Exploring the Relationship between Relationship Marketing, Relationship Quality and Customer Loyalty in Nigerian Telecommunication Industry.

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Abstract

Despite the increases in the number of telecommunication operators in Nigeria and the massive promotional activities embarked upon by these operators, increasing number of customers still express dissatisfaction with the level of services being provided. Given a good knowledge of relationship marketing, understanding customer satisfaction and loyalty has become a most critical issue for Mobile Telecom operators. This paper examined the effect of quality service, price perception, brand image and value offers on customer satisfaction and how satisfaction influences the loyalty of customers in modern business operations. Data was collected from 81 pre-paid mobile subscribers from four operators (MTN, Airtel, Glo and Etisalat) through self-administered survey questionnaire. The Statistical Package for Social Science (SPSS) software was employed to analyze the data collected from the survey with the aid of Multiple Regression Analysis (OLS) estimation. The findings show that service quality, price perception, brand image and value offers are predictors of customer satisfaction. The findings also indicate that customer satisfaction has high strong influence on customer loyalty but it was however concluded that customer satisfaction alone cannot lead to loyalty unless it is backed up with trust towards both the service and the service provider.

Keywords: Relationship Marketing, Relationship Quality, Customer Loyalty, Trust, Satisfaction,
1. Introduction

The telecommunication industry is becoming one of the most important industries in the world. The telecommunication industry includes radio, television, fixed and mobile telephone and the internet. Telecommunication influences the world economy and the telecommunication industry’s revenue was estimated to be $1.2 trillion in 2006. In Nigeria, percentage contribution to the GDP increased to 7.76% in September 2013 from 3.66% in September 2009. The sector has contributed and continued to contribute towards the development of socio economic condition of Nigeria.

The process of deregulating the telecommunication industry in Nigeria began in 1992 with the establishment of Nigerian Communications Commission by Decree 75 of 1992. The objectives of the regulation have been to create an environment which would facilitate the supply of telecommunication services, allowing private entrepreneurs to enter the market while promoting fair competition and enhancing level of service for the concerned. The sector was formally liberalized in January 2001 with Econet and MTN taking off in June and August, 2001 respectively. The country has 183,047 active subscribers (fixed wired/wireless lines), 138,530,830 active subscribers (mobile cellular GSM) and 2,108,960 active subscribers (mobile CDMA lines) as at January 2015 (Nigerian Communication Commission). So, the Nigerian telecommunication industry has already become a mature market. The major Nigerian mobile operators – MTN, Glo, Airtel, and Etisalat – have launched a mobile marketing initiative with the four companies sharing more than 90% of Nigerian telecommunication market.

The GSM mobile telecommunication sector in Nigeria is very much competitive and this competition trend is increasing. Nigerian subscribers now have various alternatives to choose from according to their convenience. Therefore, to remain competitive in the market, mobile operators have to identify the factors related to consumer satisfaction and loyalty. Cheng and Ching, (2007) opined that with the tremendous growth in the mobile service industry, service operators are facing two problems, i.e. to increase market share and gain competitive advantage. Therefore, to increase market share and gain competitive advantage, operators have to identify the factors related to relationship marketing, customer satisfaction and loyalty.

Satisfaction and loyalty are two stages in the customer’s response to the company’s offerings (Torres-Moraga, Vasquez-Parraga and Zamora-Gonzalez, 2008). Zeithaml, Berry and Parasuraman, (1996) agreed that satisfaction is found to be a necessary antecedent of customer loyalty. First, customer satisfaction makes customer have a higher likelihood of repeating purchase; second, recommend others to try the source of satisfaction; third, become less receptive to competitors’ offerings (Torres-Moraga et al., 2008). In view of the above
submissions, customer relationship marketing plays an important role in telecommunication industry. It demands a relationship-oriented strategy in marketing (Grönroos, 2004).

In Nigeria, not much attention is given to the provision of quality service and satisfaction to consumers; hence some telecommunication companies render weak services and thereby take consumers for granted. Almost all the telecommunication companies encounter similar problems in meeting customer expectations and customer satisfaction. Majority of the customers encounter problems of poor service delivery in areas of voicemail, short message services and data services.

Although many scholars have ascertained the fact that customer service has positive effect on satisfaction and loyalty, but very few have been able to explore and highlight the variables that constitute customer satisfaction and loyalty in the Nigerian telecommunication industry. It is as a result of the problems identified above that this study is being embarked upon to examine the relationship between relationship marketing, relationship quality and customer loyalty in the Nigerian telecommunication industry.

