



## The Impact of Service Quality, Customer Satisfaction and Loyalty Programs on Customer's Loyalty: An Evidence from Telecommunication Sector

**Raja Irfan Sabir**

Assistant Professor; Department of Management Sciences, COMSATS Institute of Information Technology Sahiwal, Pakistan

**Muhammad Irfan**

MS Scholar; Department of Management Sciences, COMSATS Institute of Information Technology Sahiwal, Pakistan

**Muhammad Arslan Sarwar**

Lecturer; Faculty of Management & Administrative Sciences, University of Gujrat, Gujrat, Pakistan

**Binesh Sarwar**

Lecturer; Department of Management Sciences, COMSATS Institute of Information Technology Sahiwal, Pakistan

**Naeem Akhtar**

MS Scholar; Department of Management Sciences, COMSATS Institute of Information Technology Sahiwal, Pakistan

---

### Abstract

All well reputed organizations know that the key to success lies in their customers. Hence in today's world, the companies who do not provide value to their customers bring an opportunity for the competitors to jump in and steal these customers. Same rule applies in Telecommunication sector hence this research focuses on finding the impact of service quality, customer satisfaction and loyalty programs on customer's loyalty in Telecommunication sector of Pakistan. All Telecom service provider companies ; U fone, Warid, Telenor, Zong, Mobilink and PTCL are taken in this research and purpose is to investigate the impact of service quality, customer satisfaction and loyalty programs on customer loyalty of these telecom service providers companies. A structured questionnaire was designed and survey was conducted to collect the data from 150 customers from different occupations in areas of Jhang and Okara districts of Punjab having different mobile phone connections of companies operating in Pakistan. A comparative analysis of companies is also made that shows that companies should focus on improving the quality of their services for better and greater customer satisfaction and customer loyalty.

**Keywords:** Customer satisfaction, loyalty programs, customer loyalty

---

---

Corresponding author's details:

Name: Muhammad Irfan

Email address: [irfaniba@yahoo.com](mailto:irfaniba@yahoo.com)

## Problem statement

Telecommunication sector has made tremendous growth in last few years in Pakistan ([www.finance.gov.pk](http://www.finance.gov.pk)) and many companies are making investment in it but still customers are not satisfied often from services or features of their promotion offers. These companies are blue chip but customer loyalty is not up to mark. (Said, *et al.*, 2013)

## Research objective

- To investigate the effect of service quality and customer satisfaction on customer loyalty in telecommunication sector of Pakistan
- To find out the relationship between loyalty programs and customer loyalty in telecommunication sector

## Literature review

### Customer satisfaction

Qualities of brand characteristics that are offered by company determine the level of customer satisfaction. (Khan and Afsheen, 2012).

Customer satisfaction can be defined in terms of meeting the expectations of the customers in terms of parameters associated with satisfaction. (Malik & Ghaffor, 2012). According to Johan E.G. Bateson; the customer mind is a complex set of thoughts and ideas and cannot be fully predictable by human being.

In the context of relationship marketing, customer satisfaction is the way that leads to long term customer retention because un-satisfied customers have very high switching rate. (Lin & Wu, 2011) According to Zairi (2000) the feeling of accomplishment of inner desires is called satisfaction. Customer satisfaction has direct effect on customer loyalty (Oliver, 1998; Mittal & Lassar, 1998). If product or service fulfils the needs and demand of customer he will become satisfied and will

be converted to loyal customer and thus will add in customer equity of company. Company profitability is not only depicted in its balance sheet but it is also measured on basis of its sound customer base and life time value that customers deliver to company. Oliver (2000) suggest in his study customer satisfaction is the core philosophy of marketing strategy of any organization and plays a key role in an organization success. In fact customer satisfaction is the core principle of the modern tool of CRM being used by marketers to attract and retain customers.

