth of the understudy topic.

The key findings of the study include the acceptance of proposed model and hypotheses. First outcome of the results is the improved service quality of the services provided and concerned services create brand loyalty. Generally in services sector and specifically in telecommunication sector, service quality means a lot. Santouridis and Trivellas (2010) conducted a study on Greece cellular networks that affirms the direct significant relation between service quality and customer loyalty. Thus it grants support for H1. Service quality is positively associated with satisfaction. Many studies verify the relationship that level of customer satisfaction is dependent on perceived quality. Moreover Satisfaction has an intervening effect on service quality and brand loyalty (Aydin & Ozer, 2005; Santouridis & Trivellas, 2010). These studies provide support to first two hypotheses.

Satisfaction is positively associated with brand loyalty. Results show significant positive relation. Despite this, satisfaction has also an indirect relationship with brand loyalty. It has been confirmed that customer satisfaction is one of the major antecedents of brand loyalty for telecommunication sector (Aydin & Ozer, 2005; Aydin et al., 2005). Next two hypotheses are: 4. Satisfaction with the services creates commitment for the brand(s) 5. Satisfaction and trust are conceptually connected. The results signal strong positive significant relationships validated through another study results of Delgado-Ballester and Munuera-Aleman (2001). The study revealed different results that Satisfaction-commitment relationship is stronger than satisfaction-trust relationship. Bennet (2001) indicated that this comparison is reversal and satisfaction-commitment relation is not so strong and insignificant. This difference is due to areas under study (Her area of study was business to business sector). Anyhow she stated that increase in satisfaction level enhances the commitment and trust of customers.

Commitment to a preferred brand develops loyalty for that brand. This hypothesis has acceptable values. Though this relation is not much strong but meets the significance level. Lee et al., (2001) provided the evidence that increased commitment level enhances customer loyalty. There is a connection between trust and brand loyalty. The results show that trust and brand loyalty are conceptually connected and have positive significant relationship. The hypothesis has been supported by a study conducted on Turkish mobile network (Aydin & Ozer, 2005).

To sum up the discussion, it could be concluded that Service quality, satisfaction, commitment and trust are major antecedents of brand loyalty for telecommunication sector and for other similar markets. Service quality is most important factor that directly influence brand loyalty. Furthermore, service quality and satisfaction also have indirect positive influence on customer loyalty.

Limitations

The study has some limitations. The research is a single product study. Any other area could be added for comparison. Sample selection is not appropriate. In Pakistan subscriber base of cellular network connection is 102.77 million but the sample included only 400 customers. There could be respondents’ bias as reversal items were not included .This problem is minimized because items of the same variables were repetitive (included in another variable). Missing data was excluded from the sample that caused reduction in sample size. Other antecedents should be taken into consideration for in-depth insight of the understudy construct.

Managerial Implications and further research insights

The study contributes to the existing theoretical and practical knowledge generally and relationship marketing knowledge specially. A comprehensive model for brand loyalty in telecommunication services sector has been introduced and tested. As considering the emerging interest in this sector, Managers and marketers need to device customer loyalty and customer retention strategies. For this, there should be a comprehensive know how about the construct. To enhance brand loyalty, well designed service quality programs should be introduced. Service quality is the major factor that should be paramount important for network providers/operators. To compete in the dynamic environment, network provider firms should guarantee service quality and satisfaction to enhance trust, commitment for the connection and brand loyalty, in turn.
References


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