Impact of Customer Satisfaction on Customer Loyalty towards Sri Lanka Telecom PLC.

Kamalakumati Karunanithy[1] & Dilani Rasanayagam[2]

1. Senior Lecturer, Dept. of Business & Management Studies, Trincomalee Campus, Eastern University, Sri Lanka

2. Customer Care Officer, Sri Lanka Telecom PLC, Trincomalee, Sri Lanka.

Abstract

The main objective for the study is to assess how the customer satisfaction influences the customer loyalty. To measure service quality, pricing, and brand image which leads to customer satisfaction were selected as independent variables and their impact on customer loyalty was measured through a sample of 395 customers from Trincomalee District by using stratified disproportionate sampling technique. Regression and Correlation analysis was done to find out the contribution and the relationship of each variable. The correlation analysis showed that the variable of customer satisfaction on Sri Lanka Telecom PLC products and services in Trincomalee district had significant relationship with customer loyalty. According to the regression model, pricing and brand image are of low level contribution to customer loyalty whereas the service quality contributes comparatively more. This study concluded that variables of customer satisfaction significantly influenced customer loyalty.

Key words: Service quality, Pricing, Brand image, Customer satisfaction, Customer loyalty.

1. Introduction

Success of any business largely depended on loyalty of its customers. Customer loyalty was an attitude of loyalty in committing a relationship between the provider and the customer. When the customers were satisfied with the organizations products and services they became a loyal to the organization. Customer satisfaction is an ambiguous and abstract concept and the actual manifestation of the state of satisfaction will vary from person to person and product/service to product/service.

There were many operators in telecommunication industry at Sri Lanka. As a telecommunication service provider, Sri Lanka Telecom PLC needs to sustain customer loyalty through its customer's satisfaction. Also the recent changes in telecom market have noticeably challenged to Sri Lanka Telecom PLC market leadership. Therefore customer satisfaction was a crucial factor in gaining customer loyalty and in turn company's stability and growth.

The Sri Lanka Telecom PLC serves its customers by the main products/services of fixed wire line (voice only)/PSTN, broad band/ADSL, CDMA and PEO TV. These products were introduced by the Sri Lanka Telecom PLC to satisfy the customer needs. In earlier days Sri Lanka Telecom PLC had only fixed wire line connection/PSTN. That means only voice services served to customers. Due to the development of technology, the customer needs are changed and they expected more from Sri Lanka Telecom PLC. To face challenges in the market, Sri Lanka Telecom PLC introduced other products one by one to satisfy its customers.

This research attempts to identify how the variables of customer satisfaction contribute to Sri Lanka Telecom PLC to maintain customer loyalty amidst growing competition. Therefore, the aim of this study is to evaluate the customer loyalty through three factors, such as, service quality, pricing and brand image which leads to customer satisfaction.

Fornell (1992) defined satisfaction as an overall evaluation dependent on the total purchase and consumption experience of the target product or services performance compared with repurchase expectations overtime.

Zeithmal and Bitner (1996) believed that the extent of satisfaction depends on service quality, product quality, price, image and personal factors. Fornell (1992) examined 27 different businesses and found the loyal customers were not necessarily satisfied customers, but satisfied customers tend to be loyal customers. Highly satisfied customers were much more loyal than satisfied customers and any drop in total satisfaction result in major drop in loyalty (Jones, 1990).

By understanding and identifying the profile of individual customers, the service providers can suggest appropriate products to meet their needs. Since satisfied customer is too loyal to the company, as a competitive company, Sri Lanka Telecom PLC needs to maintain its loyalty in the telecom market for a sustainable position in future. Therefore this study focused on the problem that,

"Can Sri Lanka Telecom PLC sustain/retain its customer loyalty through the three factors such as, service quality, pricing and brand image which leads to customer satisfaction?"

Through this study, the shortcomings in Sri Lanka Telecom (SLT) PLC's business can be identified and, with customers' feed back, improvements can be made to meet their expectations in order to retain SLT's market

position. Those are:
1. Understanding the importance of customer loyalty
2. Understanding the shortcomings of Sri Lanka Telecom PLC 's services
3. Identifying the ways to increasing the awareness of Sri Lanka Telecom PLC 's products
4. Applying the improvements.

