

Full Length Research Paper

Only customer satisfaction and customer loyalty is not enough: A study of Pakistan's telecom sector

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Service industry is totally reliable upon customer satisfaction because its first stage is to catch the customers and the final achievement is the loyal customer; but this is not enough because there are many things that lie between customer satisfaction and customer loyalty. So this study focuses on it and the major element involved like trust. This research is an attempt to explore the customer's behavior that how much they become loyal when satisfied and also to look into the pros and cons of the telecom sector boom in Pakistan.

Key words: Customer satisfaction, trust, telecom industry, customer loyalty.

INTRODUCTION

The ultimate goal of service industry is the satisfaction of its customers because their satisfaction can somehow make them to come again. But if the customer is loyal then he will definitely turn back. And the process of creating loyal customer is not so easy and requires huge struggle and quality work. This article concentrates on the customer behavior that when they become satisfied, the trust really mediates its relation with loyalty. Studies on trust in different fields of social sciences have been conducted, but our core area of interest is trust's role in satisfaction and loyalty of subscribers of telecom in Pakistan. This research is purely carried out on telecom sector. The growth rate of telecom sector in Pakistan is tremendously amazing and has also created a model of excellence across the world. The growth rate is even more than the forecasted statistics because of the superb policies of establishment. The topic of this research paper is "only customer satisfaction (C.S) and customer loyalty (C.L) is not enough". Research objectives of this article are various but most important among all are the only C.S and their loyalty is not enough; trust element has also great significance. And the communication is not all about satisfaction and loyalty because in Pakistan the competition in telecom is at the highest pace and growth as well so the other factors should also be studied. The number of mobile subscribers in Pakistan by year 2010

reached 10 million (Mir, 2011). And trust is the top most significant element which needs to be studied deeply.

Studies regarding the element of satisfaction and loyalty in customer's behavior have been carried out in different fields but there is yet so much more to be explored and this article is a little effort towards that. Various studies on these variables have been conducted in various fields of social sciences. But still there is so much more to explore that mediates their relation so we have taken trust to test as a mediator between customer's behavior of satisfaction and their loyalty which is a little effort in this regard.

Satisfaction is an evaluation that either the product/service or organization with which customer is affiliated is providing a better level of usage and fulfills the promises (Oliver et al., 1997). Satisfaction is that favorable stage of customer's emotional level when one partner praises all the features of the other partner (Wiele et al., 2002).

The reason for choosing this particular study is superb progress of telecom sector in Pakistan within a few years. We want the world to know how this industry became the model of excellence for everyone. Loyal customers are the source of company profitability because they stick with the organization over long span of time in which they do repeated purchases. But how they become loyal can be explained by only satisfaction which is the ultimate reason of loyalty or some other factors that are also involved. Hoare and Butcher (2008) have also conducted a study on the relationship of C.L and C.S and said that

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there are no variables that affect the relationship of C.S and C.L. Bennett and Rundle-Thiele (2004) also carried out a research on C.S and C.L relationship and found a strong relationship.

Trust makes one party who is the part of a relationship thinks that whatever the other party does will definitely bring good results towards the first party (Anderson and Narus, 1990). So there can be trust which can play important function in connection between C.S and C.L. Increased profitability is achieved when C.L gets influenced by C.S. (Anderson and Narus, 1990)

This article studies in depth the relationship of C.S and C.L and trust as a mediator between them.

LITERATURE REVIEW

This theoretical framework is original and not done from any part of literature. In this article we have discussed the variables one by one and then their relationships as well. The various research studies and books along with online material were studied to create better understanding. This better understanding helped greatly in the accomplishment of this research paper. In the literature review the variable which have been studied are C.S (independent variable), trust (mediating variable) and C.L (dependent variable).

Customer satisfaction

The C.S is as much important to the concept of marketing as much the understanding of fulfilling consumer requirements and demands (Spreng et al., 1996) With reference to many perspectives of the behavior of customer, satisfaction shows a fundamental determinant which can ultimately effect the other variables and also company's economic progress (Anderson et al., 1994).

Satisfaction is an assessment that a product/service characteristic or the service or product is supplying good degree of consumption related accomplishment, which includes minimum or maximum including the degree of consumption. (Oliver et al., 1997) C.S is achieved only when customer either supports their expectations before purchasing a service or negatively supports their expectation regarding purchased services, resulting in some post purchase affect regarding experience (Cardozo, 1965).

