

IMPACT OF RELATIONSHIP MARKETING PRACTICES ON SERVICE QUALITY AND CUSTOMER LOYALTY IN TELECOM SECTOR WITH REFERENCE TO TAMILNADU

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Abstract

In today's competitive situation, every company having drive to their customers remain sustained with their brand, based upon increase customer's satisfaction level. So they concentrate service and deliver it prompt by the way to attain customer loyalty. In the early seventies, relationship marketing shows a very significant factor, it playing crucial role in business sector, predominantly in the service sector. Even practices many of the practices severely the outcome be the fail or ineffective on the customers. As a result, target customer are switched their service. This study is aimed at investigating the relationship of these marketing practices on satisfaction of customer, which ultimately increases customer loyalty in telecom sector. An analytical model is developed to test the relationship between these marketing practices and customer loyalty.

Key words: Relationship marketing practices, relationship quality, satisfaction, customer loyalty, telecom sector.

Introduction

In this competitive business environment, manufacturers are not merely concentrating about producing quality products or services but their major concern is to keep the customer for a long term and profitable relationship (Tseng, 2007). Due to this intense competition in the market, they need to interact with their customer by looking beyond the traditional strategy of marketing mix. Today's marketplace demands to achieve certain competitive edge. Therefore, companies are stress more and more relationship with customers based on relationship marketing to create a bond with their end users. Relationship marketing is becoming an integral part of marketing strategy and thus contributing through acquiring strong competitive advantage. Hence increase the loyal customers and based upon that repeat purchase also increasing, thus benefiting both parties (Andaleeb, 1996).

In the last decade of 20th century, relationship marketing became an important issue for industry and academia (Egan, 2001). The primary goal of relationship marketing is to increase customer loyalty and to build a strong relationship between company and customer (Peng and Wang, 2006). Developing relationships in the market are not very simple, customers and companies can achieve mutual benefits if they do so (Stone et al., 2000). An unsatisfied customer was switched to another company and relationship tactics were applied to avoid these behaviors. An effective and customer oriented relationship strategy may help companies to retain customers for a long time (Tseng, 2007).

In the telecommunication industry, firms are forced to perform their best to maximize customer satisfaction. In this scenario, relationship marketing practices plays an important role in satisfying their customers (Gronroos, 2004). There are four major rivals fighting for market share (Mobilink, Telenor, Warid, Zong). This study is aimed at investigating the impact of relationship marketing practices on

customer loyalty. The core purpose of implementing relationship marketing in a firm is to maximize customer loyalty. This study is an investigation of impact of relationship marketing practices on satisfaction (relationship quality) and customer loyalty.

Literature review

Relationship marketing

Morgan et al. (1994) defined relationship marketing as activities performed to develop and enhance a successful long term relationship with customers.

Hougaard et al. (2002) also defined relationship marketing as a behavior of the firm to establish and maintain a profitable relationship with their customers for the benefit of both parties. Different results of satisfaction and loyalty may come with different duration of relationship Wulf et al. (2001). Relationship marketing is an exit from traditional transaction behavior to developing the customers as partners (Bowen et al., 2003).

Relationship marketing practices

Bansal et al. (2005) suggested different ways to execute relationship marketing strategy, that is, price perception, value offered, alternate attraction, service quality. Membership options, priority treatment and good communication could develop a healthy relationship with the customers (Tseng, 2007). Peng and Wang (2006) investigated relationship marketing practices like service quality, reputation and price perception.

Service quality

Services are different from tangible products. The uniqueness of service is based on its intangible and heterogeneous nature. It is not possible to keep an inventory of services. It is produced, distributed and consumed at the same time. Service delivery process takes place in interaction between consumer and service provider (Gronroos, 2000). The service quality is the perception of service consumer developed during the interaction with the service provider (Gronroos, 2000). Parasuraman et al. (1988) (developer of SERVQUAL model) defined service quality as the experience and judgment of service consumer about a company's excellence in the service delivery. In view of many researchers, perception of consumer influences his trust and satisfaction in the company (Parasuraman et al., 1988; Aydin et al., 2005; Ismail et al., 2006).