The purpose of this research was to investigate the factors affecting customer loyalty within Sri Lanka Telecom PLC at Trincomalee District, by analyzing the relationship of every construct in the conceptual frame model (shows as figure 1). This study was expected to examine the relationship between four construct in the model (service quality, pricing, brand image and customer loyalty) which can be referenced for Sri LankaTelecom at Trincomalee District.

2. Methodology

How the variables of customer satisfaction effect customer loyalty can be explained by the following conceptual model:

Figure 1: Conceptual framework
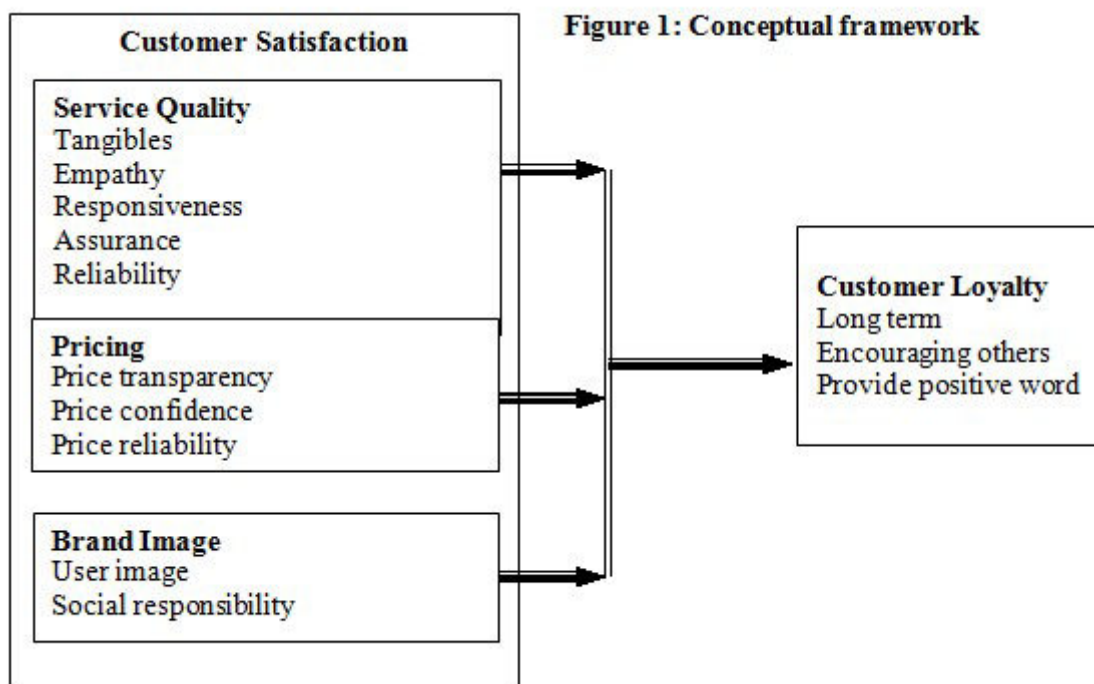
(Based on the researches of the followings: Peng and Wang (2006); Gronross (2000); Parasuraman et al. (1998); Cheng et al.(2008); Zeithaml (1998); Aydin and Ozer (2005); Ravald and Gronross (1996); Johnson and Sirikit, (2002); Martin- Consuegra, Molina and Esteban (2007); Chaudhurai and Holbrook (2001))

The above model is operationalized as follows:

Table 1: Operationalization of variable

Variables	Indicators	Statement No.
Service Quality	Tangibles	A1-A3
	Empathy	A4-A6
	Responsiveness	A7-A8
	Assurance	A9
	Reliability	A10
Pricing	Transparency	B11-B12
	Confidence	B13-B14
	Reliability	B15
	Relative price	B16
Brand Image	User Image	C17-C18
	Social Responsibility	C19-C20
Customer Loyalty	Long Term	D21-D23
	Encouraging others	D24-D25
	Providing positive word	D26-D27

To design the Sample, stratified disproportionate sampling method is used for the purpose of the study. Based on the switch region database of Sri Lanka Telecom PLC as at 01.03.2012, out of the population, 395 customers are selected for the sample that fits the requirement of 2% of the total population.