Lim (2010) Customers final pleasure may have significant affect connected with atmosphere. Bodily environment are useful to produce graphic within the mind connected with customer in order to affect their own behavior. Bodily atmosphere with the dining places have the significant has an effect on for the clients pleasure. Super, providing, routed, tunes and different various other atmospheric components included in this effect in customer satisfaction. Complete support dining places ought to give attention to 3 elements – support good quality (responsiveness), cost, along with meals good quality (reliability) in the event customer satisfaction will be dealt with like a organizing variable. Oliver (1981) expressed in which pleasure shortly decays directly into one's total mindset "Satisfaction can be regarded as a broad principle; support good quality is a component of satisfaction" (Zeithaml and Bitner, 2003). Client satisfaction is usually defined through Oliver's (1997) conditions: that it's this consumer's fulfillment result. It's a ruling that a products or services feature, or this products or services per se, comes with a pleasurable level of intake linked fulfillment. In other words, it does not take total level of well-being that has a service /product knowledge.

Full satisfaction is usually ordinarily deemed as a general affective result

resulting from the application of some sort of products or services (Oliver 1981).

Kotler (2000), fulfillment is related to encounters or even functions which have been delivered because of your service or product. Firms have to emphasize and also boost the level of customer satisfaction. The greater the client fulfillment, the greater your storage.

There is positive romantic relationship between fulfillment and also devotion. Szymanski and Henard (2001), inside their meta-analysis, reveal 15 positive and also major correlations between 2 constructs. Bearden and Teel (1983) in addition have granted a new romantic relationship between fulfillment and also devotion.

In addition, using the transaction-specific product, most of us reveal which the merchandise providing for your complete program restaurant industry should be known as a mix of program and also merchandise functions. Therefore, clients will take into account these issues with deal for example merchandise characteristics (e. g. food excellent and also restaurant ambience), program attributes (e. g. responsiveness of the representative), and also price so you can get an overall fulfillment from restaurant. The Theoretical frame function as well as the worried ideas are shown yearly part, and also chapters upon research process, your analyses, final results, and also conversation can also be incorporated.

### **Service quality**

Gronroos (1984): Satisfaction is wide concept and is impacted by many factors and service quality is one of the major determinants of customer satisfaction (Zeithaml and Bitner, 2003). Ozcelik (1988): Top quality includes 2 main factors: (1) the merchandise fulfils wants or even (2) around that levels it truly is free from insufficiencies (Juran, 1988). Service is kind of performance that's proposed by 1 get together to an alternative and also

within corporeality can be an ought to part of it (Kotler & Keller, 2006). Through acknowledged the necessity associated with methods associated with program excellent quite a few scientists most often make use of program excellent in order to measure customer satisfaction Zeithaml (1985).

The researcher found that greater you give service as per customer requirement or need, greater will be the level of satisfaction and vice versa. Analysts described the direct positive relationship of service quality with customer satisfaction. (Parasuraman *et al.*, 1988). Athanassopoulos, (2000) identified development, responsiveness, price, and program excellence as centre measurement associated with customers' satisfaction.

Service quality is not an easy task to quantify and being evaluated, because it is not a product to quantify but it is customer's evaluation and subjective perception about something. Takeuchi (1983) quality is such an important characteristic or feature of something that make some differentiation in your product and stands you remarkable in terms of competitive advantage. Service quality is evaluated when the user of service compare his perception with actual experience. Gronroos (1984): Satisfaction is wide concept and is impacted by many factors and service quality is one of the major determinants of customer satisfaction (Zeithaml and Bitner, 2003). Bitner and Hubbert (1994) give two options of explaining the phenomena: satisfaction as result of some particular experience or event combined effect of satisfaction.

SERVQUAL product supplies a beneficial way to be associated with computing program excellent produced by PZB within 1988, as outlined by this product customers' awareness and also anticipations starting upon all 5 measurements: tangibles (Actual environment or even design), reliability

(Product quality), responsiveness (Service quality), assurance and also sympathy. Determined by aspects associated with SERVQUAL product exact same final results are already put on restaurant industry through Stevens (1995) and also he or she created DINESERV from SERVQUAL. Inside the restaurant industry, only an element of providing can be a program and it's also intangible and also generation and also utilization of merchandise have become significantly within close up affiliation. Furthermore customer wish wide variety and also self assortment plus they evaluate one's providing along with some others when they have got clusters associated with eating places inside their thoughts because of reference point teams (Neal, 1999).

