

Service Quality and Customer Loyalty: A Case on Mobile Telecommunication Sector in Colombo District

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Introduction

In today's dynamic business environment, obtaining the customer loyalty has become a business asset and a competitive edge for various companies. In order to get that one of the major tool they use is Service Quality. This has become a common practice in Mobile Telecommunication Sector as well.

A service can be defined as any activity or benefit that one party can offer to another that is essentially intangible and does not result in the ownership of anything (Kotler and Armstrong, 2007). Further they defined quality as the characteristics of a service that bear on its ability to satisfy stated or implied needs of customers.

It is believed that service quality as a key lever to create customer loyalty (Oliveira, 2003). In order to clarify this idea, the mobile telecommunication sector, all the service providers are applying and practicing the tool service quality to ensure customer satisfaction and long term relationships with customers which ultimately result in customer loyalty. In light of the literature, it has been identified the significance of the relationship between service quality and customer loyalty. Further, the literature proves that the main influential factors of service quality to loyalty differ from industry to industry. It also suggests that even in the same industry, the influential factors can differ country to country or contextually. However, it couldn't be found any research related to Sri Lankan mobile telecom sector.

Methodology

In order to conduct this study, the sample was selected from subscribers of all five mobile telecommunication service providers in Colombo district. The study was conducted for the sample of 200 subscribers. Stratified sampling technique was used for sampling. This study was conducted based on primary data and obtained primary data through the self-administrated questionnaire. Questionnaire was based on five point Likert Scale.

In analyzing data, both qualitative and quantitative methods were used. Descriptive statistics were utilized to analyze data and multiple regression analysis was also used to combine contribution of each parts of the independent variable.

$$CL = \alpha + \beta_1 RES + \beta_2 REL + \beta_3 EMP + \beta_4 ASU + \beta_5 TAN + \beta_6 VAL + \varepsilon$$

Where,

RES – Responsiveness

EMP – Empathy

TAN – Tangibility

CL – Customer Loyalty

REL – Reliability

ASU – Assurance

VAN – Value Addition

Results and discussion

According to the descriptive analysis, almost all input variables' mean values are fall under range of $3.5 < X \leq 5$ (Table 1). This illustrates that all participants are almost agree with the current practices of responsiveness, reliability, empathy, assurance, tangibility and value addition.

Table 1 – Mean and standard deviation of service quality dimensions

Dimension	Mean	Standard Deviation
Responsiveness	3.8775	0.4836
Reliability	3.7275	0.4867
Empathy	3.9125	0.5684
Assurance	4.1425	0.4675
Tangibility	4.0230	0.5346
Value Addition	4.1425	0.5745
Service Quality	3.9709	0.3562

Furthermore, the correlation and regression analysis were conducted to determine the strength of relationship, relative contribution of independent variables on dependent Variables. Service Quality (0.815) has strong positive correlation on Customer Loyalty. In addition to that, the R² between Service Quality and Customer Loyalty was 66.4%.

The fitted regression model can be expressed as follows.

$$CL = 2.22 + 0.0823 \text{ RES} + 0.0890 \text{ REL} + 0.0361 \text{ EMP} + 0.0308 \text{ ASU} - 0.0165 \text{ TAN} + 0.161 \text{ VAN}$$

Moreover, the multiple regression analysis indicated that responsiveness, reliability, empathy, assurance and value addition are having positive relationship with customer loyalty while tangibility is having a negative relationship. The amount of variance explained for the six dimensions were approximately 66.8%. These findings emphasized that Service Quality dimensions are important predictor of Customer Loyalty.

Conclusion

The objectives of this study were to identify the existing situation of service quality to customer loyalty, to identify the relationship between service quality and customer loyalty and to determine the most influencing factors of service quality to customer loyalty in Sri Lankan Mobile Telecommunication sector.

Considering the existing situation between Service Quality and Customer Loyalty, it can be concluded that all the respondents were almost agree with the existing situation of Service Quality. The analysis revealed the strong positive relationship between responsiveness, reliability, empathy, assurance, value addition and Customer Loyalty. The results implied that tangibility on Customer Loyalty is having negative relationship.

References

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