

## **Impact of Service Quality on Customer Loyalty in Telecom : A Review**

**B. B. Singla\* and Manvinder Singh Tandon\*\***

*\* School of Management Studies, Punjabi University, Patiala*

*\*\* School of Management Studies, Punjabi University, Patiala*

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### **Abstract**

Recent studies focused on loyalty concept in services sector. Customer loyalty is receiving great deal of attention in telecommunication sector. Service quality is an important factor in service sector. Customer satisfaction is found to be an important mediator between perceived service quality and customer loyalty. A highly competitive business environment requires firms to focus on ways of drawing loyal consumers and improving industry position. Literature provides that service quality affects customer loyalty by enabling the business firm to create venues and means of establishing and developing a committed relationship between the firm and its consumers. In this paper, an attempt has been made to know the service quality, customer satisfaction and resultant customer loyalty in service industries with special reference to telecom sector by reviewing the existing literature.

### **Key Words**

Service quality, Customer Satisfaction and Customer Loyalty

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### **INTRODUCTION**

Service quality is one of the most widely researched topics in the field of service Sector. Parsuraman et al., (1985) defined service quality as consumers' comparisons between service expectation and service performance. According to them service quality is determined by the differences between customers' expectations of the service and their perceptions of the service experience (Parsuraman et al., 1988).

The services industry & telecom industry in particular, and all businesses whose service depend on building long term relationship need to concentrate on maintaining customer's loyalty. In this respect, loyalty is greatly influenced by service quality. In the past three decades, due to liberalization and privatization the entire telecommunications industry has become a dynamic service industry subject to increasing competition with huge growth potential (Graack,1996). In this emerging market customers are not that loyal to one particular private telecommunication company. Hence, the major private telecommunication companies forced to consider how to create a loyal customer base that will not be eroded even in the face of fierce competition. Therefore, the telecommunication companies must realize the necessity of studying and understanding various antecedents (viz. service quality, switching cost, trust, corporate image, and customer satisfaction) of the customer loyalty which might help them to develop a loyal customer base (Sharp & Sharp, 1997).

Customer loyalty has been recognized as a key factor in marketing literatures and for academicians over the past few decades. It is considered as a contributor to build and maintain brand equity (Aaker, 1991). Detailed analyses suggest that customer loyalty further reduces marketing efforts and cost. Statistics show that it costs 6 times less (for customer retention) than attracting and/or acquiring new customers (Rosenberg & Czepiel, 1984). Such findings further enhance the value of customer loyalty.

### **EXISTING KNOWLEDGE ABOUT SERVICE QUALITY**

According to Kandampully, (1998) service quality has become a great differentiator between companies and is one of the most powerful weapons which many leading service organizations possess.

As per Kotler (1997) the business firms need to get customer oriented in today's competitive environment. The recognition and consequent fulfilment of the precise needs of customers leads to subsequent increase in customer retention (Day 1994). It is not uncommon to see a lot of business houses investing highly on customer retention and customer loyalty. In the prevailing scenario of the competitive markets, the returns of the investment are invaluable. Customer loyalty could be achieved through improvements in service quality.

Grönroos (2000) proposed a widely accepted definition of service as: "A service is a process consisting of a series of more or less intangible activities that normally, but not necessarily always, take place in interactions between the customer and service employees and/or physical resources or goods and/or systems of the service provider, which are provided as solutions to customer problems". This definition implied that service is a process where interactions between customer and

service provider most often exist. Hence, in a service context, there are almost a relationship between customer and service provider, such relationship can be used as a basis for marketing, In order to retain loyal customer who will bring long-term profit to the firm, the key issue for service provider is to make use of this relationship in the way it manages customers by offering what the customers needs and wants.