Authentic measurements associated with SERVQUAL don't need to be incorporated. Inside the restaurant industry, customer's chance just isn't a lot of large because of the purchase price, the results of the program, as well as the alternatives available. Hence assurance just isn't because significant within this industry. In the same manner, sympathy is outlined within the SERVQUAL materials because particular person consideration and also attention that's inclined to each customer. This sizing is a lot more applicable in order to companies where "relationship marketing" instead of "transaction marketing" is vital on the business. However trustworthiness and also responsiveness operating industry just like restaurant can be a lot more much better. Responsiveness, as defined by the SERVQUAL literature, is identified as the willingness of the staff to be helpful and to provide prompt service to the customer. In full service restaurants, customers expect the servers to understand their needs and address them in a timely manner. SO, the quality of service includes many factors and responsiveness is among one of those factors which satisfy the customer on dimension of service quality

### **Loyalty programs**

Loyalty programs are also helpful in developing the barriers which make customers committed to the particular product or service .These barriers are further classified as psychological, economical, sociological, and relational barriers, because of which customers can either lose or strengthen their confidence and loyalty with the organization (Morgan and Hunt, 1994). Loyalty programs are considered useful because of many factors; like these are powerful source of positive publicity or word of mouth and create good image of organization in the public. Loyal customers are fewer prices conscious so the marketing cost on these customers is also less (Dowling and Uncles, 1997). Loyalty programs also boost annual increase in purchase to a firm for a substantial proportion of customers (Lewis, 2004). Perceived values and customer loyalty are in relation to each other. To gain and sustain the customer loyalty, loyalty programs are to be launched because they play their role in shaping behaviour of consumer about the product or service (Ramaseshan *et al.*, 2008). Generally, the goal of these programs is to establish a higher level of customer retention in profitable segments by providing increased satisfaction and value to certain customers.

### **Customer loyalty**

Customer Loyalty is the overall behaviour of customer regarding product, service or any other aspect of the organization in which customer is involved makes the term customer loyalty (Oliver, 1999). Customer loyalty is special kind of customer behavior towards the organization. It is kind of future prediction about the intentions of the customer to do business with the firm. (Zeithaml *et al.*, 1996). It is the overall behavior of customer regarding product, service or any other aspect of the organization in which customer is involved makes the term customer loyalty (Oliver, 1999). Loyalty is generally explained in terms of attitude and behavior (Uncles *et al.*, 2003). Customer brand loyalty is an old

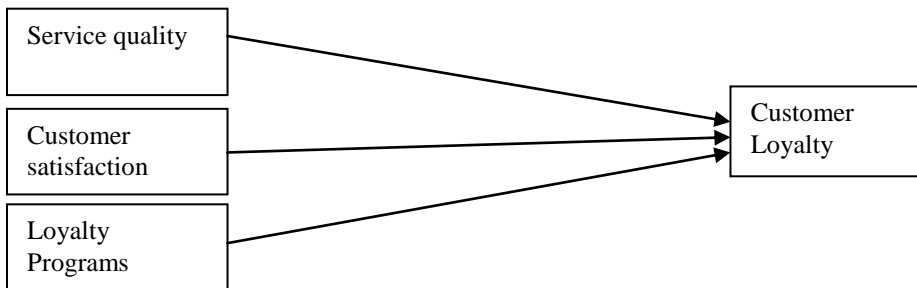
term playing vital role for many years. Loyalty is a marketing strategy used by majority of marketers to enhance the profit but some people think that it is very tough to make it possible. Consumer faith can be recognized if marketers try to understand the facts which affect the loyalty. This will also benefit in building the customer reliability (Mao, 2010). It was observed that customer's services play an important role in increasing the customer loyalty and customers highly consider the price of these services (Haroon, 2010). Customers loyalty based behaviours are dependent on numerous factors. If firms want to optimize the loyalty behaviours of customer, they must balance and manage different aspects of customer experience (Gopalkrishnan *et al.*, 2011).

