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   REVIEW OF LITERATURE

   NEED/IMPORTANCE OF THE STUDY

   STATEMENT OF THE PROBLEM

   OBJECTIVES

   HYPOTHESES

   RESEARCH METHODOLOGY

   RESULTS & DISCUSSION

   FINDINGS

   RECOMMENDATIONS/SUGGESTIONS

   CONCLUSIONS

   SCOPE FOR FURTHER RESEARCH

   ACKNOWLEDGMENTS

   REFERENCES

   APPENDIX/ANNEXURE

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# FACTORS INFLUENCING CUSTOMER LOYALTY IN MOBILE PHONE SERVICE - A STUDY WITH REFERENCE TO COIMBATORE CITY

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## ABSTRACT

*Indian mobile market is one of the fastest growing markets and is forecasted to reach 868.47 million users by 2013. India has seen rapid increase in number of players which caused the tariff rates to hit an all time low income population thereby increasing the market share. The availability of a number of subscriber options for consumers and varied tariff of each player, lead the consumers to switch between service providers. Loyal customers provide firms a consistent source of revenue that leads to increased profit. Hence it is essential for the Service Providers to retain their existing customers. Therefore they need to understand what factors might influence on customer loyalty. Therefore the objective of this research is to study the relationships of Trust, Switching cost and Corporate image that will affect on customers loyalty. The research finds that all the independent variables Trust, Switching cost and Corporate image have relationship with the dependent variable, customer loyalty. The findings suggest that managers of these mobile operators are responsible to focus more on building trust and switching cost and it is their duty to analyze more carefully the reason for customers to switch brand in this industry in order to increase loyalty among these customers.*

## KEYWORDS

Corporate image, Customer loyalty, Mobile phone operators, Switching cost, Trust.

## INTRODUCTION

According to Gartner, with a compound operator annual growth rate (CAGR) of 18% the country's cellular service market is projected to surpass $37 billion by 2012, while exceeding 737 million connections at the same time. Cellular market penetration is projected to increase from 19.8% in 2007 to 60.7% in 2012.

The factors such as local consumer durable and electronic companies entering the domestic mobile handset segment and lower handset process are some of reasons for the increased growth rate. The mobile phones are becoming cheaper and people are ready to buy it with the increase in disposable income that improves the quality of life in India. However mobile service providers are also adding new schemes offers and technology advancement in their services. This is the reasons why more customers are buying mobile phones and switching between different service providers.

## REVIEW OF LITERATURE

### TRUST

The concept trust has a wide range of use in many areas and has various definitions (Lewicki et. al., 1998). Trust has an impact on the vulnerability of the trustor (Bigley and Pearce, 1998; Singh and Sirdeshmukh, 2000), because trust becomes irrelevant if there is no vulnerability of the trust or upon the trustee. In business studies, trust has been found to be important for building and maintaining long-term relationships (Geyskens et. al., 1996; Rousseau et. al., 1998; Singh & Sirdeshmukh, 2000). Morgan and Hunt (1994) stated that trust exists only when one party has confidence in an exchange partner's reliability and integrity. While defining trust Moorman, Deshpande and Zaltman (1993) referred to the willingness to rely on an exchange partner in whom one has confidence. According to Lau and Lee (1999), if one party trusts another party that eventually engenders positive behavioral intentions towards the second party.

From Anderson and Narus (1990) it can be safely deduced that if one party believes that the actions of the other party will bring positive outcomes to the first party, trust can be developed. Donney and Cannon (1997) added that the concerned party also must have the ability to continue to meet its obligations towards its customers within the cost-benefits relationship; So, the customer should not foresee the positive outcomes but also believe that these positive outcomes but also believe that these positive outcomes will continue in the future.

### SWITCHING COST

As defined by Jones et. al. (2002), a switching barrier is any factor that makes it difficult or costly for customers to change providers. Another brand loyalty determinant is known as switching costs which can be defined as the technical, financial or psychological factors which make it difficult or expensive for a customer to change brand (Shergillf Bing, 2006). According to Porter (1998) switching cost is the cost involved in changing from one service provider to another. In addition to measurable monetary costs, switching costs also include time and psychological effort involves in facing the uncertainty of dealing with a new service provider (Dick, Basu, 1994; Guitinan, 1989; Kim, Kiliger, fvale, 2003). Jackson (1985) defined that, switching cost is the sum of economic, psychological and physical costs. Usually switching cost varies from customer to customer (Shy, 2002). Aydin and Ozer (2005) tried to conceptualize perceived switching cost for mobile phone services by assimilating notions like perceived monetary costs, uncertainty costs, evaluation costs, learning costs, and set up costs from researchers like Burnham, Fvels and Mahajan (2003); Guiltinan (1989); and Jones, Beatty and Mothersbaugh (2002).

