

# Impact of Service Quality on Customer Loyalty: A Study of Telecom Industry

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**Abstract:** *In today's environment, Customer loyalty has become a top priority for every company. The objective of this paper is to identify the impact of service quality on customer loyalty in the telecom sector. Service quality has been considered as independent variable whereas customer loyalty was considered as dependent variable. Five antecedents of service quality have been considered in this study viz. empathy, assurance, responsiveness, tangibility and reliability based on SRVQUAL model of Parasuraman et al (1988). 5 items for customer loyalty have been considered in this study on the basis of the work of Harsandaldeep Kaur and Harmeen Soch (2012). A survey-based exploratory research design was used. The data was collected from 100 customers using mobile service of various telecom operators of India through structured questionnaires. Cronbach's coefficient alpha was used to determine the reliability of the instrument. Multiple regression analysis was used to determine the causal relationship between both the independent & dependent variables. Results depicted that the service quality has significant and positive impact on customer loyalty.*

**Keywords:** Telecom, service quality, customer loyalty, Customer, Regression

## 1. Introduction

Telecommunication sector is advancing worldwide. India is a huge market for “mobile telephony” and “mobile broadband”. These companies are focusing on giving the better service and affordable packages to their customers. Customers seek better quality for the price they paid to those companies. Therefore quality is the most important aspect in terms of services. Dimensions of service quality include “assurance”, “reliability”, “responsiveness”, “empathy” and “tangibility” (parasuraman 1988). Success of a service provider depends on the high quality relationship with customers (Panda, 2003) which determines customer satisfaction and loyalty (Jones, 2002 as cited by Lymperopoulos et al., (2006). For service marketing, service quality is an essential plank. (Kushwah and Bhargava, 2014). Building long term relationship becomes a necessity today due to fierce competition in the market and hence customer loyalty is a growing concern of today. Indian Telecom industry has undergone a transformation change in past decade especially after the concept of privatization and strongly felt the need of customer loyalty. This need was felt due to availability of enormous number of market players in India. This stiff competition has compelled the service provider to compete in the market and to differentiate themselves on the basis of a factor other than price. Hence, this very concept of service quality has arisen and gained attention. Better service quality provides competitive advantage to the organization. Any service organization can differentiate itself by providing high quality service.

## 2. Literature Review

Service quality is usually defined in various ways, depending on the situation being assessed as well as the factors of interest. It is usually explained as customer sensitivity to the extent to which a service adequately meets or exceeds expectations (Czepiel, 1990). Parasuraman et al. (1985) describe service quality as “The discrepancy between consumers' perceptions of services offered by a particular

firm and their expectations about firms offering such services”. Therefore, the consumer would judge a low quality service as service that is below expectation and vice-versa. Ahmed et al. (2010) assessed the impact of service quality on customer satisfaction in Pakistani telecommunication sector and found that the service quality measures of; tangibles, assurance, responsiveness, reliability and empathy had a positive and significant relationship with customer satisfaction. Similarly, Loke et al. (2011), using the service quality scale (SERVQUAL) model, looked at the impact of; reliability, responsiveness, assurance, empathy and tangible aspects on customer satisfaction in Malaysia's telecommunication sector. Results highlighted that though all five dimensions explained more than 80 percent of the customer satisfaction; empathy, reliability and responsiveness showed the strongest and significant effect on customer satisfaction and loyalty.

Agyapong (2011) conducted a study on the effect of service quality on customer satisfaction in the Vodafone telecomm company (Ghana). The study used a modified service quality scale (SERVQUAL model) for analyzing service quality. Multiple regression analysis was used to examine the relationship between service quality variables (tangibles, reliability, responsiveness, competence, courtesy, feeling secure, communication and customer understanding) and customer satisfaction. The results showed that all the service quality variables were good predictors of customer satisfaction, and that, if no action is taken to enhance these variables' levels, customer satisfaction would decline.

### Customer Loyalty

Customer loyalty can be defined as “customers loyalty is basically the customers overall affiliation or strong commitment to a service/product or company” (Oliver, 1999). Dick and Basu, (1994) defined customer loyalty as a relationship between relative attitude and repeat patronage; hence he integrated attitudinal and behavioural loyalty. Gremler & Brown, (1996) offers one definition of customer loyalty that serves the purpose of this study: the degree to

which a customer exhibits repeat purchasing behavior from a service provider, possesses a positive attitudinal disposition toward the provider, and considers using only this provider when a need for this service exists. Gremler and Brown, (1998) concluded that a loyal customer can create multiple effects like repeat purchase, positive word of mouth and personal recommendation to new customers. Uncles D., (2002) has given three popular models of Customer Loyalty in which he expressed loyalty as an attitude, loyalty in terms of revealed behavior and buying based on purchase situation or characteristics of individual. Bandhyopadhyaya and Martell (2007) categorized customers into three types on the basis of their behavioral and attitudinal characteristics as single user, multiple users and non users and attitudinal loyalty acts as a base for customer loyalty.

### Relationship between Service Quality and Customer Loyalty

Three parameters of service quality; reliability, empathy and service Quality was found positively correlated (Siddiqui, 2011). Positive relationship was found between all the attributes of service quality attributes and customer loyalty with mediating effect of customer satisfaction in a study in retail banking sector in Bangladesh. Tangibles, responsiveness and reliability were found directly related with customer loyalty in Telecommunication industry in Ghana in the study of (Idrissu, 2011) consistent with the result of (Kheng et. al., 2010). Empathy had highest positive correlation while assurance had least correlation with customer loyalty. In a study conducted by (Ageyi and Kilika, 2013) in Kenyan mobile telecommunication sector, all the indicators of service quality (of SERVQUAL) model found to have positive correlation with customer loyalty.

