

## **“CUSTOMER SATISFACTION AS AN ANTECEDENT OF CUSTOMER LOYALTY”**

**Dr. Anil K. Singh\***

---

### **ABSTRACT**

Future and Profitability of a company is a function of Customer Loyalty which in turn is largely attributable to Customer Satisfaction. The maxim goes like this “Higher is the Customer Satisfaction; higher would be the Customer Loyalty.” The present research tries to decipher and delineate the relationship between the aforementioned constructs in context of Cellular Industry. This research applied Simple Regression Analysis over the data from more than 500 cellular subscribers and endorsed the highly held view that customer satisfaction has magical strength to keep customer loyal.

**Key words: Customer Satisfaction, Customer Loyalty, Regression Analysis**

---

\* Associate Professor, Institute of Professional Studies, Gwalior, MP

## **1. INTRODUCTORY NOTE :**

India is a country sheltering not only 1400 million people but also the country which houses almost equal number of mobile subscribers. As per TRAI report of December 2018, there are more than 1200 million mobile subscribers, which makes India the country with second largest subscribers base in telephone sector in the world. The data further shows that out of these 1200 million telephone users 530 million subscribers reside in rural India only. With teledensity of 91.45 % (159.8% for urban India and 59.5% for rural India.) the sector witnesses cutthroat competition among the telephone service providers.

In Telecom sector, competition too has intensified so much that every service provider has to be on their toes to prevent their customers from going to their competitors' camp. Fierce competition has been forcing every company in the industry to pay utmost attention to improve customer loyalty. This research is an effort in the direction of understanding the customer satisfaction - customer loyalty link.

## **2. PURPOSE OF THE STUDY:**

The paper aims to achieve following objectives:

1. To elaborate the concepts of Customer Satisfaction and Customer Loyalty
2. To understand and exhibit the role of Customer satisfaction in cementing Customer Loyalty in respect of cellular customers.

## **3. LITERATURE REVIEW**

### **3.1 Customer satisfaction**

Oliver (1997) explained Customer satisfaction in terms of Consumer's fulfillment response. Customer Satisfaction is consumers' well judged stand that a particular product or service is delivering pleasurable level of fulfillment, though, it may be under fulfillment or over fulfillment. Over fulfillment gives pleasure by affording additional as well as unexpected pleasure and under fulfillment gives pleasure by affording greater pleasure than one anticipated.

Westbrook and Oliver (1991) argued that customer satisfaction is evaluative judgment based on the post use assessment. Oliver (1987) tested whether satisfaction was an emotion and concluded that satisfaction is a summary attribute phenomenon coexisting with other consumption emotion. Rust and Zahorik (1993) developed a mathematical model of customer satisfaction in retail banking sector and attempted to identify which component of the customer satisfaction has greatest impact and how much investment should be done to maximize customer satisfaction. Measurement of customer satisfaction plays a critical role in elevating service standards. It permits an agency to conceptualise what are the values of its customers and how these values vary between different types of customers, and also where the agency can do something to improve service delivery.

Lawler Edward (1995) found that only those companies are successful in long run which has service quality as their foremost priority in their overall vision. These companies not only measure customer satisfaction but they also identify the reasons behind customer dissatisfaction and do their best to eliminate them.

Abdel Moniem Ahmed and Mohamed Zairi(2002), found that there are three groups of customers :

1. Internal customers,
2. Channel members, and
3. Buying center members in business-to-business markets.

Edward C. Malthouse (2003) found that customers explain their satisfaction with a product or service in terms of specific aspects such as the product features, price, customer service, or a combination of all these features.

Anderson (1993) identified 4 psychological theories that explain the impact of expectancy or satisfaction:

- 1 Assimilation Theory
2. Contrast Theory
- 3.Generalised Negativity Theory
4. Assimilation-Contrast Theory

Deyong (1994) established conceptual links between the dimensions of customer satisfaction and process performance metrics.

Parkington & Schneider (1979), found that whenever there is a difference between the service orientation levels of employees and management. The employees with low level of satisfaction also have low level of service orientation and they not only feel strong intention to leave their jobs but their frustration passes on to customers, which in turn develop a poor opinion of the service quality provided by the firm.

### **3.2 Customer Loyalty:**

Loyalty may be defined a favourable attitude which leads to a relationship with the product or brand resulting in commitment to repurchase it repeatedly. It can be understood as a revealed behavior leading to brand acceptance and repeat purchase. Another concept view loyalty as something based on attributes, circumstances, and the purchase situations of individual which results in constant buying of a particular product.

Engel et al., (1982) classified brand loyalty into 3 types namely preferential, attitudinal, and behavioral.

Lee, Lee,& Feick, (2001) propounded that one of the tested method of generating customer loyalty is to keep one's customers delighted.

