

IMPACT OF CUSTOMER RELATIONSHIP ON CUSTOMER LOYALTY IN CELLULAR INDUSTRY: EVIDENCE FROM KPK, PAKISTAN

Nadia Saadat¹, Zekeriya Nas²

¹ Preston University, Kohat,

² Department of Turkish, National University of Modern Languages,
PAKISTAN.

nainakhan_2004@hotmail.com

idilbret@hotmail.com

ABSTRACT

Due to tough competition in today's business, it is the basic requirement for companies to build and maintain strong relationship with the customers to achieve their loyalty. That's why customer relationship marketing becomes more important especially in service industry. The aim of this study is to investigate the impact of customer relationship on customer loyalty by focusing on cellular industry. The population selected for the study is university students and staff members in Kohat (KP). 150 respondents were selected through convenient sampling and data has been collected through questionnaires. The statistical analysis revealed that there is significant positive relationship between dependent variable (customer loyalty) and independent variable (CRM).

Keywords: Customer relationship management, customer loyalty, Cellular industry

INTRODUCTION

Modern technology has altered the methods of conducting business and is progressively providing consumers with more comforts. Internet and telecommunication are the two major technologies which are helpful in creating new values and introducing innovative services for consumers. So far, despite early adoption of business, telecommunication technology has not until recently been pushed for commercial consumer applications. As a result, growth of mobile service users has significantly increased particularly in developed countries Chen and Ching, (2007).

With this tremendous growth in mobile service industry, marketers are facing two problems i.e. to increase market share and gain competitive advantage (Chen & Ching, 2007).

The purpose of marketing is to provide value to customers, satisfy them and build long term relationship with them (Kotler, 2005). All marketing efforts will be inadequate if the firm's products fail to meet customer needs and wants. The only way left to the companies is to gain customer (Eakuru & Mat, 2008; Oliver, 1997). When company has loyal customers, it can have increased market share along with reduced operating cost (Aaker, 1997).

Reichheld and Sasser (1990) stated that when there is 5% improvement in customer retention, it will results 25 to 75% increase in profit. Wills (2009) argued that to obtain new customers is costly more than 5 times than to retain the existing customers. Furthermore, loyal customers are helpful in increasing revenues in two ways. First, loyal customers are less sensitive to price and the premiums of loyal customers increase 8 percent annually in the personal insurance industry (Reichheld & Teal, 1996). Second reason is that loyal customers make frequent purchases, also purchases other products of the firm on trial basis and convince other customers to buy from the same firm (Reichheld & Sasser, 1990).

In last few years, many companies put emphasis on customer relationship management (CRM) to build strong customer base and create customer loyalty. According to Schiffman and Kanuk (2004) customer's relationship with the company will be successful when company provide values to customers and because of these values, they will be satisfied.

Firms produce products according to the customers' expectations that's why it is suggested that they should focus on small segments. Because of targeting niches, close relationship will be increased (Chatham *et al.*, 2002) as they are not similar in wants and expectations. Customer relationship management techniques emphasize on individual customers. The firm should be customer oriented rather than product oriented. Companies that focus on individual customer, serve their customer in best way to satisfy them.

PROBLEM STATEMENT

To make strong customer base is difficult in case where companies provide similar products. Mobile industry is facing the same problem besides customer oriented approach. In such cases, the only thing which is helpful in retaining and attracting customer is to build strong relationship with them. The aim of this study is to find out the role of customer relationship on customer loyalty.

RESEARCH QUESTIONS

1. What is the impact of customer relationship on customer loyalty?
2. What is the impact of store environment on customer loyalty?
3. What is the impact of service quality on customer loyalty?
4. What is the impact of brand name on customer loyalty?
5. What is the impact of price on customer loyalty?

RESEARCH OBJECTIVES

1. To evaluate the impact of customer relationship on customer loyalty.
2. To analyze the impact of store environment on customer loyalty.
3. To evaluate the impact of service quality on customer loyalty
4. To determine the impact of brand name on customer loyalty.
5. To determine the impact of price on customer loyalty.

SIGNIFICANCE OF STUDY

CRM is the most powerful and well-organized move towards upholding and building relationship with the customers. For the growth of business, it is very important to build strong relationship with the customers. CRM is most important in case of services as they are intangible and human based. Relationship is the first thing on the basis of which customer judge the service. Marketers should know the importance of CRM and its role in creating loyalty.