Table 2: Population and Sample

Product Level	Fixed Wired Line (voice only)	Broad Band/ADSL	PEO TV	CDMA	Total
Population	9261	2527	102	7851	**19741**
Proportionate sampling (2% of the elements)	185	51	2	157	**395**
Disproportionate sampling	150	50	45	150	**395**

（Source: Switch Region Data Base of SLT as at 01.03.2012）

For this research, the data was collected from Primary as well as secondary sources. Primary data are collected using Questionnaires and by interviews. Secondary data are collected from Customer record book, Switch data base book. Those are collected from Sri Lanka Telecom PLC, Trincomalee branch.

Based on the variables and their dimensions, questionnaire was prepared. Selected customers were asked to put score to appropriate case in the questionnaire.

To measure data, 5 point Likert scale from strongly agree to strongly disagree was used. SPSS (Statistical Package for Social Science) version 14.0 was used to analyze the responses obtained from questionnaires.

The correlation analysis was used to measure the magnitude and the direction of the relationship between the variables of customer satisfaction and the customer loyalty of Sri Lanka Telecom PLC customers. The significance level of the correlation coefficient is considered to explore the meaningful linear relationship between the variables. In addition, multivariate regression technique is used to quantify the relationship between variables.

3. Results

This cross sectional, correlation field study was carried out with an intention to find out whether the variables of the customer satisfaction have a bearing on the customer loyalty directly. After testing the reliability of the questionnaire (Cronbach's alpha was 0.893) the correlation matrix was obtained which shows that all the independent variables are positively and significantly correlated to customer loyalty. The correlation of 0.762 (p

= 0.001 ≤ 0.01) between service quality and customer loyalty, shows the higher positive relationship between them. Service quality is having higher positive relationship than the other independent variables such as pricing and brand image. It indicates that there are higher chances to improve customer loyalty by improving service quality. The correlation of 0.615 ($p = 0.001 ≤ 0.01$) between pricing, and customer loyalty also shows positive relationship between them. The correlation value of 0.711 ($p = 0.001 ≤ 0.01$) between the brand image and customer loyalty is also positively and significant related. As per the results of the correlation analysis, it could be summed up, that service quality, pricing and brand image are positively and significantly correlated with customer loyalty.

Table 3. Correlation Coefficient Matrix

		Service quality	Pricing	Brand image	Customer loyalty
Service quality	Pearson Correlation Sig. (2-tailed)	1	.681(**) .000	.741(**) .000	.762(**) .000
Pricing	Pearson Correlation Sig. (2-tailed)	.681(**) .000	1	.590(**) .000	.615(**) .000
Brand image	Pearson Correlation Sig. (2-tailed)	.741(**) .000	.590(**) .000	1	.711(**) .000
Customer loyalty	Pearson Correlation Sig. (2-tailed)	.762(**) .000	.615(**) .000	.711(**) .000	1

(Source: Output from the data analysis)

Table 4: Regression coefficients of the study variables
(Dependent Variable: Customer loyalty)

Model			B	SEB	Beta	t	Significance
	R^2	0.637					
	Constant		0.737	0.129		5.695	.000
	Service quality		0.455	0.051	0.451	8.872	.000
	Pricing		0.121	0.039	0.131	3.111	.002
	Brand image		0.251	0.039	0.299	6.500	.000

(source: output from the data analysis)

The coefficient was the primary way of measure to the extent or strength of the association that exists between the variables. According to the above output researchers can conclude that the pricing and brand image variables were contributing to customer loyalty at a low level compared with service quality.

The results, which are shown in the Table 4, also indicate by the Adjusted R square, 63% of the variance of the customer loyalty was explained by service quality, pricing and brand image with the standard beta 0.455, 0.121, 0.251 respectively. This indicated that the combination of the predictors significantly predict customer loyalty. The adjusted R Square statistics shows that 63% of variance of customer loyalty could be explained by this model. Through the findings and discussions it is affirmed there is direct relationship between the variables of customer satisfaction and the customer loyalty.

According to the model, it is also important to note that the pricing and brand image are low level contribution with customer loyalty. So other factors may be of more influence with customer loyalty. Such as personal background, competitor's contribution, switching cost and trusts etc. Contribution of these factors could be evaluated by further researches by incorporating those variables.