Gronroos (1984) developed Nordic model of service-quality having two terms -functional quality (how the service is delivered) and technical quality (what the customer receives in the service encounter) and these two dimensions create the 'image' variable. The 'image' variable creates the differentiation between expected services and perceived services. Parasuraman et al., (1985) developed SERVQUAL model, having five elements- the tangibles, reliability, responsiveness, empathy and assurance and these variables further affect the perceived and expected services and their outcome is perceived service quality experiences.

Bolton and Drew (1991) developed a multistage model of determinants of perceived service quality and service value. The model described how customer's expectations and perceptions of current performance and disconfirmation experiences affected their satisfaction or dissatisfaction with a service, which in turn affected their assessment of service quality and value. Customer satisfaction is a cumulative construct that is affected by market expectations and performance perceptions in any given period and is affected by past satisfaction from period to period. 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.

According to a number of researchers, the customers' expectations are formed through the degree of usage of a service . Oliver and Swan(1989) argued that customers' expectations for regularly provided services (such as the telephone service) or long-lasting durable goods, are passive, and disconfirmation will not arise unless service changes occur that are outside the preview of norms. Bolton and Drew (1991), reinforced the same thought and claimed that as telephone service is a continuous service, customer responses should be affected only by performance evaluations.

## **CUSTOMER LOYALTY**

Customer loyalty is defined as a consumer's intent to stay with an organization (Zeithaml et al., 1996). It represents a commitment by the customer to purchase more and varied products from the same organization and to help it, where

possible, to succeed (e.g. through word-of-mouth recommendations). Considering the behavioral intentions perspective of loyalty rather than a behavioral or repeat purchase perspective avoids confusing spurious loyals—those who have a low relative attitude toward the organization but are constrained to repeat purchase (Dick and Basu, 1994)—with genuinely loyal customers.

Customer loyalty is the phenomenon that makes a customer either to return to re-purchase a certain product, service or brand company, or to shop or outlet to purchase there again. Customer loyalty is the sum total of feelings or attitudes that would incline a customer to consider the repurchase of a particular product, service or brand or re-visit a particular company or shop. It affects the success and profitability of companies. Customer loyalty can help the companies achieve competitive advantage and it is the best way to win the best kind of customers and also repeat purchases by the same customers.

Lee and Cunningham (2001), say that a customer's perception affects his judgment and it makes him loyal towards the product or services. Loyalty lays the basis of a company's dependable competitive advantage. If the organization works positively on developing loyalty, it can guarantee its systematic growth and financial performance. So the companies should try and frame the marketing strategy in such a way that they will be able to retain the existing customers by increasing their loyalty and value (Kim et al., 2004).

The literature on loyalty has revealed that markets have different approaches for durable goods, consumable goods, and services, so loyalty is measured differently in each of the cases. Literature also says 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.

Gronroos (1983) has defined service quality in two forms . Functional service quality refers to the type of the communication between the service provider and user of the service, i.e. the customer and the process by which the service is delivered. Technical service quality refers to the quality of the service output (Sharma and Patterson, 1999). The literature attempts to prove that such dimensions of service quality have the ability to influence and contribute to customer attitudes and behaviors differentially. However, quality perceptions on both dimensions (namely functional and technical) of service are likely to be positively associated with customers' attitudes toward the service provider and their chances of staying as a loyal customer.

As such, amongst the services, the mobile services sector is an important one because of its high penetration. This sector is fast catching up these

days because of high demand of the same in the market. So, the entrepreneurs take it as a lucrative avenue in which firms try to behave responsibly towards the customers.

Henkel et al., (2006) found satisfied customers of telecom sector have high extent of usage and intentions to repurchase in future. Those firms expecting to create and sustain advantages over competitors in this market should be seeking to deliver a superior and service quality.

### **SERVICE QUALITY IN TELECOMMUNICATIONS**

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 mobile service provider market in particular.

Santouridis and Trivellas (2010) investigated key factors that lead to customer loyalty in the mobile telephony sector in Greece. As such it becomes all the more important for the mobile service providers to understand the key drivers of customer loyalty.