2. Review of Literature

The empirical analysis has to be built on a comprehensive review of relevant researches in the area of relationship marketing. A review of available literature on relationship marketing is undertaken with a view to identify possible areas of enquiry. It also provides the necessary background for the present study.

2.1 Relationship Marketing

According to Morgan and Hunt (1994), relationship marketing was defined as all the marketing activities that are designed to establishing, developing, and maintaining successful relational relationship with customers. Hougaard and Bjerre (2002, p.40) also defined relationship marketing as “company behavior with the purpose of establishing, maintaining and developing competitive and profitable customer relationship to the benefit of both parties”. Due to profitable relationship on a lifetime basis may also create loss in some stages during the lifetime, Hougaard and Bjerre (2002, p.40) argued that marketing management must pay attention to three different objectives in terms of: (i) the management of the initiation of customer relationships, (ii) the maintenance and enhancement of existing relationships, and (iii) the handling of relationship termination.

Wulf et al. (2001) suggested that different levels of relationship duration would result in different levels of consumption experience, producing different results, satisfaction and loyalty with different relationship marketing tactics. Since the final purpose of relationship marketing is to gain the maximal value of a customer, customer loyalty should be emphasized to achieve this goal. The benefits of relationship marketing derive from the continuing
patronage of loyal customers who as a partnership are not sensitive to price cut over time (Bowen and Shoemaker, 2003). Interdependence, mutual cooperation and commitment between supplier and customer tend to be essential in relationship marketing, as such whole relationship is viewed as the key to competitive advantage (Hougaard and Bjerre, 2002).

There have been various ways for marketers to implement relationship marketing strategies, which are expected to have impact on customer retention and loyalty. In this regard, Bansal, Taylor and James (2005) identified four varieties of strategies: service quality, price perception, value offered, alternative attractiveness, and so on that can be used to execute relationship marketing. Peng and Wang (2006) also examined the application of relationship strategies in service quality, reputation (brand), price perception, value offers.

Based on the early theories, certain relationship marketing strategies which are considered of importance in service industry, such as service quality, price perception, value offers and brand image, will be focused in the following parts.

2.1.1 Service Quality

High service quality is regarded as a key to succeed in competitive service markets. Many researches have showed that service quality perceived by customers are will directly influence customers’ satisfaction, as well as their trust in the service firm (Parasuraman, Zeithaml and Berry, 1988; Aydin and Özer, 2005; Ismail et al., 2006; etc.). Customers might be satisfied when a firm provides better services than their pre-purchase expectations. Customer trusts also emerge when customers perceive positive service quality from a firm, and believe the service firm would bring preferable outcomes for them. Liu, Sudharshan, and Hamer (2000), found out that delivering more effective service quality than others is one of the ways that a firm can be successful in achieving in today’s business environment. Offering a high quality service is considered to be a visible way to create customers trust and satisfaction, as well as obtaining competitive advantages and building a long-term relationship with customers. This conclusion is based on strong evidence in the literature of a relationship between service quality and customer satisfaction.

2.1.2 Price Perception

Many researchers have pointed out that price perception influences customer satisfaction and trust (Oliver, 1997; Peng and Wang, 2006; Cheng et al., 2008; Kim et al., 2008). Peng and Wang,( 2006) also implied that customers often switch mainly due to some pricing issues, e.g. high price perceived, unfair or deceptive pricing practices. However, Consuegra, Molina and Esteban (2007), Dovaliene and Virvilaite (2008) stated 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 (Nadia and Zeeriya 2013).
2.1.3 Brand Image

Brand concept has been frequently discussed in marketing literatures. Brand building is not only an important driving force for marketing physical products, it is also a vital issue for service firms. Brand image was defined by Keller (1993) as the “perceptions about a brand as reflected by the brand associations held in consumers’ memory.” It is thought as the perception or mental picture of a brand formed and held in customers’ mind, through customers’ response, whether rational or emotional (Dobni and Zinkhan, 1990).