4. Recommendations

The prime purpose of this study was to investigate the factors that influence customer loyalty of Sri Lanka Telecom PLC customers. Service quality, price and brand image were found to the key factors that influenced the loyalty of the Sri Lanka Telecom PLC customers. Even though the service provided by Sri Lanka Telecom PLC

was very effective, it was still losing it customer base. This study was carried out from the perspective of the customers to gain a general understanding of what do customers want in order to be loyal to service provider.

According to the analyzed data, it had been found that service quality, pricing and brand image have an impact on customer loyalty. That was, a changes at service quality, pricing and brand image affects customer loyalty. Further there was a positive relationship between satisfaction of service quality, pricing, brand image and customer loyalty.

Even though Sri Lanka Telecom PLC the only wire line monopoly operator in Sri Lanka, it has to sustain the high level satisfaction among customers and to improve the moderate and low satisfactory level customers to high level satisfaction and thereby protect the customer loyalty in Trincomalee District. Managers and officers of Sri Lanka Telecom PLC and customers of Trincomalee branch suggested ideas to sustain and improve customer loyalty through satisfaction of service quality, pricing and brand image.

4.1. Recommendation by Managers

- Employees are requested to pay attention to their dressing and appearance within office premises and in the presence of customers. Especially field employees should pay attention to wear their uniforms during their official hours.

- Everyone from SLT is requested to pay attention and respect to customers and their needs, offer fast and efficient services, to have a positive attitude to customer service and to work as team to achieve and maintain the company's reputation. Employees should also need to develop good communications skills which would help them to discover the customer's specific needs.

- Management needs to find out or improve an effective method of monthly bills which could give clear idea regarding the charges. It should also consider the call rates and prices of products which now customers feel high compared with other operators and needs to revise Sri Lanka Telecom PLC prices while considering competitors' prices.

4.2. Recommendation by Employees

- Management should advertise new product/services details on time without delay and make awareness to staff to answer customer queries.
  Eg : PSTN, CDMA and ADSL promotions, IDD promotions and call rates   .

- Management needs to pay attention to arrange awareness programmes and training programmes to employees frequently. Employees, Front office staff as well as Technical Staff should update their knowledge in the same manner.
  Management needs to increase the satisfaction of their employees, thereby can maintain their service quality by giving appropriate overtime allowances, annual bonus etc (Promotion achievement bonus, Performance & Leave bonus, Best Employee awards).

- Management needs to consider price changes to attract customers as price is playing a major role in switching to other operators.

4.3 Recommendation by Customers

- Recommended to prepare a schedule of convenient time to meet back officers and operations staff. It will make convenience to customers.
  Eg : Appear time schedule at the entrance of office with officers details.

- The major effect in the Sri Lanka Telecom PLC services that most of the times staff were not clearly informed to customers that the time of service performed. Everyone should pay attention in this matter. All officers have to keep coordination with everyone to improve the trustworthiness.
  Eg : PSTN Connection with pole installation – 07 days
       PSTN Connection without pole installation – 03 days

- The management should concern on flexible price method to accommodate all level of income earners and undertake the way in which price is reliable to customers.

- Managers are requested to lessen the degree of mixed feeling following poor service recovery; service organizations might consider sending customized communication messages to disgruntled customers.

As conclusion, through the development of the variables and maintaining the quality of the service/ product would definitely pave way for expansion of the customer base and thereby the increase in net profit. By identifying the reasons of that leads the level of service quality, pricing and brand image that influence on customer loyalty, Management could take suitable actions to amend them. As per this study, it is concluded, service quality, pricing and brand images highly influenced on customer loyalty in Trincomalee district, that is, the results of the findings reached the objective of this study.

REFERENCES

Aaker, Jennifer, (1997). Dimensions of Brand Personality. *Journal of Marketing Research.*

Amine, A. (1998) Consumers' true brand loyalty: the central role of commitment. *Journal of Strategic Marketing,*

6, 4, 305-319.

Aydin, S. and Ozer, G. (2005). The analysis of antecedents of customer loyalty in the Turkish mobile telecommunication Market, *European Journal of Marketing,* Vol.39, No.7/8, pp.910-925.

