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Customer loyalty in the mobile telecommunication industry of Zimbabwe. A study of determining factors

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ABSTRACT

The aim of this study is to examine the factors that influence customer loyalty in the telecommunication industry of Zimbabwe. Increased competition in the telecommunication industry has motivated the service providers to review the quality of their services and to build customer loyalty platforms for the purpose of customer retention. Service quality is the most important determinant of customer loyalty. Strong interpersonal relationships between service providers and customers are the way to build customer loyalty, even when competitors try to win them over with lower prices. The study uses the structured questionnaire to collect data from a sample of 200 customers of the mobile telecommunication industry. Purposive sampling techniques were employed in the study. A conceptual framework was constructed in order to provide a platform for the creation of relevant hypothesis. Thus several hypotheses were generated and tested using one-way ANOVA, and multiple regression analysis. The dependent variable was customer loyalty, whereas the independent variables were; service quality, customer satisfaction, trust, corporate image and switching cost. The results of the study revealed that service quality, customer satisfaction, trust and corporate image have some degree of relationship with customer loyalty whereas switching cost did not have any significant degree of relationship with customer loyalty.

Keywords: *Customer loyalty, service quality, customer satisfaction, trust corporate image, switching cost*

Introduction:

Zimbabwe provides the biggest telecommunication market in Africa. Mobile phone has become an indispensable part of Zimbabwe's everyday life and has made communication easier for both urban and rural people alike. Every year has seen the number of mobile subscribers increasing steadily. Presently there are four mobile phone operators in Zimbabwe, namely, Econet wireless, NetOne, Telecel Zimbabwe and TelOne. According to the Postal and Telecommunications Regulatory Authority of Zimbabwe POTRAZ [1] the annual growth rate is sluggish, as the mobile industry is slowly reaching saturation and this is evidenced by the penetration rate of 95 percent. Consequently, ECONET has a subscriber base of 8.3 million people, Telecel, has a subscriber base of 1,2 million people, whereas NetOne has a subscriber base of 3.0 million people [1]. Telecommunication service providers offer numerous services (SMS), voice SMS, Multimedia Message Service (MMS), Voice service, information service, ringtone, games, electronic transaction, roaming, internet service, video call and customer care service [2]. There exists a fierce competition among telecommunication service providers in Zimbabwe and in this competition, customers are not loyal to one particular telecommunication company [2]. The three telecommunication companies are continuously forced to create a credible customer base that will not be eroded even in the face of severe competition [3]. Telecommunication companies have a duty to ensure that they continue to survive and increase their market-share by growing more customers who are loyal to them in the first place because acquiring a new customer can cost 6 – 7 times more than keeping or retaining existing customers [4]. The essence of competition is to increase customer bargaining power, hence telecommunication companies should, put more emphasis on building more trust and customer satisfaction [4].

Statement of the problem:

A fierce competition exists in the mobile telecommunication sector of Zimbabwe. Therefore subscribers have a wider choice of alternatives from which to choose the service provider who has the capacity to meet their demands. Therefore service providers have to identify factors that create customer loyalty in order to maintain a leading position in this competitive market. Very few studies have been conducted in Zimbabwe, to investigate the factors that determine customer loyalty in the telecommunication industry. It is therefore the aim of this study to fill this gap in literature by attempting to examine the determinants of customer loyalty in the telecommunication industry in Zimbabwe.

Objectives:

The broad objective of this study is to determine the factors that create customer loyalty in the telecommunication industry in Zimbabwe. Therefore the specific objectives are as follows:

1. To examine the nature of the relationship between service quality and customer loyalty.
2. To find out whether or not customer satisfaction has a signification relationship with customer loyalty.
3. To evaluate the relationship between trust and customer loyalty.

4. To determine the degree of correlation between switching cost and customer loyalty.
5. To examine whether or not corporate image has a significant relationship with customer loyalty.
6. To identify the most important factor that creates customer loyalty in the telecommunication industry.

Hypotheses:

H_1: There is a significant relationship between service quality and customer loyalty.
H_2: There is a significant relationship between customer satisfaction and a customer loyalty.
H_3: There is a significant relationship between trust and customer loyalty.
H_4: There is a significant relationship between corporate image and customer loyalty.
H_5: There is a significant relationship between switching cost and customer loyalty.