SCOPE OF THE STUDY

1. The study can be applied to other geographical areas.
2. The study can be extended to other service industries.

LITERATURE REVIEW

Gummeson (2002b) presented four basic principles for relationship marketing. First, for relationship marketing only one department is not responsible but the entire company has to

play its role. Second, relationship marketing call attention to long-term group effort, in order to create joint value, therefore companies should treat their suppliers and customers like their partners (Hallen, Johanson & Mohamed, 1987). The relationship need to be significant for all the parties involved in order to maintain a long-term relationship. Third, each party is supposed to accept the given responsibilities. Moreover such relationship should be interactive (Guenzi & Pelloni, 2004) that is, customer can set off perfection or novelty of the product (Gupta et al., 2004). Fourth, customers should be viewed as persons and it is the suppliers' job is also to create value for the customers. According to Gray and Byun (2001), customer relationship management is an easy task because it focuses on individual customer instead of targeting large number of people or companies.

Store Environment and Customer Loyalty

According to Mehrabian and Russell (1974), the stimulus-organism-response (S-O-R) model, shows that individual's internal state and behavior is influenced by external physical environment. S-O-R environmental psychology model consists of three aspects which described emotional states. These aspects are pleasure, arousal and dominance (PAD). These three states when combined results a behavioral response on the basis of which a person decides whether to stay in a particular surrounding or to quit. Using S-O-R model, Donovan and Rossiter (1982) studied the relationship between two emotional dimensions such as pleasure and arousal and retail store environment. The outcome of their study was that the feelings of pleasure and arousal created by the environment make the customer to spend extra time as well as money by 12% on average. Moreover when customer stays for long time in such environment their interaction with personnel also increases.

Baker (1986) believed that the layout of the store environment could generate exclusive emotional impact on customers which increase the chances to purchase more. According to him there are three categories which constitute environmental factors. These factors are; ambient cues, design cues and social cues. Ambient cues are the surroundings that have impact on customer's mood such as temperature, music and light etc. Design cues are visible elements like style, layout and architecture etc. that attract customers. Social cues are associated with interaction between customers and employees which greatly affect customer perception about the store.

Service Quality and Customer Loyalty

Quality can be defined as suitability of the product for use, or the degree to which a product effectively serve consumer needs (Beverly et al., 2002). Customer service is the process which the organization performs keeping in view the emergent competition and for increasing profitability and better access to customers in order to increase their satisfaction and loyalty (Calif, 1987). Goofin and Price (1996) stated that customer service is very important because it increases product quality, helpful in achieving competitive advantage, boost up profits, and consequently increases sales and revenues for the company.

Service quality can be measured through comparison between customer's expectation and actual performance of the product (Lehtinen & Lehtinen, 1982; Lewis & Booms, 1983, Gronroos, 1984; Parasuraman, Zeithaml & Berry, 1985; 1988; Caruana, 2002).

Price and Customer Loyalty

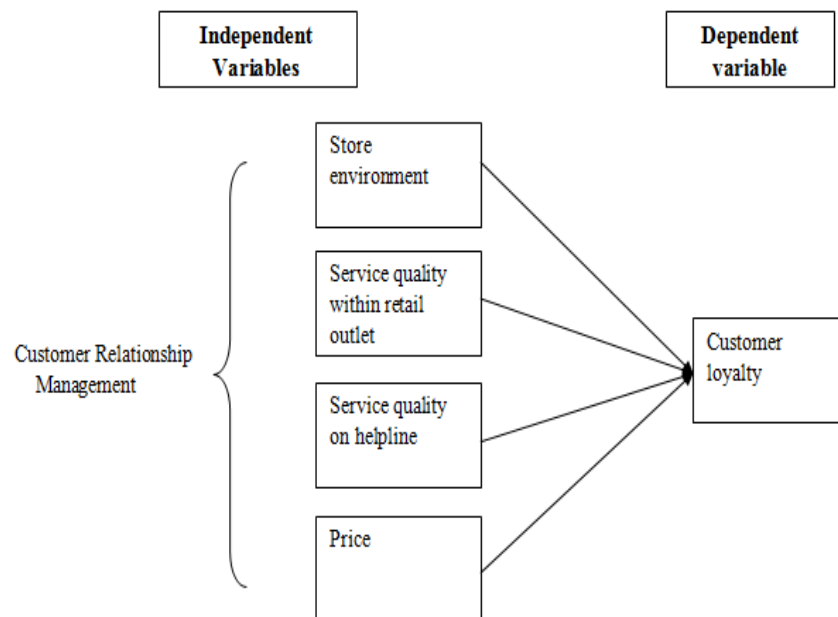
Among marketing mix elements, price is considered the most flexible element because it changes rapidly when the characteristics of product is changed (Dovailiene & Virvilaite, 2008).