The development of a brand relationship with customers is based on a series of brand contacts experienced by customers (Grönroos, 2000). What customer perceives the brand image during such experience is critical issue for a service firm to realize. Reliability of the brand is a major factor in the selection of a product by the customer. Aker (1996) regarded brand personality as being the core and the closest variable to customer’s decision making in buying. Package Promotion Group also submitted that it is certain that all brands have personality even if the organization didn’t design the personality. They argued further that the personality is gradually shaped in the minds of the consumers according to their activities. Kotler and Keller (2005) also noted that consumers usually select a brand having self-concept congruence. A positive brand image can thus be used by a firm to convey its brand value to consumers and also generate favorable word of mouth among people. It is therefore concluded that a positive brand image is supposed to meet customer’s expectation and offer more benefits to customer, which may lead to customer satisfaction and trust.

2.1.4 Value Offers

According to Zeithaml and Bitner (2000), customer’s perceived value is defined as “the customer’s overall assessment of the utility of a service based on perception of what is received and what is given”. Service firms that provide superior value through enhanced offers can improve customer satisfaction by increasing the customer’s perceived benefits and reducing the sacrifice so that customer retention is improved (Ravald and Grönroos, 1996). Schiffman and Kanuk (2004) opined that customer’s relationship with the company will be successful when companies provide values to customers and because of these values, they will be satisfied.

In the submission of Auh and Johnson (2005), variation in the quality and value of products and services provided to customers creates variation in customer satisfaction and that creates variation in customer loyalty. Based on the nature or characteristics of consumers, what is received and what is expended vary across consumers and thus, value represents a trade-off between what they give and what they get.
2.2 Relationship Quality

Relationship Quality (RQ) emerged from the field of Relationship Marketing (RM). Due to the importance of relationship marketing in today’s businesses, relationship quality is essential for assessment of relationship strength and the satisfied degree of customer needs and expectations (Crosby & Evans & Cowles, 1990; Smith, 1998). Customers care about the relationship as a whole and judge the relationship using past experience, expectations, predictions, goals, and desires (Ibid). Relationship quality has been positively linked to customer loyalty (Hennig-Thurau & Klee, 1997; Roberts, Varki, and Brodie, 2003).

Various dimensions have been used to measure relationship quality within marketing researches. One attempt to conceptualize relationship quality has been proposed by Grosby et al. (1990), who viewed relationship quality as a high-order construct and should contain at least two dimensions: trust and satisfaction. Therefore, this paper studies relationship quality by focusing on trust and satisfaction from customers’ perspectives.

2.2.1 Trust

The value concept is a basic constituent of relationship marketing (Palmatier, Jarvis, Bechkoff & Kardes, 2009). The ability to provide superior value to customers is a prerequisite when trying to establish and maintain long term customer relationships (Ravald & Gronroos, 1996). Various definitions of trust have been given in previous literatures. Geyskens and Steenkamp (1995) also summarized trust as the extent to which a firm believes that its exchange partner is benevolent and honest. Doney and Cannon (1997) emphasized that trust is the perceived credibility and benevolence. However, Ulaga and Egger (2005, pp.76-76) extended value studies and identified four recurring characteristics: (1) customer value is a subjective concept, (2) it is conceptualized as a trade-off between benefits and sacrifices, (3) benefits and sacrifices can be multifaceted, and (4) value perceptions are relative to competition.

Based on above definitions, it is clear that trust is a human characteristic that is based on assessment of one another’s personality traits (Chu, 2009), motives and behaviors (Tian et al., 2008). In terms of service, trust is the belief held by a customer that service providers provide the service that meets customer needs. It has also been suggested that the level of trust is different significantly among individuals based on their personal decision-making habits and characteristics (Chu, 2009).

Singh and Sirdeshmukh, (2000) regarded trust as an important mediating factor between customer behavior before and after purchasing a product which can lead to long-term relationship and strengthened the relationship between the two parties. Many researches have also suggested that customers’ trust is significant in building long-term relationship and achieving customer loyalty (Berry, 1995; Bowen and Shoemaker, 2003; Chu, 2009).
trust as a precursor, a customer becomes loyal to a firm and forms a commitment to that firm (Bowen and Shoemaker, 2003).

2.2.2 Satisfaction

Customer satisfaction has been paid much attention among theoretical literatures and practical researches. It is also an expected outcome of implementing marketing activities, as providing satisfying products or services to customers relates to success achieved in today’s tensely competitive would of business. Fornell (1992) defined satisfaction as an overall evaluation dependent on the total purchase and consumption experience of the target product or service performance compared with repurchase expectations over time. Oliver (1997, 1999) reviewed satisfaction as pleasurable fulfillment which is sensed by customers in the consumption. It means that “the consumer senses that consumption fulfills some need, desire, goal, or so forth and that this fulfillment is pleasurable” (Oliver, 1999, p.34).