Lin (2010) opined the fact that it is practically becoming more challenging to retain the old customers and attracting new ones in today's competitive and highly segmented markets. And the universal cure for all organizations as well as to cope with ever-increasing competition in the market place brand loyalty creation has been propounded as the best solution. This could be generalized to telecommunication sector.

Aydin et al., (2005) researched the GSM mobile telephony sector, according to them; the most important pre-requisite to create brand loyalty among customers is to guard the client base who have subscribed to the services. It is also an essential requisite for the brand's existence in far future. To achieve this goal, customer satisfaction and trust must be given the due importance.

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. Service quality and customer satisfaction are the key variables included

in the list of above variables. They ultimately have a positive effect on customer loyalty.

Such results suggested that mobile service providers should have awareness that what results into customer satisfaction and brand loyalty to frame company's policy for customer retention. Without complaints, a firm may be unaware that problems exist and unable to appease unhappy customers. Indeed, arguably the greatest barrier to effective service recovery and organizational learning is the fact that only 5 to 10 percent of dissatisfied customers choose to complain following a service failure (Tax and Brown 1998).

A study was conducted by Jessy John, (2010). to study the factors that influence customer loyalty of BSNL mobile customers. The samples were collected from 100 consumers who have BSNL mobile services in Jaipur city. BSNL being the pioneer in mobile sector still have a strong customer base, but over the past few years a steady thinning is happening in the customer base. The paper investigates the reasons behind the hard core customer loyalty even in an environment with high quality alternatives. The results indicated that network quality, customer service along with value added services provided by BSNL enhanced the loyalty of the customers. It is recommended that the BSNL mobile services enterprises should work on its problems related to servers. This will further strengthen the customer satisfaction and loyalty. The findings indicate that telecommunication service providers should look beyond price wars to keep their customers satisfied and loyal. The paper is an attempt to analyze the variables that influence the perception of the mobile phone users to remain loyal to their existing service providers that is why they are loyal to the company

Telecom market is one of the most competitive, dynamic and fiercely battled arena worldwide and India is no exception to it. A lot of money is being spent on technologies to stop the defection and churn; still marketers have an extremely important role in creating and retaining loyal set of customers. The new competitive landscape is characterised by increased complexity and dynamism. Traditionally, customer satisfaction has been understood to be the key to have loyal set of customers. However, there are several variables apart from the customer satisfaction which directly or indirectly affect the brand loyalty.

Chadha, S.K., Deepa Kapoor (2009), in their study suggest that the customer satisfaction was found to be the best predictor of customer loyalty. The study shows that the switching cost, service quality and customer satisfaction have positive association with customer loyalty. This study attempts to examine the effect of switching cost, service quality and customer satisfaction on customer loyalty in the mobile telecommunication services.

A study by Ishfaq Ahmed, Muhammad Musarrat Nawaz et. al., (2010) examines the service quality of the mobile service providers and satisfaction of the customers with this quality. The study focuses only the SMS service provided by telecom organizations. Service quality is measured using 5 dimensions and its relationship is determined with customer satisfaction. The data was collected from 331 youngsters who use the SMS service of any company.

Correlation and regression analysis are used to analyze the data. These organizations try to satisfy customers by providing best quality services.

### **CONCLUSION**

Service quality is a must and it is crucial in improving organization's image, surviving in a competitive market at both national and global levels. Continuous quality improvement has to be applied in all organizations for their survival and to keep and increase their market share. The companies need to focus on the gaps between expected and perceived service quality.

As the current market place becomes more competitive, consumers tend to become more and more demanding. Mobile telecommunication service sector in India has been experiencing the highest growth rate in terms of subscribers and revenues. With the increasing competition in cellular services, the consumers are demanding more. The main condition for protecting the subscriber base is to win customer loyalty. The long term success of organizations depends on many factors. The service sector organizations need to strive through service quality. These organizations try to satisfy customers by providing best quality services.

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