Price perception

Consumer pays a certain monetary or financial value in order to get a service. Price has a significant impact on the consumers buying behavior. Price perception may vary from individual to individual. Sometimes, higher price might effects negatively to the consumer buying decision (Peng and Wang, 2006). Price perception also has relation with price searching (Lichtenstein et al., 1993). Oliver (1997) determines that consumer makes a relationship between price and quality of service. Price perception can be measured by two methods: one is price reasonableness and the other one is value for money (Cheng et al., 2008). Most of the times, customer considers high price as a reflection of high quality (Chitty et al., 2007). Research has shown that trust and satisfaction may influence by price (Kim et al., 2008).

Brand image

A brand Image is the perception of the brand in the mind of the customer. It is an aggregate of beliefs, ideas, and impressions that a customer holds regarding the brand. A brand can be perceived differently by different customers. Hence, the formation of a consistent brand image is a huge task for any business. Building a strong brand is not only important in manufacturing industry but it is also a critical issue in service sector. Keller (1993) defined brand image as association and perception of brand in customer's mind. It is a picture of brand in consumer's memory which is shown by his response (Dobni et al., 1990). Gronroos (2000) suggested that each step of branding creates separate perception about the brand in customer mind and ultimate result is called brand image.

Relationship quality

Smith (1998) argues that relationship quality is important to measure the degree of relationship strength. Successful relationship leads to a smooth exchange process and proper treatment from both parties (Crosby et al., 1990). Li et al. (2008) stated that good relationship quality can decrease uncertainty in the mind of customers. If relationship quality is high, it may develop a strong and long term relationship between customers and firm (Singh, 2008). Whitten et al. (2007) proposed that relationship quality can be measured by considering different dimensions like satisfaction communication, and interdependence. Lages et al. (2005) suggested that relationship quality can be measured by intensity of information sharing, time orientation and communication quality in firm's perspective.

Satisfaction

Marketers are paying too much attention to satisfaction of the customer. To satisfy the customer in the best way is considered a competitive advantage. Satisfaction is an overall experience of consumer with a certain product or service and repeat purchase is also considered in it (Fornell, 1992). Oliver (1997, 1999) defined satisfaction as fulfillment in a pleasurable way. Mouri (2005) ascertains that experience which satisfies the need and desire of customer may increase the possibility of long term relationship. A customer requires different satisfaction level at different stages of relationship (Spath et al., 2007).

Customer loyalty

All the activities in marketing are focused on customer to make him loyal. Oliver (1997) defines it as the deep commitment of a customer to repurchase the same product or service and remain repetitive in this behavior. Hayes (2008) argues that customer is the only source of a profitable growth, and customer loyalty may contribute in it. Chu (2009) explains loyalty as a commitment to a certain product for repeat purchase. There is a difference between the purchase rate of loyal and non loyal customers (Bowen et al., 2003). Blackton (1995) argues that loyal consumers are very important and valuable assets for a firm. It is up to the company to retain these customers for a long term relationship (Tseng, 2007). Customer loyalty has two dimensions. One is attitudinal and other one is behavioral (Aydin et al., 2005). Attitudinal loyalty is related to preference, recommendation and purchase intentions of the customers. Behavioral is related purchase share and frequency.

Research questions

Relationship marketing practices may vary from company to company. The effectiveness of these practices may also differ from business to business. Keeping it in view, our research questions are as follows:

1. Which of the relationship marketing practices contribute more positively to customer loyalty?
2. How different relationship practices impact on customer loyalty?

Purpose of the study

The purpose of this study is to measure the impact of customer relationship marketing practices on customer loyalty in Tamilnadu state telecom industry.

