

Full Length Research Paper

Customer service in the retention of mobile phone users in Nigeria

Oyeniya, Omotayo* and Abiodun Abolaji Joachim

Department Of Business Studies, Covenant University, Ota, Ogun State, Nigeria.

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Customer service has received considerable attention in marketing literature. This paper attempts to find the relationship between customer service on customer retention in telecommunication industry in Nigeria. If retention is not managed, customer's loyalty may be lost. This study examined the potential constructs in customer retention by investigating the chain of effects of retention from customer service, satisfaction, value and behavioural intention. The hypotheses are supported except that a higher level of customer satisfaction does not lead to customer loyalty.

Key words: Customer service, customer satisfaction, customer loyalty and customer retention.

INTRODUCTION

Marketing as we have come to understand has its focus on the customers' needs, wants, preference, attitudes, lifestyles, etc. Indeed, marketing concept suggests that the logical place to start the search for new product ideas are the customers need and wants (Kotler 1991). In this way, corporation's commercial success is highly dependent, at least in part, on the extent to which she could integrate her knowledge about the customers (his needs, wants, preference etc) with her own intellectual, creative capacity and skills. Consequently, Competitive advantage is secured through intelligent identification and satisfaction of customers needs better and sooner than competitors and sustenance of customer's satisfaction through better customer service tools.

Customer's satisfaction holds the potential for increasing an organization's customer base, increase the use of more volatile customer mix and increase the firm's reputation (Fornell, 1992, Levesque and McDaugall, 199). One path to achieving customers' satisfaction is through customers' service. Customer service is the provision of service to customers, before, during and after a purchase. Zeithaml and Bitner (2003) defined customers service as a series of activities designed to enhance the level of customer's satisfaction that is, the feeling that a product or service has met customer's expectation.

Customer's service varies by product, industry and customer. It however, assume important dimension in service delivery and sales of product. This is because

service firm such as Telecommunication firms, have no inventory of finished goods to buffer production from random demand variability (Dutta and Roy, 2006). Nevertheless, it is a demanded for corporation survival, profitability and growth that service firm hold their own in competition. The Nigerian telecommunication industry for one, has witnessed significant rise in competition in recent years due largely to the deregulation policy of government and the advent of mobile telecommunication companies. Another complex dimension to the competitive trend in the Nigerian telecommunication industry is the ease and rate at which products and services are duplicated in the industry and multi dimension nature of communication. This trend fosters a scenario of continuous fight for customers share (Menzela, 1999) and, an increasing the need to build loyal customers through effective customer's service activities.

Loyal customers, from cost perspective tend to stay longer with the preferred providers, buy more and generate favourable word-of-mouth effect that may further benefit the preferred provider. (Reichheld and Kenny, 1990) Further, Long term customers tend to take less of company time and are, somehow less sensitive to price (Gan et al., 2006). Gan et al. (2006) further indicates that retaining customer becomes a priority for most enterprise and there are compelling arguments for manager to carefully consider the factor that might increase customer's retention rate. In any case, the cost of creating a new customer has been estimated to be five times the cost of retaining an existing customer (Reichheld, 1996). And retained customers (loyal customer) will always show resistance to customer's enticement and be able to

*Corresponding author. E-mail: omotayooyeniya@yahoo.com

give both solicited and unsolicited referrals.

However previous studies in retention have focused narrowly on customer's loyalty and customer's satisfaction without attempting to link them in a model to further explain or explore customer retention. Further more, majority of these researches have been under-taken in settings outside the telecommunication industry and other economies. Therefore, given the competitive battle in the Nigerian telecommunication industry and the fact that if intention criteria are not well managed, customers may leave their service provider irrespective of retention efforts. Hence, this study empirically examines the potential construct of customer intention by investigating the chain of event in retention from customer satisfaction and customer service perspectives. The link between this construct are tested to determine if the result are consistent with previous claims about satisfaction that impact retention.

Literature review

A number of studies have identified the benefits of retention to an organization (Colgate and Danaher, 1996; Reichheld and Sasser, 1990). For example, the longer a customer stays with an organization the more utility the customer generates. This utility is the outcome of a number of factors relating to the time the customer spends with the organization, including the higher initial costs of introducing and attracting a new customer; increase in the value of purchases, increase in the number of purchases, customer's better understanding of the organization and positive word-of-mouth promotion.