Consuegra, Molina and Esteban (2007), Dovaliene and Virvilaite (2008) state that customers willingly accept increased price provided service give more satisfaction. Research has also proven that there is positive relationship between change in customer satisfaction and increase in price acceptability.

Marketing literature revealed that price is the key factor which shows customer satisfaction as customer measure the value of service through price (Zeinhaml, 1988; Fornell, 1992; Anderson and Sullivan, 1993; Anderson, Hakansson & Johanson, 1994; Cronin *et al.*, 2000 and Virvilaite 2008). While studying relationship between price and satisfaction it is shown that satisfaction level depends upon some factors such as quality, price and personal factors. According to Consuegra, Molina and Esteban (2007) previous studies have not scrutinize the impact of price on consumer satisfaction. To fill up this gap Consuegra, Molina and Esteban (2007) worked on relationship between price, satisfaction and loyalty.

On the basis of above literature review, following theoretical farm work is developed.

THEORETICAL FRAMEWORK



HYPOTHESIS DEVELOPMENT

- H1: Store environment has significant impact on CRM.
- H2: Service quality (within retail out let) has significant impact on CRM.
- H3: Service quality (on helpline) has significant impact on CRM.
- H4: Price has significant impact on CRM.
- H5: CRM has significant impact on customer loyalty.

METHODOLOGY

The research design used in this study is of descriptive nature. Primary data is collected by administering structured questionnaires and secondary data is gathered through different literature reviews and articles. Prior to data collection, pilot testing is done to check the appropriateness of questionnaire.

Ten respondents are selected for this test. Respondents fill up the questionnaire without facing any difficulty which shows it is 100% correct. There are six sections of questionnaire. First section consists of personal data. Second section is Store Environment consists of five questions. Third section includes 4 questions regarding service quality within retail outlet and fourth section includes 3 questions regarding service quality on helpline. Fifth section contains two questions related to price and last section was regarding customer loyalty including 3 questions.

Population of the study was taken students and staff members of Preston University. Total 150 questionnaires were distributed and receive back the same number. To find the relationship between dependent and independent variable Pearson correlation and regression analysis was done. For analysis purpose SPSS (20.0) is used.

Table 1. 1reliability Analysis Reliability Analysis Of Variables

<i>Variable</i>	<i>Items</i>	<i>Cronbach's Alpha</i>
SE	5	.728
SQWR	4	.749
SQHL	3	.839
P	2	.762
CL	3	.810

Above table shows the reliability of five variables. There are 5 items of SE (Store Environment), 4 items of SQWR (Service Quality within Retail Outlet), 3 items of SQHL (Service Quality on Helpline), 2 items of P (Price), and 3 items of CL (Customer Loyalty). Their reliability values are: SE= .728, SQWR= .749, SQHL=.839, P= .762 and CL = .810. In this research, the variables are inter related and show inter consistency because value above 0.6 is acceptable.

Table 2. Descriptive Statistics of variables

<i>Variable</i>	<i>N</i>	<i>Mean</i>	<i>Std. Devtion</i>
SE	150	2.1560	.43280
SQWR	150	6.5800	1.74612
SQHL	150	5.6067	1.54383
P	150	4.0700	1.40473
CL	150	5.1800	1.79261

In the sample of 150 students Mean and Standard Deviation of the variables are given below. For SE, Mean is 2.1560 and S.D is .43280. For SQWR, Mean=6.5800 and S.D= 1.74612. Mean of SQHL= 5.6067 and S.D= 1.54383. Mean and S.D for P is 4.0700 and 1.40473. Mean for CL is 5.1800 and S.D is 1.79261.