Satisfaction is basically the evaluation by customers of a product or service that either it has fulfilled their needs or wants or not (Bitner et al., 2003) C.S is a plus stage achieved only when all aspects of one party's work relationship with the other party are appraised (Wiele et al., 2002).

Satisfaction is an aroused degree after consumption which is an outcome of comparison between actual and expected functioning of a product or service or it may

occur without any comparison of expected or actual consumption (Oliver, 1996).

Customer loyalty

It is very easy and less costly to maintain the current employees and customers than creating new ones (Ennew and Binks, 1996). The creation and maintenance of employee and C.L has become an integral and highly considered strategy especially in service based industry. Many research studies have proved that loyalty of customer is major source of bringing profitability, value and growth in an organization (Brien and Jones, 1995).

The management's commitment in an organization greatly affects the creation and maintenance of employee and C.L. (Singh, 2000). Loyalty with brand is very favorable for company because it causes continuous and consistent purchase of a service/product for a longer span of time (Assael, 1992). The C.L in consumer marketing community is elaborated as an integral objective, goal in a bigger time span. (Reichheld and Schefter, 2000) For both the customers and the firm loyalty has a very significant value. Customers are ready to put their loyalty in a company or business which can give the superior value as compared to the competitors of the same company (Reichheld, 1996).

The one biggest key of success and progress in e-commerce is the C.L. (Reichheld and Schefter, 2000) within consumer marketing community C.S always remained a desirable quest (Oliver, 1996). C.L influenced by the C.S results in increased profitability (Anderson et al., 1994). In the service industry when it comes to creation or maintenance of loyalty in customer then attributes like reliability and especially confidence play a vital and strong role (Dick and Basu, 1994).

C.L is basically the customer's mind set which carries the positive attitude towards a company which makes the customer to buy again the product/service of that particular company and then that customer also refers that product or service to his friends and others (Pearson and Stewart, 1996).

The formation of loyalty may include a series of steps like cognitive, effective and action loyalty (Oliver 1999). The C.L is basically the customer's overall affiliation or strong commitment to a service/product or company (Oliver, 1999). The customers who are loyal usually buy more products or services repeatedly and they also refer that product or service or company to others and they stick with the company for longer period of time.

Trust

The readiness to depend on the other exchange partner on which the partner has pure confidence (Christine et al., 1993). If one partner has confidence on the other party's reliability and honesty only then trust exists in

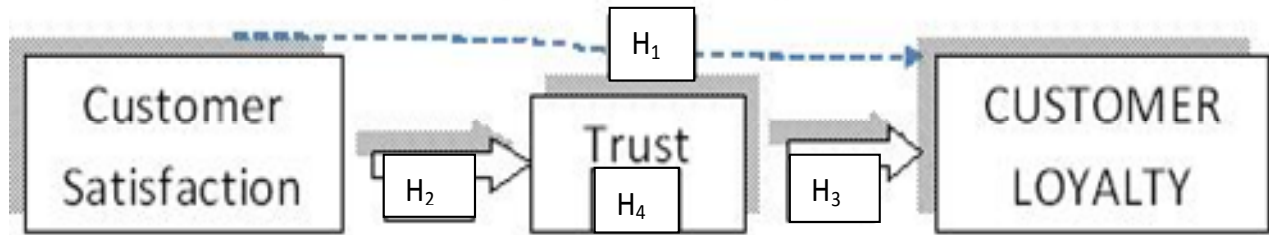


Figure 1. Schematic diagram of trust's impact on C.S and C.L.

between them (Morgan and Hunt, 1994).

If one partner trusts the other partner then ultimately it will develop good behavioral intentions towards the second partner (Lau and Lee, 1999). If one partner has a belief that whatever the second partner does will definitely going to bring favorable outcomes towards the number one partner, then the mutual trust will definitely be strengthened (Anderson and Narus, 1990).

The interested party should have power to meet the requirements and demands of its ultimate customers keeping focus on cost-benefit relationship, so that the customers not only keep on expecting positive results but also believe that it will be fulfilled in future (Doney and Cannon, 1997). Base of trust is that the expectation should be justifiable in every way and especially in the ethical perspective (Hosmer, 1995).