It is also observed that service failures significantly influence the complaint behaviour, and complaint behaviours in return influence the switching behaviour and switching behaviours and service failures then influence the brand trust and brand trust influences the customer loyalty

(Alfansi *et al.*, 2010). There is no tool to measure the perceived value therefore its role in purchasing decision is not that evident. Results say that perceived value should be measured on non-monetary scale. It can be seen that perceived value is among some strong elements of customer loyalty that can't be measured but can't be neglected as well because they are attached to emotions and the feelings that only a consumer can see during purchasing. Convenience, time and effort are non-monetary costs. (Li *et al.*, 2010) Moreover, customer loyalty plays a pivotal role in organizational success. Organizations should hold the point that customer's feelings and their needs should be the top priority in order to achieve customer loyalty (Akhter *et al.*, 2011).

**Theoretical frame work:**

The aim of this study is to find the relationship between service quality, customer satisfaction and loyalty programs with the level of customer loyalty. Below is the proposed model clearly identifying variables?



**Research hypothesis**

**H1:** There is a positive relationship between service quality and customer's loyalty in telecommunication sector of Pakistan.

**H2:** There is a positive relationship between customer satisfaction and customer's loyalty in telecommunication sector of Pakistan.

**H3:** There is a positive relationship between loyalty programs and customer's loyalty in telecommunication sector of Pakistan.

**H4:** There is a positive and significant impact of service quality, customer satisfaction and loyalty programs on

customer's loyalty in telecommunication sector of Pakistan.

**Methodology or research design**

The study is descriptive in nature and data was collected from users of different telecom service provider companies in selected area of Okara and Jhang districts of Punjab. A structured questionnaire was designed (given in Annexure at the end) for this purpose covering all facets of the variables of study in form of respondents response on given questionnaire. The questions on dimension of variables of study were not fully adopted from single source but they were mostly developed by own by studying different researches on topic. Moreover idea of few questions was adopted from Siddiqi (2011) and Mohsan *et al.* (2011). The scale used was Five point Lickert scale. The questionnaire was distributed among 150 users (students, bankers, teachers, business persons etc) out of which 132 forms were collected in complete and correct manner. This data was then analyzed statistically by using SPSS-16 version. The reliability of instrument was checked by finding value of chron bach alpha for each variable.

**Data Analysis Section**

To check the reliability of instrument we made reliability analysis and find out the value of chron bach alpha for each individual variable in SPSS.

Variable	Chron bach alpha	N of items
service quality	0.750	13
Customer Satisfaction	0.55	3
Loyalty programs	0.59	5
Customer Loyalty	0.60	3

**Interpretation**

As the value of chron bach alphas above 0.5 for all scale variables so the data collected from respondents from selected regions in Okara city and Jhang is reliable and consistent with the scale.

**Descriptive statistics**

	N	Mean
Service quality	132	3.6521
Customer Satisfaction	132	3.8207
Loyalty programs	132	3.7167
Customer Loyalty	132	3.7222
Valid N (listwise)	132	

**Interpretation**

The values of Mean for three independent variables and one dependent variable are almost near to each other, so all independent variables have significant relationship with the dependent variable.

**Correlation analysis**

**Table 1: Reliability analysis**

		Service quality	Customer satisfaction	Loyalty programs	Customer loyalty
Customer loyalty	Pearson Correlation	.518	.453	.362**	1
	Sig. (2-tailed)	.001	.006	.002	
	N	132	132	132	132

\*\* Correlation is significant at the 0.01 level (2-tailed)

**Interpretation**

The results of table shows there is highly positive correlation b/w service quality and Customer loyalty as well as with customer satisfaction but there is medium correlation with loyalty program as ( r= 0.362). All variables are significant at 1% level of significance.

**Multiple regression analysis**

Model	Standardized Coefficients		
	Beta	t	Sig.
(Constant)		1.630	.050
Service quality	.354	5.351	.004
Customer satisfaction	.149	2.898	.021
Loyalty programs	.137	4.646	.009

When we find the relationship between one dependent variable and one or more independent variables we go for regression analysis. Correlations only find association between variables but regression measures how much there are variation in dependent variable due to change in one or more independent variables. When there are two or more independent variables in study we go for multiple regressions.