Customer Loyalty and Customer Retention:

Most of the previous works did not differentiate between customer retention and customer loyalty so both of the terms conveyed the same phenomenon ( Zenithal et al.,1996;Reichheld and Sasser,1990)

The present research paper also does not discriminate between different nuances of customer loyalty and customer retention and uses the terms interchangeably.

Customer Loyalty as a construct has evolved gradually over past many years and initially the emphasis was on loyalty towards tangible goods only Day, (1969).

Dick and Basu 1994 categorized customer loyalty into 3 types as brand loyalty, service loyalty, and store loyalty .

Jacoby and Chestnut (1978) in a later study defined brand loyalty by including both behavioral and attitudinal constituents. Brand loyalty is the degree of the faithfulness reflected by the consumers' towards a particular brand, shown by their repeat purchases in spite of the marketing pressure created by the competitors.

Customer loyalty has direct bearing on company's revenue. A loyal customer causes higher profitability to the firm by (a) buying frequently (b) spending more through patronizing new products and services (c) suggesting the advantages to others and (d) giving useful feedback which further improves the service quality (Reichheld and Sasser 1990).

A study by Gremler and Brown (1996) asserted that most of the previous studies on customer loyalty were about tangible goods and researches in context of service related firms were by and large missing. They further opined that construct developed for the goods related customer loyalty cannot be generalized in service related context.

A study by Gremler and Brown (1996) revealed that most of past studies on customer loyalty were largely about goods related and research about customer loyalty pertaining to service firms were almost missing. They further opined construct of goods related customer loyalty cannot be generalized in context of service related customer loyalty because of following reasons:

A person to person interface is an essential attribute in marketing of services Suprenant and Solomon, (1987).

## 4. RESEARCH METHODOLOGY

### 4.1. Data Collection

The data was collected from more than 500 mobile users about their attitude towards customer satisfaction as well as customer loyalty with reference to the services and their service provider respectively.

## 4.2. Research Design

To collect data from the subscribers a questionnaire was designed based on 5 point Likert scale.

The questionnaire had 5 items for each construct i.e. Customer Satisfaction and Customer Loyalty which were chosen after elaborate review of literature.

## 4.3. Measurement Scales

**Customer Satisfaction:** A scale having five items was derived from the work of Hellier et al. (2003) to measure customer satisfaction. The items of the scale are listed below:

1. Overall I am happy with my cellular service provider.
2. Services given by my cellular service provider are close to my expectation.
3. My decision to use the services of my cellular service provider is wise one.
4. My present cellular service provider is comparable to an ideal service provider.
5. I will positively recommend the services of my cellular service provider to others.

**Customer Loyalty:** A five item scale was developed based on the work of Morgan and Hunt (1994) to measure Customer Loyalty. The following items were part of the scale:

1. I wish to continue with my present service provider for next 6 months.
2. I wish to continue with my present service provider for next one year.
3. I wish to continue with my present service provider for next two year.
4. I will suggest the services of my telephone service provider to my relatives and friends.
5. If I am asked to choose mobile service provider once again I will choose my present service provider once again.

## 5. DATA ANALYSIS:

Following Null hypothesis was designed to serve the purpose of the study:

**H<sub>0</sub>: Customer Loyalty is not impacted by Customer Satisfaction.**

The above hypothesis was tested using simple regression method through SPSS : In the study Customer Loyalty was taken as Dependent Variable and Customer Satisfaction was Independent Variable . Following tables were generated as output.

**Table : 1 Descriptive Statistics**

	Mean	Std. Deviation	N
CUST_LOYAL	3.7022	.87579	530
CUST_SAT	3.7091	.82958	530

Table 1 shows the descriptive statistics related to our research constructs i.e. Customer Satisfaction and Customer Loyalty

**Table: 2 Correlations**

		CUST_LOYAL	CUST_SAT
Pearson Correlation	CUST_LOYAL	1.000	.708
	CUST_SAT	.708	1.000
Sig. (1-tailed)	CUST_LOYAL	.	.000
	CUST_SAT	.000	.
N	CUST_LOYAL	530	530
	CUST_SAT	530	530

Table 2 shows correlation pattern between customer satisfaction and customer loyalty. The value of correlation was .708, which was reasonably high showing that change in one variable leads to a positive change in other variable. The table also shows this correlation to be significant as the corresponding “ p – value ” was shown to be “ .000 “ which is much less than reference value of “.05”.

**Table : 3 Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.708 <sup>a</sup>	.501	.500	.61907	.501	530.693	1	528	.000

a. Predictors: (Constant), CUST\_SAT

Table 3 shows the model summary based on customer satisfaction as independent variable and customer loyalty as dependent variable. The model shows R square value of .501 which signifies that 50.1% of the variance in customer loyalty can be explained by customer satisfaction. The value is just moderate one and conveys that there might be other variable or influencers besides customer satisfaction which influence the customer loyalty. There could be other constructs like “tariff rates”, “switching cost” or may be mere “inertia” which might further explain the variance in customer loyalty but these constructs remain beyond the scope of this study.