Consumer trust is basically the expectation of the customer regarding the product or service or company that it can be relied and it will fulfill its promises (Sirdeshmukh et al., 2002) (Figure 1).

Relationship between C.S and the C.L

In different researches the relation between the C.S and C.L has been studied in Bennett and Rundle-Thiele (2004), and also in Lam et al. (2004).

So the researcher developed the following hypothesis for this research

H₁: C.S has a positive impact on C.L.

Relationship between C.S and trust

The relationship between the C.S and trust also has been studied by the scholars but in this field the still more research is yet to be done. Scholars have carried out different studies in which their relationship is explained both on qualitative and quantitative parameters Garbarino and Jhonson (1999), Christine et al. (1993) and Morgan and Hunt (1994).

So for further research work we have hypothesized as

H₂: C.S has positive impact on trust.

Relationship between trust and C.L

The trust and C.L relationship has been explained and related by different scholars with different pattern. Lots of researchers have advocated that trust is a fundamental element in developing the C.L which includes Garbarino and Jhonson (1999), Morgan and Hunt (1994), and Sirdeshmukh et al. (2002).

So we have the following hypothesis

H₃: Trust has positive impact on C.L.

Relationship between C.S, trust and C.L

The work of Garbarino and Jhonson (1999) is really a deep study of the relationship of C.S, trust and C.L. In this article the focus area of study is the relationship of C.S and C.L as mediating variable.

So we have the following hypothesis

H₄: There is mediation of trust between C.S and C.L.

METHODOLOGY

The quantitative method was used for this research article and hypothesis used were as follows:

H₁: C.S has a positive impact on C.L.

H₂: C.S has positive impact on trust.

H₃: Trust has positive impact on C.L.

H₄: There is mediation of trust between C.S and C.L.

Sample

The data for this research article has been gathered through the subscribers of telecom companies working in Pakistan. The sample of this research was university students whose ages were between 18 to 35 years. So basically the sample was the youth of university among which some were working professionals and some were only university going students. The data sample was a combination of both male and female gender. The sample was composed of

Table 1. Reliability of different variables.

Reliability of data	
Variable	Cronbach's alpha
C.S	0.754
C.L	0.817
Trust	0.725

Table 2. Overall reliability.

Reliability of data	
Variable	Cronbach's alpha
Overall	0.885
Overall reliability for 15 questions	

Table 3. Regression before mediation.

Reliability of data		
Variable	Standardized beta	Significance
Step 1		
C.S	0.683	0.000

Dependent variable: C.L.

Table 4. Trust reliability.

Reliability of data		
Variable	Standardized beta	Significance
Trust	0.653	0.000

Dependent variable: C.L.

70% males and 30% female students of University of Central Punjab, Lahore.

Data collection

Questionnaire was circulated among the subscribers of telecom in Pakistan Lahore. They were filled directly through the ultimate respondent to ensure reliable feedback. 130 questionnaires were circulated out of which 120 questionnaires were received back and out of which 107 were used. 13 questionnaires were discarded because they were not answered fully and many questions were ignored in them

Instrument and scales

A well developed form of structured questionnaire was utilized to conduct this study effectively and efficiently, which comprised of three parts C.S, trust and C.L. For C.S a three item and 7 point Likert scale was used. The feedback of respondents was taken on Likert scale start from 1=strongly disagree to 7=strongly agree for the C.S variable. To evaluate the C.L the eight item Likert 7 point scale was used (Sudhahar et al., 2006). The 7 point Likert scale

start from 1=strongly disagree and ranges to 7=strongly agree. And for the measurement of trust a four item 5 point Likert scale was used (Morgan and Hunt, 1994). The 5 point Likert scale was used starting from 1=strongly disagree, to 5=strongly agree for the respondent's feedback regarding. To make sure that reliability and the validity of the scales used all necessary checks were done including Cronbach's alpha. The overall Cronbach's alpha of all the 15 items was 0.885 and the individual Cronbach's alpha of each variable was also tested and found significant.

In Table 1, the Cronbach's alpha of each variable is explained as well.