It has also been suggested in literature that the costs of customer retention activities are less than the costs of acquiring new customer (Rust and Zahorik, 1993). Since replacing costs are high, customer defection should be a key performance gauge for senior management and a fundamental component of incentive programmes (Zeithaml et al., 1996). Other researchers suggest that, customer longevity is not synonymous with customer loyalty. According to Stun and Thiry (1991) retained customers do demonstrate immunity to competitive pull. For example, customers may not pay attention to competitors' advertising or making comparison (Stun and Thiry, 1991). A customer may, however, graduate from being a client, to supporter and finally an advocate.

Some of the concepts that have been used to explain why customers leave or stay with an organization are customer satisfaction and customer service. All successful companies must learn how to retain customers even when the customers appeared satisfied. According to Reichheld (1996b) some unsatisfied customers may choose not to defect, because they do not expect to receive better service delivery elsewhere and vice versa. Therefore, customer satisfaction is viewed as an important indicator of customer retention, but customer satisfaction is not always an assurance of customer retention.

Retained customers are a function of a number of variables: choices, conveniences, prices, and income (Gan et al., 2006).

It has been proved in literature, that there is a link between customer loyalty and organizational profitability (Reichheld, 1996b). This is, as a consequence of reduced cost of retaining a customer and achievement of a zero defection of profitable customers. However, retention should not be taken for loyalty. Loyalty is valid when customers have options to choose from. As such service providers should understand why customers choose to stay and should not assume that it is a positive conscious choice (Colgate et al. 1996). This is because; they may be lured away by attractive offers made by competitors when they experience dissatisfying incidents (Jones and Farquher, 2003).

There are strong arguments for management to carefully consider the range of factors that increase customer retention rates. There are a number of studies, supporting customers' retention (Fisher, 2001; Marple and Zimmerman, 1999). However, there is little empirical research undertaken as far as can be ascertained to investigate the constructs that explain customer retention in the telecommunication industry especially in Nigeria. A number of studies focused on identifying some of the constructs that are thought to be precursor to customer retention and developing a measure of customer satisfaction, customer value and customer loyalty without examining other potential constructs.

Customer retention

Many of the research in customer retention and customer exit investigate the processes separately without linking the two processes together (Colgate and Norris, 2001). Gan et al. (2006) argue that most banks in the financial service sector choose not to engage in price but rather make use of service as an effective competitive tool. In this light, Varki and Colgate (2001) argued that nothing can replace quality service. Quality service as perceived by the customer has an effect on the perceived value of the service rendered (Gan et al., 2006).

The success or failure of generating value is jointly determined by the relationship between the service events; the customer's prior and post perceptions, and perceived and actual quality of delivered service (Grot and Dye, 1999). Woodruff (1997) argues that the concept of customer value suggests a strong link to customer satisfaction.

A number of objectives are set by customers either from present or past experiences, in respect to making an evaluation in desired value (Spreng et al., 1996). The customer value hierarchy suggests that desired value is composed of a preference for specific and measurable dimensions, the attribute performances, and consequences linked to goals for use situations. Desired values, in turn, guides customers when they form percep-

ions of how well or poorly a product has performed in the use situation. That is, they evaluate use experiences on the same attributes; attribute performance and consequences constructed in their desired value hierarchies. Siles et al. (1994) argued that though customers have always been reluctant to switch banks, but impersonal and unfriendly service will still drive them away.

In this study, five dimensions of service quality are used. These are convenience, reliability, features and facilities staffs who deliver the service and tangibles. The support element is concerned with all aspects of how service quality can be provided to add value (Devlin, 2001). As such customer satisfaction is affected by their perceived value and vice versa. Varki and Colgate (2001) demonstrated that customer value impacts customer satisfaction and there is an inter-linkage between perceived service value and customer satisfaction evaluation. The following hypothesis is therefore proposed.

H₁: There is a positive relationship between the levels of perceived service value and the level of satisfaction.