### Objective of the Study

To determine the effect of service quality on customer loyalty,

### Research Methodology

The present study is based on the SERVQUAL model proposed by Parsuraman, Zeithaml and Berry (1988) for measuring customers' perception towards service quality. 29 items instrument was generated comprising of 18 items for the five antecedents of independent variables on the basis of the work of Parsuraman et al (1988) and 5 items for customer loyalty on the basis of the work of Harsandaldeep Kaur and Harmeen Soch (2012). A survey-based exploratory research design was used. The sampling design was non-probabilistic convenience sampling technique. Data was collect through primary and secondary data collection techniques. The study surveyed a total of 100 mobile users, around Gwalior, across the two mobile operators namely Airtel, BSNL. To determine the effect of service quality on customer loyalty, which was the main objective of the paper, customer loyalty (dependent variable) was regressed against the five service quality dimensions.

### Hypothesis

**H1:** Tangibles have significant impact on customer loyalty.

**H2:** Reliability has significant impact on customer loyalty.

**H3:** Responsiveness has significant impact on customer loyalty.

**H4:** Assurance has significant impact on customer loyalty.

**H5:** Empathy has significant impact on customer loyalty.

### Data Collection

Primary data is collected from customers through interviews and questionnaires. Questionnaire includes the profile questions, and structured questions based on 5 likert scale. Where 1 refers to as "Strongly Disagree" and 5 as "Strongly Agree".

### Data Analysis Tools

The data which is accumulated using questionnaire is processes through SPSS. For statistical analysis regression are applied. On the other hand, descriptive statistics are used to calculated mean & frequencies.

### Data Analysis

**Table 1:** Reliability Analysis

Cronbach alpha	No. of items
0.898	24

Cronbach's alpha is the most common form of internal consistency reliability coefficient. It is used to check the reliability of any scale. The value of alpha should stay between 0 and 1. The value 0.86 shows acceptable range for Cronbach alpha.

**Table 2:** Reliability Analysis for All Variables

S. No.	Variable Name	No of Items	Cronbach's Alpha
1	Tangible	4	.897
2	Reliability	3	.854
3	Responsiveness	3	.844
4	Assurance	4	.871
5	Empathy	4	.850
6	Customer Loyalty	6	.866

Table No. 2 presents the reliability test for all variables and the range of Cronbach alpha is more than 0.72 for each dimensions and indicates that data is reliable for the study.

### Multiple Regression

Multiple regression technique is used to test the relationship between dependent and several independent variables. It is generally used for prediction and forecasting of results.

**Table 3:** Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the estimate	Durbin-Watson
1	.805 <sup>a</sup>	.647	.636	6.402	1.867

a. Predictors: (Constant), Tangible, Reliability, Responsiveness, Assurance, Empathy

b. Dependent Variable: customer loyalty

**Table 4:** ANOVA

Model	Sum of Squares	df	Mean Square	f	Sig.	
1	Regression	14438.455	6	2406.409	58.708	.000 <sup>a</sup>
	Residual	7869.937	192	40.989		
	Total	22308.392	198			

a. Predictors: (Constant), Tangible, Reliability, Responsiveness, Assurance, Empathy

b. Dependent Variable: customer loyalty

**Table 5:** Regression Analysis Result

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.370	2.679		.138	.890
Tangible	.688	.190	.402	5.565	.000
Reliability	.266	.134	.120	1.992	.048
Responsiveness	.679	.181	.208	3.748	.000
Assurance	.637	.135	.220	4.720	.000
	.587	.279	.192	3.537	.001

a. Dependent Variable: customer loyalty

The model summary table contains results of overall effects of all the variables on the dependent variable. The overall effect of all the independent variables, Tangible, Reliability, Responsiveness, Assurance and Empathy on the dependent variable, Customer Loyalty is indicated by adjusted R2 value. The adjusted R2 value is 0.636 indicating that 63.6% variance in the dependent variable is contributed by the five independent variables. In other words 63.6 % of Customer Loyalty is predicted by the independent variables. The same table also contains the results of autocorrelation test in the dependent variable series. Durbin-Watson value 2 indicating no autocorrelation at all. The value of Durbin Watson is 1.867 indicating that the autocorrelation of the dependent variable is well within acceptable limits for linear regression.

The value of F in the ANOVA summary table is 58.708, significant at 0% level of significance, indicating that the model has high goodness of fit. The non-standardized coefficients are used to develop the multiple regression equation. The equation for regression analysis from the coefficient table above can be summarized as below:

$$Y = a + b_1 x_1 + b_2 x_2 + b_3 x_3 + b_4 x_4$$

$$\text{Customer Loyalty} = 1.370 + 0.688 (\text{Tangible}) + 0.266 (\text{Reliability}) + 0.679 (\text{Responsiveness}) + 0.637 (\text{Assurance}) + 0.587 (\text{Empathy})$$

### 3. Conclusion

The objective of the present work was to analyse the impact of service quality dimensions on customer loyalty in telecom sector. Result of regression analysis shows that service quality dimensions Tangible, Reliability, Responsiveness, Assurance and Empathy is having significant impact on Customer loyalty. The result coincides with Sabir et. al. (2013), Poku et. al. (2014) Abdul Majeed Iddrisu (2011) Saravankumar and Jyothijaykrishnan (2014). Telecom service providers should emphatically focus on the location and ambience of the stores so that the customers can feel pleased enough to revisit the store of the service provider and results in repurchase intentions. Service equipments should be updated and modern which helps to get prompt services to customers to enhance the relationship with them.

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