Conceptual Framework:

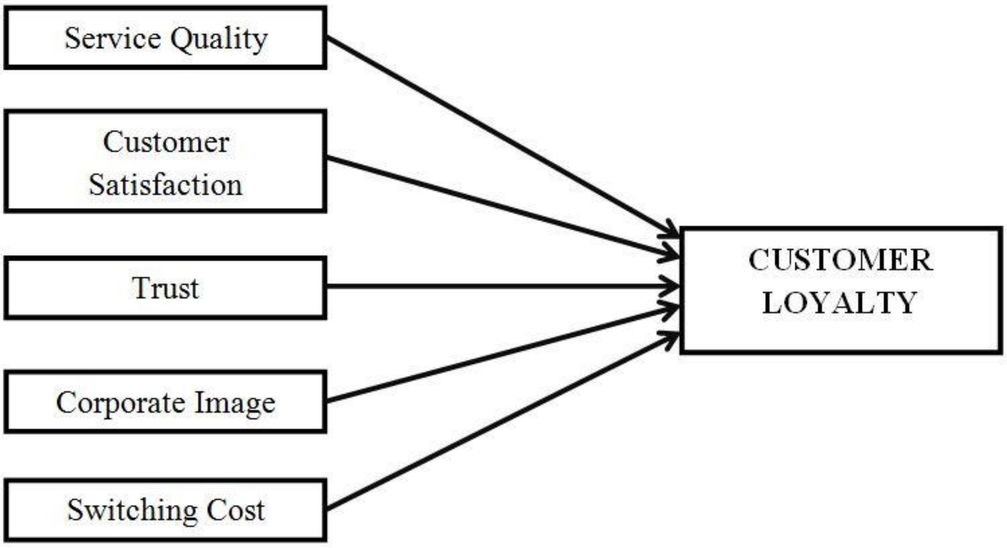

Figure 1: Conceptual Framework of Customer Loyalty

Literature Review:

Customer Loyalty

Customer loyalty as a concept can be traced back to consumer behaviour theory and it is something that consumers display when they show their appreciation for certain brands, services or activities. All relations marketing activities are generated from customer loyalty. Customer loyalty represents the doctrine that is used by customers to repeat purchase behaviours and to refer the company to other customers [5]. According to Jacoby and Kyner customer loyalty is the biased behavioural response expressed over time by customers with respect to one or more alternative brands and is a function of psychological process. Oliver [6] defines customer loyalty as “a deeply held commitment to rebuilt or patronise a preferred product/service consistently in the future, thereby causing repetitive same brand set purchasing.” Customer loyalty provides the strength needed by organisations to shape customer behaviour in the desired direction [7]. To deal with a highly competitive market, business is supposed to attract and satisfy customers and to create a sustainable relationship with customers [7].

Service Quality

Kotler [4] explains that service is an activity or benefit that one party can offer to another and is essentially intangible and does not result in the ownership of anything. Service quality is a matter of attitude and judgement expressed by customers [8]. Service quality is the most important differentiator and competitive weapon possessed by organisations today [9]. According to Gronroos [10], service quality involves an evaluation process where customers compare their expectations of a service with the perception of the service to be received. Several authors agree that there is a positive relationship between service quality and customer loyalty [11], [12], [13]; [14]; Buzzel and Gale [15]. Rahman and Ismail [16] believe that customers are helped by other customers to evaluate service quality. Service quality can actually be used by organisations to create the needed competition in the industry [17]; [18]; [19]; [20].

Customer Satisfaction

Fornell [21] defined the concept of satisfaction as an overall evaluation dependent on the total purchase and consumption experience on the target product or service performance compared with repurchase expectations overtime. The literature on customer satisfaction has shown that there is a positive relationship between customer satisfaction and customer loyalty [22]; [23]; [24]; [25]; [26]; [21]. Several studies have also validated the link between customer satisfaction and behavioural intention, such as, customer retention and word of mouth [25]; [27]; [28]. Customer satisfaction is the predictor of customers loyalty [29]; [30]; [31].

Trust

Moorman et al [32] defines the concept of trust as the willingness to rely on an exchange partner in whom one has full confidence. If one party trusts another party the result is that there is a positive stimulation of positive behavioural intentions towards the second party [33]. Morgan and Hunt [34] showed that trust is a major factor that influences relationship commitment which in turns leads to brand loyalty. According to Chauduri and Holbrook [35], brand trust is directly related to both purchase and attitudinal loyalty. Brand trust helps the organisation to perform better than other firms in the same industry [36]; [32]; [37].