Table 3. Correlation of store environment

		<i>SE</i>	<i>SQWR</i>	<i>SQHL</i>	<i>PR</i>	<i>CRM</i>	<i>CL</i>
<i>SE</i>	Pearson Correlation	1					
	Sig. (2-tailed)						
<i>SQWR</i>	Pearson Correlation	0.571**	1				
	Sig. (2-tailed)	0.000					
<i>SQHL</i>	Pearson Correlation	.671*	.452**	1			
	Sig. (2-tailed)	.000	.000				
<i>PR</i>	Pearson Correlation	.611**	.840**	.401*	1		
	Sig. (2-tailed)	.000	.000	.023			
<i>CRM</i>	Pearson Correlation	.543**	.515**	.561**	.583**	1	
	Sig. (2-tailed)	.000	.000	.000	.000		
<i>CL</i>	Pearson Correlation	.611**	.432**	.546**	.511**	.611**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	

The above table shows that there is significantly positive correlation of store environment with service quality within retail outlet $r = .571$ ($p \leq 0.01$), service quality on helpline $r = .671$ ($p \leq 0.01$), price $r = .611$ ($p \leq 0.01$), customer relationship management $r = .543$ ($p \leq 0.01$), and customer loyalty $r = .611$ ($p \leq 0.01$). This reveals that, service quality within retail outlet, service quality on helpline, price, customer relationship management and customer loyalty is significantly correlated with store environment.

There is significantly positive correlation of service quality within retail outlet with service quality on helpline $r = .452$ ($p \leq 0.01$), price $r = .840$ ($p \leq 0.01$), customer relationship management $r = .515$ ($p \leq 0.01$), and customer loyalty $r = .432$ ($p \leq 0.01$). This shows that service quality on helpline, price, customer relationship management and customer loyalty significantly correlated with symbolic service quality within retail outlet. There is significantly positive correlation of service quality on help line with price $r = .401$ ($p \leq 0.01$), customer relationship management $r = .561$ ($p \leq 0.01$), and customer loyalty $r = .546$ ($p \leq 0.01$). This tells that price, customer relationship management and customer loyalty is significantly correlated with service quality on helpline. There is significantly positive correlation of price with customer relationship management $r = .583$ ($p \leq 0.01$), and customer loyalty $r = .511$ ($p \leq 0.01$). This shows that customer relationship management and customer loyalty is significantly correlated with price.

There is significantly positive correlation of customer relationship management satisfaction with customer loyalty $r = .611$ ($p \leq 0.01$). This shows that loyalty is significantly correlated with customer relationship management.

Table 4. Regression Analysis (hypothesis 1)

<i>Parameter</i>	<i>Coefficients</i>	<i>Std. Error</i>	<i>t</i>	<i>Sig.</i>
Intercept	.312	.119220	2.617	.008
SE	.543	.156619	3.467	.000
R ²	.295			
F- Stat	20.113			
F sig	.000			

Dependent variable: CRM

Regression analysis was done by taking CRM as dependent variable and Store Environment as independent variables. The result reveals the Beta estimate for store environment is 0.543 at $t = 3.467$ ($p\text{-value} \leq 0.05$). This shows that store environment has significant impact on CRM. R² for the regression analysis is .295 which shows that 29.5% CRM is explained by store environment with F value for model 20.113 ($p\text{-value} = 0.000$).

Table 5. Regression analysis (hypothesis 2)

<i>Parameter</i>	<i>Coefficients</i>	<i>Std. Error</i>	<i>t</i>	<i>Sig.</i>
Intercept	.413	.034231	2.132	.000
SQWR	.515	.118065	4.362	.000
R ²	.265			
F- Stat	10.344			
F sig	.000			

Dependent variable: CRM

Regression analysis was done by taking CRM as dependent variable and service quality within retail store as independent variables. The result reveals the Beta estimate for service quality within retail outlet is .515 at $t = 4.362$ ($p\text{-value} \leq 0.05$). This shows that service quality within retail outlet has significant impact on CRM. R² for the regression analysis is .265 which shows that 26.5% CRM is explained by service quality within retail outlet with F value for model 10.344 ($p\text{-value} = 0.000$).