Data analysis

To assess the relationships between C.S, trust and C.L all the tests were run. And for making all the required tests the SPSS 17 version was used. Through this software the mediation test was run which was the basic crux of this article. SPSS is one of the best software used for research in social sciences.

Study design

The study design of this article is cross sectional where the trust is studied as a mediator between C.S and C.L. Both C.S and C.L are highly important elements for a company. The questionnaire method was used to get feedback from the respondents.

ANALYSIS

The items or number of questions used in the questionnaire were 15 in number and their Cronbach's alpha of 0.885. The reliability of the instrument was tested through both the ways firstly through face validity and then empirically (Table 2).

Regressions

The dependent variable (C.L) and the independent variable (C.S) is regressed in this model and is highly significant (0.000) and the relationship is very strong (coefficient = 0.683). Hence the hypothesis C.S has positive impact on C.L (Table 3).

The dependent variable (C.L) and the independent variable (trust) is regressed in this model and is highly significant (.000) and the relationship is very strong (coefficient = 0.653). Hence the hypothesis trust has positive impact on C.L (Table 4).

The dependent variable (trust) and the independent variable (C.S) is regressed in this model and is highly significant (0.000) and the relationship is somewhat strong (coefficient = 0.501). Hence the hypothesis C.S has positive impact on trust (Table 5).

The dependent variable (C.L), independent variable (C.S) and the mediating variable (trust) are significant (.000) and the mediation is partial because the beta value changes from 0.683 to 0.475. Although, level remain significance, hence, the hypothesis that there is partial mediation of trust between C.S and C.L (Table 6).

Table 5. Reliability customer satisfaction.

Reliability of data		
Variables	Standardized beta	Significance
C.S	0.501	0.000

Dependent variable: T.

Table 6. Regression after mediation.

Reliability of data		
Variables	Standardized beta	Significance
Step 2		
Trust	0.415	0.000
C.S	0.475	0.000

Dependent variable: C.L

DISCUSSION

The study states that a positive affiliation between C.S and C.L exists (Bennett and Rundle-Thiele, 2004) and argued that C.S and C.L have a very strong correlation and in this study the relation is positive as well as it has outstanding significance. Furthermore the regressed model signified that when taking C.S is used as the independent variable and C.L as the dependent variable the relation is yet too strong and significant (Lam et al., 2004). Their relation between C.S and C.L was also very outstanding.

This study also signifies that there is positive relation between C.S and trust (Garbarino and Jhonson, 1999) and stated that there exists a relationship between C.S and customer trust which is said to be strong, this study had strong correlation and there is an outstanding significant and positive relation between C.S and trust. Furthermore, the regression states that when taking C.S as independent variable and customer trust as dependent variable the relation is yet too strong and significant (Morgan and Hunt, 1994). Support the argument of this research with Commitment-Trust theory and their research article.

It is implied in this research that there exists a positive relation between C.S and C.L (Sirdeshmukh et al., 2002) and stated that customer trust and C.L has a very strong correlation in this particular research and relation is highly and strongly positive and as is its outstanding significance. Furthermore the regressed model narrates that when we took customer trust as independent variable and C.L as dependent variable the relation is yet too strong and significant. (Morgan and Hunt, 1994) Support this argument with their theory and signify the relation between customer trust and C.L Prominent.

The whole relation that is C.S as Independent variable, C.L as dependant variable and Customer Trust as the

mediating variable, studied in this research study, is also studied previously by Garbarino and Jhonson (1999) and trust was proved as a mediator between C.S and C.L. And this is found to be collinear when it comes to the relationship of C.S – trust – C.L. And hence was tested in the scenario of Pakistani and in atmosphere of Lahore the capital of the province of Punjab.

RESEARCH IMPLICATIONS AND LIMITATIONS

This research exposed few results regarding C.S and C.L but still the scope of this study can be broadened by including more mediators like perceived service quality (P.S.Q) and the word of mouth. The research sample of this study was limited to only literate class which was university students, so in future research the sample size can be extended to both literate and illiterate population of different cities of Pakistan. It is also suggested that a cross sectional study with a bigger sample can be done so that more generalisability could be done. The authors chose the convenience sample which included adult university students in the future research it is suggested that the business class can also be targeted and researched. A few dimensions have been explored but still there is need of further work especially in the field of Pakistan's telecom sector.

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