**Interpretation**

The values of Beta (Standardized coefficient) shows that service quality has much positive impact on customer satisfaction with (B: 0.354), customer satisfaction has 2<sup>nd</sup> largest importance as (B; 0.149) and Loyalty programs has medium relationship as (B: 0.137). It means by one unit increase in service quality, customer satisfaction & loyalty programs cause an increase in customer loyalty. Moreover value of t for all variables is greater than 2 and p value is less than 0.05, so null hypothesis will be rejected for the said variables.

**Conclusion and recommendation**

This study is resulted in two dimensions; one is helpful for companies to discover the variables of importance for customers of telecommunication. Customers give more importance to service quality in telecom service sector. Similarly customer satisfaction and loyalty programs also have significant impact on customer loyalty, but in telecom sector in Punjab particularly, customer have little attention toward loyalty programs as all companies are giving almost similar programs, the point of differentiation lies in service quality.

Secondly, the study also gives insight into comparative analysis of customer loyalty among different companies and it is also future implication of the study.

**References**

Akhter, W., Abbasi, A. S., Ali, I., & Afzal, H. (2011). Factors affecting customer loyalty in Pakistan. *African Journal of Business Management*, 5(4), 1167-1174.

Alfansi, L., Nanere, M., Atmaja, F. T., & D Souza, C. (2010). *Empirical evidence on the antecedences of customer loyalty*. Proceedings of ANZMAC, 1-10.

Alfansi, L., Nanere, M., Atmaja, F. T., & D Souza, C. (2010). *Empirical evidence on the antecedences of customer loyalty*. ANZMAC, 1-10

Athanassopoulos, A. D. (2000). Customer Satisfaction Cues To Support Market Segmentation and Explain Switching Behavior. *Journal of Business Research*, 47(3), 191–207.

Ayşe Ozfer Özcelik, L. S. A. M. S. S. (2007). An Evaluation of Fast-Food Preferences According to Gender. *Humanity & Social Sciences Journal*, 2(1), 43-50.

- Bearden, W. O., & Teel, J. E. (1983). Selected determinants of consumer satisfaction and complaints reports. *Journal of Marketing Research*, 20, 21-28.
- Bitner, M. J. (1992). Service scapes the impact of physical surroundings on customers and employees. *Journal of Marketing*, 56, 57-71.
- Bitner, M. J., & Hubbert, A. R. (1994). Encounter satisfaction versus overall satisfaction versus quality. In Rust, R. T. and Oliver, R. L. (Eds), *Service Quality: New Directions in Theory and Practice*, Sage. Thousand Oaks, CA, pp. 76-77.
- Chang, S. C., & Chou, C. M. (2011). Factors affecting user's online shopping behavior. *African Journal of Business Management*, 52, 370-382.
- Dowling, Grahame, R., & Uncles, M. (1997). Do customer loyalty programs really work? *Sloan Management Review*, 38, 71-82.
- Gronroos. (1984). A service quality model and its marketing implications. *Journal of the Academy of Marketing Science*, 24, 36-44.
- Haroon, M. (2010). *The impact of customer service and product value on customer loyalty and purchase behavior at Pakistan*. Iqra University ICBT-2010.
- Haroon, M. (2010). *The impact of customer service and product value on customer loyalty and purchase behavior at Pakistan*. Iqra University ICBT-2010.
- Juran, J. M. (1988). *Juran's quality control handbook*. McGraw-Hill, New York, NY.
- Kotler, P. (2000). *Marketing Management*. 10th ed., New Jersey, Prentice-Hall.
- Kotler, P., & Keller, K. L. (2006). *Marketing Management* (pp. 402). New Delhi, India: Prentice-Hall.
- Lewis, M. (2004). The influence of loyalty programs and short-term promotions on customer retention. *Journal of Marketing Research*, 41(3), 281-292.
- Li, M., & Green, D. R. (2010). A mediating influence on customer loyalty: The role of perceived value. *Journal of Management and Marketing Research*, 1-12.
- Lim, H. (2010). *Understanding American customer perceptions on Japanese food and services in the U. S. UNLV Theses/Dissertations/Professional Papers/Capstones*.
- Mao, J. (2010). Customer Brand Loyalty. *International Journal of Business and Management*, 5(7), 213-217.
- Mittal, Banwari., & Walfried M. Lassar (1998). Why do customers Switch? The Dynamics of Satisfaction versus Loyalty. *Journal of Services Marketing*, 12(3), 177-194.
- Morgan, R., & S. Hunt (1994). The commitment trust theory of relationship marketing. *J. Market*, 58, 20-38.
- Morgan, Robert, M., & Shelby, D. H. (1994). The commitment-trust theory of relationship marketing. *Journal of Marketing*, 58(3), 20-38.
- Mohsan, F., Nawaz, M. M., Khan, S. M., Shaukat, Z., & Aslam, N. (2011). Impact of customer satisfaction on customer loyalty and intentions to switch: Evidence from banking sector of Pakistan. *International Journal of Business and Social Science*, 3(2), 1982-1991.
- Neal, W. D. (1999). Satisfaction is nice, but value drives loyalty. *Marketing Research*, 11(1), 20-3.
- Oliver, Richard L. (1999). Whence Consumer Loyalty. *Journal of Marketing*, 63, 33-44.
- Oliver, R. L. (1981). Measurement and evaluation of satisfaction process in retail settings. *Journal of Retailing*, 57, 25-48.
- Oliver, R. L. (1987). *An investigation of the interrelationship between consumer dissatisfaction and complaining reports*. In Wallendorf, M. and Anderson, P. (Eds),