### CORPORATE IMAGE

Barich and Kotler (1991) tried to define corporate image as the overall impression a firm has left on the minds of the people. According to Weller (1993) corporate image is 'the perception of a firm reflected in the associations held in consumer memory'. A firm's various attributes eventually settle in the minds of people or customers resulting in certain mental image(s) relatable to the firm intuitively (Nguyen f Leblanc, 2001). Corporate image germinates as customers or people actively and or passively receive and process information about a firm from various. Kennedy (1997) said corporate image has two dimensions; functional (tangible characteristics) and emotional (feelings and attitude towards a firm). Ngyyen and Leblan (2001) said that as people or customers get exposed to the realities created by a firm they tend to construct an image or form an attitude about the firm regardless of how little or abundant information they have. Aydin and Ozer (2005) borrowed several notions from Bayol, Lafoye, Tellier, and Tenenhaus (2001) in order to conceptualize corporate images.

**CUSTOMER LOYALTY**

As suggested by several researchers (Kumar and Shah, 2004; Blak and Parks, 2003; Bell et.al., 2005 and Dean, 2007) there are two types of loyalty; behavioral and attitudinal loyalty. The behavioral aspects of the customer loyalty were characterized in terms of repurchase intentions, word-of-mouth communication, and recommendations of the organization (Nadiri et. al., 2008; Karatepe and Ekiz, 2004; Yi, 1990; Zeithamal et. al., 1996). Liu-Thomkins, et. al., (2010) defined attitudinal loyalty as a favourable evaluation that is held with sufficient strength and stability to promote a repeatedly favourable response towards a product / brand or a store. Jones and Sasser (1995) state the customer loyalty is "a feeling of attachment to or affection for a company's people, products, or services". Customer loyalty is expressed as an intended behavior regarding the service or the company. The loyalty and repurchase intentions aspects of the taxonomy are most similar in nature. Oliver (1997), for example, operationalizes action loyalty as repeat usage. Furthermore, Delgado-Ballester and Munera-Aleman (2001) and Macintosh and Lockshin (1997) use repurchase intentions as an element of loyalty in brand and store contexts respectively.

## NEED/IMPORTANCE OF THE STUDY

Customer loyalty is about retaining customers which means earning more. Most of the researchers have shown that companies need to focus on customer retention more than grabbing new customers. It is more difficult retaining a customer than getting a new one (Mayank, 2001). The number of mobile subscribers has been increased dramatically due to declining call rates, falling prices of handsets and rising competition among operators. So the companies must stay alive and win the market share by making the customers more loyal to their firms. For this reason, the objective of the study is set to establish frameworks which will identity the impact of customer loyalty of mobile phone operators through switching cost, corporate image and trust.

## OBJECTIVES

1. To understand the role of Trust, Switching Cost and Corporate image on Customer loyalty of Mobile phone operators.
2. To know the opinion of Customers towards the major variables of Trust, Switching cost and Corporate image on Customer loyalty of Mobile phone operators.
3. To find out the impact of the major variables of Trust, Switching cost and Corporate image on Customer loyalty of Mobile phone operators.

## HYPOTHESES AND STRUCTURAL MODEL

H1: Trust has positive impact on Customer loyalty.
H2: Switching cost has positive impact on Customer loyalty.
H3: Corporate image has positive impact on brand loyalty.