Relationship between customer satisfaction and customer's behavioural intention

Customer satisfaction presumably has a positive effect on consumers' behavioral intentions. Oliver's (1980) cognitive model provides empirical evidence that satisfaction mediates the difference between previous intentions and raised intention to produce a relationship which is stronger than simply the direct effect of previous period intentions on present periods. This evidence would lead to the expectation that satisfaction will lead to higher repurchase intentions. Anderson and Sullivan (1993) found that intentions were positively influenced by the level of satisfaction. Those firms with higher satisfaction levels tended to have lower retention elasticity. This conclusion is based on strong evidence in the literature of a relationship between satisfaction levels and behavioural intention. It is therefore proposed that

H₂: Higher levels of customer satisfaction lead to favourable customer's behavioural intentions.

Relationship between customer satisfaction and customer retention

Chong et al. (1997) found that both customer satisfaction and customer perception of service quality were important predictors of attitude loyalty, but that satisfaction had the strongest relationship with the loyalty construct. Furthermore, Colgate and Danaher (2000) examined the effects that implementation of a relationship strategy can have on overall customer satisfaction and retention. Indeed, it was found that service organization employees form particularly close

relationship with customers because employees and customers often work together in the creation of many services. This is so where services are produced by employees and consumed by customers simultaneously (Lovelock, 1981).

In addition, because of the intangibility of services, customers often rely on employee's behaviours in forming opinion about the service offering (Gronroos, 1984). As a result, employees actually became part of the service in the customers' eyes. Similarly, Anderson and Sullivan (1993) found that repurchase intentions were positively influenced by satisfaction across product categories and that customers were more likely to be retained as satisfied. To achieve customer satisfaction loyalty, Oliver (1999) maintains that all service encounters offer an opportunity to provide superior service quality and distinguish the firm from its competitors. It is therefore proposed that

H₃: The higher the level of customer service, the higher the levels of customer retention.

Relationship between consumers' behavioural intentions and customer retention.

Changing customer preferences and spending patterns will influence consumer's behaviour, for example, Beckett, Hewer and Howcroft (2000) found that banks consumers transferred their account to alternative providers because of lifestyle changes, such as marriage or moving house. Abratt and Russell (1999) have shown that price followed by trust; service quality and firm being available at a time of crisis are the most important criteria in the selection of a private bank. In contrast, Riggall (1980) confirmed that the convenience factor is the most important for bank customers, followed by friend's suggestions and low service charges. Lewis (1991) indicated that convenience and recommendation by friends and family were the most decisive bank selection criteria. The following hypothesis is proposed:

H₄: Favourable consumers' behavioural intention will have a positive effect on customer retention.

The high levels of competition among service providers necessitate adoption of different customer service techniques to satisfy and retain the customer. The effectiveness of the level of customer service will enhance customer retention and reduce switching between and among service providers. As such we propose:

H₅: There are differences in the level of customer service among telecommunication service providers.

METHODS

A questionnaire survey was conducted to obtain the information required for this study. The population for the study comprised of aca-

Table 1. Bio-data of the respondents.

	Number	Percentages
Sex		
Males	52	39.4
Females	80	60.6
Service Providers		
NTM	42	31.8
OLG	44	33.3
LETLEC	46	34.8
Years with the Provider		
<2years	36	27.6
>2years	96	73.4

demographic staff of one of the relatively new private owned university in south west, Nigeria. Of the 150 survey questionnaire administered, 132 were returned and properly filled for a final response rate of 88 percent. Responses were obtained using a systematic random sampling. The sample was drawn from the staff nominal list of which every 3rd name was sampled. Our empirical observations confirm that nearly all the staff subscribe to at least one of the three major mobile telecommunication service providers in the country (Nigeria). Thus, the questionnaire was distributed to Staff (Customers) of the three major service providers in Nigeria. To protect their identity they are coded as NTM, OLG and LETLEC.

The constructs in the study were captured by a number of items in the questionnaire with each of the item measured on a five point likert scale. For example customer perceived value was captured with questions such as whether service providers are courteous and friendly enough to meet the consumers' expectations; was the service provider's respond in time of need or complaints fast enough? The behavioural intention of the customers was also focussed on with questions designed to reveal consumers willingness to switch service provider for perceived deficiency of the provider's service quality.

Furthermore, a Bivariate frequency distribution of the respondents according to age, gender and service provider that the respondents subscribed to is presented. This provides a summary of the respondents. The hypotheses formulated were then tested using both the t- and f -test statistic.