- Oliver, R. L. (1997). *Satisfaction A Behavioral Perspective on the Consumer*. McGraw-Hill, New York, NY.
- Parasuraman, A., Zeithaml, V., & Berry, L. (1988). SERVQUAL a multiple-item scale for measuring consumer perceptions of service quality. *Journal of Retailing*, 64(1), 12-37.
- Prof Gopalkrishnan, J., Dr. Mishra, B. B., Dr. Gupta, V. K., & Prof. Vetrivel, A. (2011). The impact of service quality and customer satisfaction on customer retention in the Indian banking industry: An empirical analysis. *Research Journal of Social Science and Management*, 1(3), 52-68.
- Ramaseshan, B., Evanschitzky, H., & Johnston, M. (2008). *Mediating effect of program loyalty on the relationships between value perception and relationship investment on customer loyalty*. ANZMAC.
- Rust, Roland T., & Richard L. Oliver. (2000). Should We Delight the Customer. *Journal of the Academy of Marketing Science*, 28, 86-94.
- Stevens, P. (1995). DINESERV a tool for measuring service quality in restaurants. *Cornell Hotel & Restaurant Administration Quarterly*, 36(2), 56-60.
- Siddiqi, K. O. (2011). Interrelations between Service Quality Attributes, Customer Satisfaction and Customer Loyalty in the. *International Journal of Business and Management*, 6(3), 21-22.
- Takeuchi, H. A. J. A. Q. (1983 July-August). Quality Is More Than Making a Good Product. *Harvard Business Review*, 61, 139-145.
- Uncles, D. M., Dowling, R. G., Hammond, K. (2003). Customer loyalty and customer loyalty programs. *Journal of Consumer Marketing*, 20(4), 294-316.
- V. A. Zeithaml., L. L. Berry., & A. Parasuraman (1996). The Behavioral Consequences of Service Quality. *Journal of Marketing*, 60, 31-46.
- Zairi, M. (2000). Managing Customer Dissatisfaction through Effective Complaint Management Systems. *The TQM Magazine*, 12(5), 331-335.
- Zeithaml, V., & Bitner, M. J. (2003). *Services Marketing*, 3rd ed., McGraw-Hill Irwin, Boston, MA.
- Zeithaml, P. A. (1985). A conceptual model of service quality and its implication for future research. *Journal of Marketing Research*, 49, 41-50.