Hypothesis

- H1: High service quality is positively related to customer satisfaction.
- H2: Fair Price is positively related to customer satisfaction.
- H3: Brand image is positively related to customer satisfaction.
- H4: Customer satisfaction is positively related to customer loyalty.

Research design

Sample selection and Size

Data was collected from mobile service users. For this purpose, four companies were selected. A sample size 223 was selected on the basis of previous studies. Unit of analysis for this study was individuals from telecom industry.



Figure.1 The proposed model for the study

Survey instrument

The instrument for data collection was questionnaire. A self administered questionnaire was used to ensure the quality of data. A Likert scale of 1-strongly disagree to 5-strongly agree was used to quantify the data.

Type of study and time horizon

This was a causal type of study because impact and relationship was investigated between the variables. It was a cross sectional study. Data was collected once to conduct research.

Table 1. Cronbach's alpha.

Constructs	No.of items	Cronbach's alpha
Customer loyalty	6	0.851
satisfaction	4	0.807
Service quality	6	0.792
Price perception	5	0.755
Brand image	3	0.778

Table 2. Correlation.

	SQ	PR	BI	SA	CL
SQ	1.000				
PR	0.505	1.000			
BI	0.593	0.441	1.000		
SA	0.681	0.555	0.651	1.000	
CL	0.621	0.585	0.622	0.780	1.000

SQ, Service quality; **PR**, price perception; **BI**, brand image;
SA, satisfaction; **CL**, customer loyalty.

Correlation matrix

Table 2 shows that all the variables are positively correlated with each other. Customer loyalty and satisfaction show the highest value of 0.780(**). Service quality and price perception has the lowest value of 0.441(**).

Conclusions

Customer retention is becoming more important than customer development. Customer loyalty is very much vulnerable in service industry. These relationship practices are being implemented to develop a long term relationship between customer's satisfaction and the company. These practices are implemented by all companies but still customers switch to other companies. From the preceding results, we can conclude that satisfaction mostly depends on service quality because it has the biggest estimated co-efficient. Means if the service quality is good other then price perception and brand image then the customers are more satisfied and customer loyalty is also mostly depends on customer satisfaction because it has bigger estimated co efficient. This study was conducted to measure the impact of relationship marketing on relationship quality and customer loyalty in telecom sector of tamilnadu. The findings can be concluded as:

All the practices of relationship marketing are positively related to relationship quality. Results show that service quality has a significant impact on satisfaction. It means that if service quality is high,

satisfaction will increase. Relationship quality is positively related to customer loyalty. The result supports the previous studies that satisfaction may increase customer loyalty. Satisfaction may increase customer loyalty.

Implications

This study proves the relationship between customer loyalty, relationship quality and relationship practices. The study results help to understand the concept of relationship marketing practices and customer loyalty. The findings from this study support that buyer's and seller's long term relationship can be made healthier by implementing these practices. This relationship will eventually increase customer loyalty. This research will also help decision makers and marketers to take accurate decisions to enhance customer loyalty. It also proves the importance of these practices in a long term relationship. All the practices are important but some have more significance. Results for service quality have shown that it is the most important tactic among all. Therefore mobile service providers should emphasize on service quality enhancement. It is also very important for companies to consider relationship quality and its importance in their business. A satisfied customer will remain with its service provider for longer period and both will enjoy their profitable relationship in a win win situation.

Future research and recommendations

Although, this research has studied a comprehensive model and thus provide managers with an important set of recommendations but this study has taken few marketing practices under consideration. For future research, other practices may be considered like: commitment, alternate attractiveness and their effect on customer perception and behavior. For further research, an interesting new model can be developed. In recent time, mobile companies have introduced a new service of "Mobile Number Portability (MNP)". The impact of MNP can be measured on customer loyalty. This service has made customer loyalty more vulnerable. Implications regarding this phenomenon may help marketers to develop a strategy to stay away from the customer switching.

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