RESULTS AND DISCUSSION

A profile of the sampled respondents showed that the sampled respondents comprised of 39.4% males and 60.6% females. Of these 84.8% of the respondents are in the age bracket of less than 35 years old. The spread of the respondents among the service providers are NTM 31.8%, OLG 33.3% and LETLEC 34.8% indicating customers of the three major mobile telephone providers are adequately represented in the sample (Table 1). Further analysis showed that 73.4% of the respondents had spent upward of 3 years with their services providers while 27% of the respondents had spent close to two years findings with their respective service providers. The result of the influence of customer satisfaction on customers' perceived value showed that customer satisfaction had a significant effect on consumers' perceived

value. The t-value of 0.000 level of significance is 12.997, while $f = 365.985$ at $p = 0.000$ with adjusted $R^2 = 0.587$. This supports H_1 that there is a relationship between the levels of perceived service level and customer satisfaction. This means that customer will be satisfied, if perceived value of service is high. This is consistent with Woodruff (1997) findings.

H₂ attempts to determine relationship between customer satisfaction and behavioural intention of customer

The t-value is 5.210 at 0.0 level of significance, $f = 202.775$ at $p = 0.000$ and the adjusted $R^2 = 0.441$. This shows significant positive relationship between customer satisfaction and customer's behavioural intentions. Meaning that customers are likely to continue their patronage if they are satisfied with the perceived value of service. This is important as continued patronage will lead to retention of customers. This is consistent with Anderson and Sullivan (1993) findings.

Pearson product-moment correlation coefficient is used to test the relationship between customer service and customer retention (H₃).

The result shows a moderate positive correlation (0.506) between the variables ($r = 0.506$, $n = 132$, $p < 0.01$). This indicates that when customers' service is higher, customer retention is also high. Retention is achieved only when the customers believe that customer services offered are effective and high.

Favourable behavioural intention is tested on customer retention in H₄. $t = 7.224$, $f = 130.57$, $p = 0.000$ and $R^2 = 0.336$ which support the hypothesis. That is, customer's behavioural intentions have a strong influence on customer retention. This is consistent with Colgate and Norris (2001) findings.

H_4 is used to test the degree of differences in the level of customer service among the service providers. A one-way between groups analysis of variance was conducted to explain the effectiveness of the level of customer service. Observing that $0.002 < 0.01$ which is the level of significance being used for this analysis, shows that there is a difference in the level of customer service among the three service providers. A further analysis of the differences among the service providers is provided in Table 2

Managerial implications

This study has highlighted a number of issues that are useful to aiding managers in the telecommunication market. The issues discussed highlight a number of areas that have been shown to have significant impact for consumers' retention. It is important for manager to iden-

Table 2. ANOVA analysis of customer service rendered by service providers.

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	10.118	2	5.059	6.719	0.002
Within Groups	97.124	129	7.53		
Total	107.242	131			

tify the needs of the customers and develop appropriate service quality strategies to meet such needs. This is so because this study had shown that there is a strong relationship between customers' perceived service quality level and customer satisfaction. That is if customers' perceived service quality level is high satisfaction will also be high. Evidently, customers' service is at the core of customers' retention efforts. The study has shown that customers' retention is achieved only when the customers believe that customers services offered are effective and high.

Conclusion

In all, the hypotheses were supported indicating strong relationship between customer service, satisfaction and retention in the communication industry in Nigeria. The findings in the study show strong support for the application of customer service to enhance customer retention. It is imperative for telecommunication industry executives to improve performance on each construct that leads customer retention to improve their competitiveness in the industry. Customer satisfaction does not necessarily lead to customers' loyalty. It is assumed that when the customer is satisfied, then loyalty towards the telecom company is strengthened. The results, further show that the respondents in this study have a positive impression towards their telecom company's ability to meet their changing needs. This demonstrates that the respondents would likely stay with their telecom companies as long as the companies are able to satisfy their changing needs.

Telecommunication industry in Nigeria is not diversified and retaining customer is one important strategy available to telecom companies in order to remain competitive. Though the industry is currently growing in terms of coverage and customer base, retaining customer should be an attractive option than attracting new customers since it is less expensive.

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