In the above table there is negligible difference in the values of “R square” and “Adjusted R square” which signifies that results would not vary much even if the data was collected from much larger population, this further validates the robustness of this model

**Table : 4 ANOVA<sup>a</sup>**



Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	203.390	1	203.390	530.693	.000 <sup>b</sup>
Residual	202.358	528	.383		
Total	405.747	529			

a. Dependent Variable: CUST\_LOYAL

b. Predictors: (Constant), CUST\_SAT

The table 4 shows the ANOVA summary in which “ F – value ” was reasonably high as well as “Significant” because “ p- value ” was “.000” which was much less than reference value of “.05”, it further confirms that Regression Model is quite appropriate to develop regression equation

Table : 5 Regression Coefficients<sup>a</sup>

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations			Collinearity Statistics	
	B	Std. Error	Beta			Zero-order	Partial	Part	Tolerance	VIF
1 (Constant)	.930	.123		7.541	.000					
CUST_SAT	.747	.032	.708	23.037	.000	.708	.708	.708	1.000	1.000

a. Dependent Variable: CUST\_LOYAL

The table 5 shows that “ t- value” is “Significant” as its value in the table is “.000” which is far less than the reference value of “.05”, it means customer satisfaction appropriately explain the variation in customer loyalty. The above table also shows the “Unstandardised Beta” value of .747 which means that a unit change in customer satisfaction will lead to .747 unit positive change in customer loyalty.

## 6. CONCLUSIVE NOTE :

We can reject the Null hypothesis and conclude that Customer Loyalty is impacted by Customer Satisfaction. A positive value of “Unstandardised Beta” suggests that improvement in customer satisfaction will result in greater customer loyalty. Companies all over the world are rightly obsessed about enhancing the levels of their customers’ satisfaction because the key to ensure their loyalty lies there only.

## References

- Ahmed,A.M.(2002).Customer Satisfaction: The Driving Force for Winning Business Excellence Award ” Bradford University , Working Paper No .02/06.
- Anderson, E. W. & Sullivan, M.(1993). The antecedents and consequences of customer satisfaction for Firms, *Marketing Science*, 12, pp. 125-143.
- Day, GS (1969) A two-dimensional concept of brand loyalty. *Journal of Advertising Research*, pp., 29-35.
- Deyong, C. F. (1994).A methodology for linking customer satisfaction dimensions with process performance metrics. *Unpublished Thesis for the degree of PhD*, Oklahoma State University.
- Dick, A.S. & Basu, K. (1994).Customer loyalty: Toward an integrated conceptual framework. *Journal of the Academy of Marketing Science*, 22:2, 99-113
- Engel, J. F., & Roger, D. (1995). Blackwell (1982), Consumer Behavior. *New York: Holt, Rinehart and Winston*.
- Gremler, D. D., & Brown, S. W. (1996). *Service loyalty: its nature, importance, and implications*.
- Jacoby, J. & Chestnut, R. (1978). Brand loyalty: Measurement and management. John Wiley & Sons, New York.

- Lawler, Edward E, “Believing What can’t be seen: Protective Life’s Vision of Quality Service ” - Loma’s FOCUS Customer Service Survey,Journal Resource, Jossey-Bass Publishers, November, 1995.
- Lee, J. Lee, and Feick, L. (2001), “The impact of switching costs on the customer satisfaction – loyalty link: Mobile phone service in France”, *Journal of services marketing*, 15(1), pp. 35-48.
- Malthouse, E. C., Calder, B. J., & Eadie, W. P. (2003). *Conceptualizing and measuring magazine reader experiences*. Media Management Center, Northwestern University.
- Oliver, R. L. (1997). Satisfaction: A behavioral perspective on the customer. *New York*.
- Parkington, J.& Schneider, B.(1979).Some correlates of experienced job stress: A boundary role study. *Academy of Management Journal*, Vol.22, No.2, pp.270-81
- Reichheld, F. & Sasser, W.E. Jr. (1990). Zero defections: Quality comes to services. *Harvard Business Review*, 68, September/October, 105-11.
- Rust, R. & Zahorik, A. J.(1993).Customer satisfaction, customer retention and market share, *Journal of Retailing*, Summer Vol. 69, Issue 2, p 193
- Surprenant, C. F., & Solomon, M. R. (1987). Predictability and personalization in the service encounter. *the Journal of Marketing*, 86-96.
- Westbrook, R. A., & Oliver, R. L. (1991). The dimensionality of consumption emotion patterns and consumer satisfaction. *Journal of consumer research*, 84-91.
- Zeithaml , V . A . , Berry , L . L . and Parasuraman , A . (1996) The behavioral consequences of service quality . *Journal of Marketing* 60 (2) : 31 – 47 .

## **REPORTS:**

### **TRAI Reports:**

Performance Indicators Report, October -December 2018