Table 6. Regression analysis (hypothesis 3)

<i>Parameter</i>	<i>Coefficients</i>	<i>Std. Error</i>	<i>t</i>	<i>Sig.</i>
Intercept	.312	.132035	2.363	.011
SQHL	.561	.168316	3.333	.000
R ²	.314			
F- Stat	15.321			
F sig	.000			

Dependent variable: CRM

Regression analysis was done by taking CRM as dependent variable and service quality on helpline as independent variables. The result reveals the Beta estimate for service quality on help line is .561 at $t = 3.333$ ($p\text{-value} \leq 0.05$). This shows that service quality on helpline has a significant impact on CRM. R² for the regression analysis is .314 which shows that

31.4% CRM is explained by service quality on helpline with F value for model 15.321 (p-value = 0.000).

Table 7. Regression analysis (hypothesis 4)

<i>Parameter</i>	<i>Coefficients</i>	<i>Std. Error</i>	<i>t</i>	<i>Sig.</i>
Intercept	.392	.126004	3.111	.000
P	.583	.146005	3.993	.000
R ²	.339			
F- Stat	14.116			
F sig	.000			

Dependent variable: CRM

Regression analysis was done by taking CRM as dependent variable and price as independent variables. The result reveals the Beta estimate for price is .583 at t = 3.993 (p-value <= 0.05). This shows that price has a significant impact on CRM. R² for the regression analysis is .339 which shows that 33.9% CRM is explained by price with F value for model 14.116(p-value = 0.000).

Table 8. Regression analysis (hypothesis 5)

<i>Parameter</i>	<i>Coefficients</i>	<i>Std. Error</i>	<i>t</i>	<i>Sig.</i>
Intercept	.444	.170769	2.00	.034
CLM	.611	.155036	3.941	.000
R ²	.373			
F- Stat	11.443			
F sig	.000			

Dependent variable: CL

Regression analysis was done by taking CRM as dependent variable and customer loyalty as independent variables. The result reveals the Beta estimate for customer loyalty is .611 at t = 3.941 (p-value <= 0.05). This shows that customer loyalty has a significant impact on CRM. R² for the regression analysis is .373 which shows that 37.3% CRM is explained by customer loyalty with F value for model 11.443(p-value = 0.000).

DISCUSSION

A finding of the study highlights the importance of CRM. Our first hypothesis shows that store environment has significant and positive impact on customer relationship management. The results are consistent with previous studies (e.g Donovan & Rossiter, 1982). The outcome of their study was that customer spends extra time in comfortable store environment. The second hypothesis reveals that service quality within the retail outlet has significant and positive impact on customer relationship management. Results also showed that service quality on helpline has significant and positive impact on CRM. So our third hypothesis is proved. Goofin and Price (1996) emphasized the importance of customer service as it is helpful in increasing product quality, competitive advantage, boost up profits, and also increases sales and revenues for the company. Fourth hypothesis is also proved as the results

shows that price has significant impact on CRM. According to Consuegra, Molina and Esteban (2007), Dovaliene and Virvilaite (2008) if service gives more satisfaction, consumers will easily accept increased prices. Findings also indicate customer loyalty has a significant impact on CRM.

CONCLUSION

The objective of this study is to investigate impact of customer relationship on customer loyalty in cellular industry. This study considered five firms i.e. Ufone, Mobilink, Telenor, Warid and Zong. The dependent variable was customer loyalty and independent variable is CRM. Analysis was done through correlation and regression.

It is concluded from the analysis that CRM has positive and significant impact on customer loyalty. This means that markers should emphasize on store environment and service quality because in comfortable store environment consumer are willing to spend extra time which increases the chances to buy more. Secondly, consumers are willing to pay more for best services.

CRM is not only to maintain customers' record but also to track patterns in their purchases and provide additional value-added services. Customers are likely to stay with a company that provides a variety of valuable services as compared to the company that provides only a product. CRM can be used to know about the customers and also helpful eliminating hindrance that marketers' face in their business. This cultivates customer loyalty and builds good will for the company. With the help of CRM products can be developed according to the customers need which ultimately results customer loyalty.

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