Customer satisfaction is the necessary foundation for the company to retain the existing customers (Guo, Xiao and Tang, (2009). Satisfaction is one of the antecedents of customer loyalty. In prior studies done by de Ruyter & Wetzels, 2000; Deng, Lu, Wei & Zhang, 2009; Dick & Basu, (1994), satisfaction positively affects customer loyalty. Auh and Johnson argued that there are strong relationships between satisfaction and loyalty. Similarly, Bodet (2008) confirmed the relationship between satisfaction and customer loyalty. Vessel and Zabar (2009) also asserts that customer satisfaction is one of the significant determinants of customer loyalty. In their own submission, Gerpott and Schindler (2001), are of the opinion that satisfaction may not always be the reason that customers remain loyal but it is safe to say that satisfied customers are more loyal. In conclusion, customer satisfaction enhances the quality of relationship between customers and service providers, and increases the repeat purchase behavior.

2.3 Customer Loyalty

Customer loyalty is the most important goal of implementing relationship marketing activities. Oliver (1997) defined customer loyalty as a “deeply held commitment to rebuy or patronize a preferred product or service consistently in the future, thereby causing repetitive same-brand or same-set purchasing, despite situational influences and marketing efforts having potential to cause switching behavior”

Customers are the driving force for profitable growth and customer loyalty can lead to profitability (Hayes, 2008). According to Chu (2003), loyalty is a positive attitude and behavior related to the level of re-purchasing commitment to brand in future. Loyal customers are less likely to switch to competitor solely because of price, and they even make more purchases than non-loyal customers (Bowen and Shoemaker, 2003). Loyal customers are also considered to be the most important assets of a company.
Methodology

3.1 Research Questions

The following are the main objectives of this research work.

I. How well do relationship marketing strategies (service quality, price perception, value offers and brand image) predict customer satisfaction?

II. Which of these strategies is the best predictor of customer satisfaction?

III. How well do relationship quality (customer satisfaction and trust) predict customer loyalty?

3.1.1 Data

This research adopts the quantitative method to gather data for research. After reviewing literatures, the author designed and tested the questionnaire, which possess good content reliability. 100 samples have been randomly selected from mobile telephone users of MTN, Glo, Airtel and Etisalat from Osun State. The sample data for the study was collected in Osogbo, Ile-Ife, Ilesa and Iwo in Osun State. The reason for the shortlisted cities is because these urban areas have high concentration of mobile telephone users and account for a large percentage of the total population. The population of interest in this study is the mobile telephone subscribers that are registered with Nigerian Communication Commission.

The questionnaire was composed of two parts and total 35 statements. The first part is about individual characteristics with two questions by asking respondents’ gender and the name of the mobile telecom operator they are choosing currently. The second part contains all the seven variables in the research model with a total of 33 statements. Several items on each construct are developed and adopted from relevant literatures. All of the items were measured by using a five-point Likert-type response scales, anchored at 5 strongly agree and 1 strongly disagree. 81 effective samples were returned with a response rate of 81%. To find the relationship between dependent and independent variable Pearson correlation and regression analysis was used.

4. Results and Discussion.

The result is analyzed with help of statistical techniques like regression.

Table 1: Regression Analysis showing Service Quality, Price Perception, Brand Image, and Value Offers Prediction of Customer Satisfaction
Dependent variable: Customer satisfaction

<table>
<thead>
<tr>
<th>Variables</th>
<th>β</th>
<th>t</th>
<th>Sig</th>
<th>R²</th>
<th>F</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service quality</td>
<td>.292</td>
<td>2.456</td>
<td>.016</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Price perception</td>
<td>.315</td>
<td>2.457</td>
<td>.016</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Brand image</td>
<td>.146</td>
<td>1.096</td>
<td>.277</td>
<td>.247</td>
<td>6.240</td>
<td>.000</td>
</tr>
<tr>
<td>Value offers</td>
<td>.036</td>
<td>.249</td>
<td>.804</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

The result in Table 1 shows that the predictor variables (i.e. service quality, price perception, brand image, and value offers) were significant joint predictors of customer satisfaction $F(2,78) = 34.140; R^2=0.247; p<.05$. The predictor variables jointly explained 24.7% of the variance of customer satisfaction. Therefore, the prediction of customer satisfaction was not due to chance or error.