Bitner, M.J., & Zeithaml, V.A. (2003). *Service Marketing, third edition.* Asian edition McGraw Hill.Blery et al (2009). Service quality and customer retention on mobile telephony *Journal of Targeting, Measurement and Analysis for Marketing* Vol 17, 1, 27-37.

Chaudhuri A. & Holbrook M.B. (2001) The Chain of Effect from Brand Trust and Brand Affect to Brand Performance: The Role of Brand Loyalty. *Journal of Marketing* Vol.65 (April 2001), 81-93.

Cheng, T.C.E.; Lai, L.C.F.and Yeung, A.C.L.(2008), "The Driving Forced of Customer Loyalty: A Study of Internet Service Providers in Hong Kong", *International Journal of E-Business Research,* Vol 4, No.4, pp.26-42.

Cronin, J.J. & Taylor, S.A. (1992). Measuring Service Quality – a Reexamination and Extension. *Journal of Marketing,* 56(3):55-68.

Fe, I., & Ikova, C. (2004). An index method for measuring of customer satisfaction. *The TQM Magazine,* 16 (1), 57-66.

Granross, C. (2000), "Service Management and Marketing: A Customer Relationship Management Approach", *john Wiley & Sons, Ltd., (Second edition). ISBN 0-471-72034-8.*

Johnson W.C., & Sirikit A. (2000) Service quality in the Thai Telecommunication Industry: tool for achieving a sustainable competitive advantage. Management Decision 40/7(2002). 693-701

Kollmann T. (2000) The price/acceptance function: perspective of pricing policy in European Telecommunication Markets. *European Journal of Innovation Management.* Vol 3, No.1 (2000). Pp 7-14.

Martin-Consuegra D., Molina A., (2007). An Integrated Model of Price, satisfaction and loyalty: an empirical analysis in the service sector. *Journal of Product & Brand Management.* Vol.16. No.7. (2007). Pp.459-468. Emerald.

Munnukka J. (2005) Dynamics of price sensitivity among mobile service customers. *Journal of Product & Brand Management.* Vol. 14. No. 1 (2005). pp.65-73.

Ostrowski, P.L., O'Brien T. and Gordon, G. (1993), "Service Quality and Customer Loyalty in the Commercial Airlines Industry", *The Journal of Travel Research, 32, 16-24.*

Parasuraman, A., Zeithamal, V.A. and Berry, L.L. (1988). SERVQUAL: A multiple-item scale for measuring consumer perceptions of service quality, *Journal of Retailing,* 64, pp.12-40. Parasuraman, A., Zeithaml, V.A., & Berry, L.L. (1993). Research note: more on improving service quality measurement. *Journal of retailing,* Vol.69. No.01: pp. 140-147.

Parvez (2005). A Relationship Study on Service Quality, Switching Cost, Trust, Customer Satisfaction and Customer Loyalty in the context of Grameephone. Independent University, Bangaladesh.

Peng, Leong Yow & Wang, Qing (2006). Impact of relationship Marketing Tactics (RMTs) on Switchers and Stayers in a Competitive Service Industry, *Journal of Marketing Management,* V.22, pp.25-59.

The Telecommunication Regulatory Commission.

www.trc.gov.lk/services/licences/operator-licences/list-of-licenced-operators.html

www.trc.gov.lk/information/statistics.html

The Sri Lanka Telecom PLC

www.slt.lk/data/aboutslt/history.htm

CALL FOR PAPERS

The IISTE is currently hosting more than 30 peer-reviewed academic journals and collaborating with academic institutions around the world. There's no deadline for submission. **Prospective authors of IISTE journals can find the submission instruction on the following page:** http://www.iiste.org/Journals/

The IISTE editorial team promises to the review and publish all the qualified submissions in a **fast** manner. All the journals articles are available online to the readers all over the world without financial, legal, or technical barriers other than those inseparable from gaining access to the internet itself. Printed version of the journals is also available upon request of readers and authors.

IISTE Knowledge Sharing Partners

EBSCO, Index Copernicus, Ulrich's Periodicals Directory, JournalTOCS, PKP Open Archives Harvester, Bielefeld Academic Search Engine, Elektronische Zeitschriftenbibliothek EZB, Open J-Gate, OCLC WorldCat, Universe Digtial Library , NewJour, Google Scholar