Corporate Image

According to Zeithaml and Bitner, [38] the concept of image refers to the ability of the firm to influence and shape the attitudes, behaviours and assumptions of customers regarding the goods and services provided by service provider. Nguyen and Leblanc [39] believe that corporate image is correlated to the physical and behavioural attributes of the firm, such as, business name, variety of products and services, and the impression of quality communicated by each person communicating with the firm's clients. Corporate image is one of the major determinants of customer loyalty and loyal customers may buy more from the firm's products and are likely to spread positive word of mouth attributes of the firm's products. Corporate image and brand image are also important determinants of customer loyalty [40]; [9]; [41].

Switching Cost

Switching cost is the form of cost involved in changing from one service provider to another [42]. Jackson [43] explain the concept of switching cost as the sum of economic, psychological and physical costs. Switching costs are characterized by customer lock-in, where customers purchase the same brand repeatedly [44]; [45]. Several studies have shown that the degree of switching cost may have an influence on customer loyalty in the service industry [46]; [47]; [7]. According to Jones et al [48] switching cost is the most important antecedent for both business to business and business to consumer cases.

Methodology:

The study used the descriptive survey approach. The main purpose of the descriptive approach is confirmation of the generated hypotheses that reflects the existing conditions [49]. Therefore the quantitative study design was adopted. Data was collected using a survey method using a self-administered questionnaire. Survey respondents were selected from the current mobile telecommunication users in Chinhoyi.

The Sampling Design:

The population for this study consisted of all individuals in Zimbabwe who have a connected mobile phone and have used a particular network service for more than six (6) months. Since subscriber statistics are proprietary owned and statistics are only available for the whole country the convenient sampling method was used to draw the sampling units for subscribers in Chinhoyi.

Data analysis and discussion:

The reliability of a measure indicates the degree to which measures are free from random error and therefore yield consistent results [49]. According to Nunnaly [51] a measure of 0.7 is the most acceptance reliability coefficient.

Table 1: Model Summary

Model	R	R square	Adjusted R Square	Std. Error of the estimate
1	0.655	0.520	0.533	0.77677

Predictor (Constant), switching cost, customer satisfaction, corporate image, trust, service quality.

Table 2: ANOVA

Model	Sum of Squares	DF	Mean square	F	Sig
1. Regression	111 555	6	22 633	23.754	0.000
2. Residual	175 163	187	0.888		

TOTAL	287 872	188			

Predictors (constant.Switching Cost, Customer satisfaction, Corporate Image, Trust, Service quality.
Dependent variable: customer loyalty

The study used multiple regression analysis to find the determinants of customer loyalty. Table 1, shows that the R value is 0.655 and the coefficient of multiple determination is $R^2 = 0.520$. Table 4, shows that the ANOVA test result (F = 23.754) P = 0.000 shows the fitness of the model. It can be concluded that the combination of the independent variables significantly predict customer loyalty.

Table 3

Model	Unstandardized coefficient		Standardised Coefficient	t	Sig
	B	Std Error	Beta		
Constant	0.555	0.766		0.654	0.552
Service quality	0.560	0.116	0.372	4.699	0.000
Customer Satisfaction	0.247	0.111	0.170	2.319	0.022
Trust	0.271	0.089	0.211	2.783	0.0008
Corporate Image	0.223	0.091	0.162	2.453	0.025
Switching Cost	-0.179	0.116	-0.133	-1.731	0.079

Dependent variable:
Customer loyalty

Table 3, shows that there is a significant positive relationship between service quality and customer loyalty. The results of the study support H_1. Table 3, shows that there is a significant relationship between customer satisfaction and customer loyalty, with Beta = 0.170. Table 3 shows that there is a significant relation between Trust and customer loyalty, with Beta = 0.211. There is a significant relationship loyalty, with Beta = 0.162 and the results support H4. There is no significant relationship between switching cost and customer loyalty with Beta = -0.133 and the results support H_5.

Conclusion:

The study examined the factors that influence customer loyalty in the telecommunication industry in Zimbabwe. Multiple regression analysis was conducted in this study in order to find out the most important determinants of customer loyalty. Extant literature shows that the most important determinants of customer loyalty are customer satisfaction, trust, and corporate image. Switching cost is not a signification determinant of customer loyalty. The results of the study show that service quality is the leading determinant of customer loyalty.

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