Furthermore, service quality ($\beta=-.292; t=-2.457; p<.05$); and price perception ($\beta=.315; t=2.457; p<.05$) were significant independent predictors of customer satisfaction. The result implies therefore, that the more the telecommunication companies improve on the quality of their services and provide better pricing offers, the more the customers will be satisfied. It also indicates that the more the telecommunication companies are creative in offering products and services, the more will be the level of satisfaction of customers. Moreover, brand image ($\beta=-.149; t=-1.096$); and value offers ($\beta=.036; t=.249$); are less significant. The result provided answer to research question 1 which asked on how well the relationship marketing strategies predict customer loyalty.

The result from the Table 1 also indicates that price perception has the highest beta value of .315 which means that the variable makes the strongest unique contribution to explain customer satisfaction. This result also provides answer to research question 2 which asked about which strategy is the best predictor of customer satisfaction.

Table 2: Regression Analysis showing Trust and Customer Satisfaction Prediction of Customer Loyalty

<table>
<thead>
<tr>
<th>Variables</th>
<th>β</th>
<th>t</th>
<th>Sig</th>
<th>R²</th>
<th>F</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trust</td>
<td>.233</td>
<td>1.934</td>
<td>.057</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customer Satisfaction</td>
<td>.494</td>
<td>4.905</td>
<td>.000</td>
<td>.467</td>
<td>34.140</td>
<td>.000</td>
</tr>
</tbody>
</table>

The result in Table 2 shows that the predictor variables (i.e. trust and customer satisfaction) were significant joint predictors of customer loyalty $F (4, 76) =6.240; R^2=0.467; p<.05$. The predictor variables jointly explained 46.7% of the variance of customer loyalty. Therefore, the prediction of customer loyalty was not due to chance or error.
Furthermore, trust ($\beta=-.233; t=-1.934; p=0.057$) has positive influence on customer loyalty but not significant while customer satisfaction ($\beta=-.494; t=-4.905; p<0.05$) is significant independent predictor of customer loyalty. Beta value shows that one percent change in satisfaction will change loyalty by 0.664 percent. Similarly like de Ruyter and Wetzels, (2000); Deng, Lu, Wei & Zhang, (2009); Dick & Basu, (1994), they gave evidence that satisfaction positively affects customer loyalty. Bodet (2008) also confirmed the relationship between satisfaction and customer loyalty. Beta value of trust also shows that one percent change in trust will change loyalty by 0.593 percent. This is similar to the findings of Bowen and Shoemaker (2003) that with trust as a precursor, a customer becomes loyal to a firm and forms a commitment to that firm. Berry, 1995 and Bowen & Shoemaker (2003) also asserted that customers’ trust has a significant role in building long term relationship and achieving customer loyalty.

5. Conclusion and Recommendations

Retaining customers in the service industry has become a major objective of relationship marketing. Relationship marketing tactics are considered to be essential for building long-term relationship with customers in order to achieve mutual benefits of all parties. Although relationship marketing tactics has been widely implemented by service providers, customers still tend to switch to competitor. Therefore, this study was conducted to examine the impact of relationship marketing tactics (service quality, price perception, value offered, and brand image) on satisfaction and in turn affect the customer loyalty within Nigerian mobile telecommunication industries. The findings of the survey can be summarized as below:

The four relationship marketing tactics are positively related to customer satisfaction. Among the tactics, brand image have the lowest relationship with service quality, customer trust and satisfaction. This implies that the brand image activities implemented by the telecom service providers, such as social responsibilities and reward refund are not effectively perceived by customers. Satisfaction is positively related to loyalty. This result also provide empirical evidence supporting previous theories that the higher level of trust and satisfaction perceived by customers, the higher level of customer loyalty that will be achieved by service providers. Based on the above findings, it is hereby recommended that:

The telecom companies should constantly review their service quality and value added services and also ensure that the product or service offered match well with the dynamic customer needs. The firms should also demonstrate commitment to complaint management by putting in place policies and procedures for speedy and fair complaint resolution.

The telecom companies should always make provision for effective communication with the customers with a view to influence the trust the customers develop in them, their satisfaction with them and subsequently their loyalty to the companies. In addition, they
should continuously and effectively train and develop the skills of the employees that will enable them deliver prompt and acceptable services to the customers.

Finally, telecom companies should avoid making exaggerated claims or promises that will unnecessarily raise the expectations of the customers that could lead to customer dissatisfaction.

References