## RESEARCH METHODOLOGY

This study involved a survey of users of Mobile phone service in Coimbatore city. Coimbatore is the second largest city of Tamil Nadu and one of the fastest growing cities in India. The research methodology consists of the topics such as research design; sample size and sample method, hypothesis of the research, questionnaire design, analysis method and result of reliability. The research focusing customer loyalty will also focus on three factors such as Trust, Switching cost and Corporate image. Hence three hypotheses have been considered to determine the relationship between those factors and customer loyalty, where the customer loyalty is dependent variable and other factors are independent variations. The sample size of this research is 150 users. The sample method used is convenience sampling. Convenience samples are the most common form of sampling design in social science research (Mohr, 1990) and provide researchers with an acceptable database to use statistical inference techniques. The questionnaires distributed consists of two main sections where first section – the demographic characteristics of the respondents. The second section of the questionnaires is the dependent variable – customer loyalty and three independent variables – Trust, Switching cost and corporate image. The total number of questions in this section is thirty five, eight questions for customer loyalty, eleven questions for trust, eight questions for switching cost and eight questions for corporate image. Five-point-Likert-type response format has been used to measure dependent and independent variable. The users recorded their assessment of the item on five-point-Likert-type scale (1=strongly disagree, 2=disagree, 3=neutral, 4=agree, 5=strongly agree). The descriptive analysis of the variables Customer loyalty, the Trust, Switching cost and corporate image in this research used three hypotheses for test to assess the relationship between the independent variables and dependent variables. A correlation is a single number that describes the relationship between all independent variables and dependent variables. Regression analysis is a statistical tool for the investigation of relationships between variables. In this research to determine the relationship between customer loyalty and trust, the relationship between customer loyalty and switching cost and also the relationship between customer loyalty and corporate image.

## RELATIONSHIP RESULTS

The result of reliability is tabled below.

**TABLE 1.1: RELIABILITY RESULTS**

| Variables | Number of Item | Alpha | Std.D | Mean |
|---|---|---|---|---|
| Independent Variable | | | | |
| Trust | 11 | 0.785 | 4.919 | 40.24 |
| Switching cost | 8 | 0.757 | 5.551 | 29.30 |
| Corporate | 8 | 0.810 | 4.505 | 28.00 |
| Dependent Variable | | | | |
| Customer Loyalty | 8 | 0.778 | 5.210 | 27.47 |

The table above indicates that the Cronbach alpha values of the variables are above 0.7 Coefficient Cronbach's Alpha is a measure of reliability or internal consistency. A value of Cronbach's Alpha of .50 or above is consistent with the recommended minimum values stated by Nunnally (1967). Cronbach's Alpha indicator for each factor customer loyalty 0.778, Trust 0.785, switching cost 0.757, corporate image 0.810. Therefore the research results can be accepted as related by Nunnally (1978).

## FINDINGS OF DEMOGRAPHIC VARIABLES

The respondents are male (53%) and female (47%), their age vary from 18-28 years (80%), 29-35 years (10%), 36-45 years (5%), 46 and above (5%). In terms of education level of the respondents were Diploma (13.3%), Degree (53.3%) and Post Graduate (33.3%) and in terms of occupation (27%) of respondents were Government employed (40%) of them were self-employed and (33%) of respondents were Housewives. All results are in the table below:

**TABLE 1.2: DEMOGRAPHIC RESULTS**

| | | Frequency | Percent (%) |
|---|---|---|---|
| Age | 18-28 | 120 | 80 |
| | 29-35 | 15 | 10 |
| | 36-45 | 8 | 5 |
| | 46 and above | 7 | 5 |
| Gender | Male | 80 | 53 |
| | Female | 70 | 47 |
| Educational Level | Diploma | 20 | 13.3 |
| | Degree | 80 | 53.3 |
| | Post Graduate | 50 | 33.3 |
| Marital Status | Single | 85 | 57 |
| | Married | 65 | 43 |
| Occupation | Govt. employed | 40 | 27 |
| | Self Employed | 60 | 40 |
| | Housewives | 50 | 33 |

**CORRELATION ANALYSIS**

**TABLE 1.3: CORRELATION MATRIX**

| Variables | Customer Loyalty | Trust | Switching Cost | Corporate image |
|---|---|---|---|---|
| Customer Loyalty | 1 | | | |
| Trust | 0.561** | 1 | | |
| Switching Cost | 0.516** | 0.718** | 1 | |
| Corporate Image | 0.382** | 0.610** | 0.599** | 1 |

**** Significant at the 0.01 level (2-tailed)**

Table 1.3 shows the correlation coefficients between all variables. All independent variables are correlated significantly to customer loyalty. The correlation is significant at the 01.01 level (2-tailed). The criterion used for the level of significance was set a priori. The relationship must be at least significant at **P ≤ 0.01. Table 1.3 shows that there is significant correlation between customer loyalty and trust, (r=0.561, P= 0.000 < 0.01). Therefore, there is a strong positive significant correlation between customer loyalty and trust. There is a significant correlation between customer loyalty and switching cost (r=0.516, P= 0.000 < 0.01). Therefore there is a strong positive significant correlation between customer loyalty and switching cost. There is significant correlation between customer loyalty and corporate image ((r=0.382, P= 0.000 < 0.01). Therefore there is a moderate positive significant correlation between customer loyalty and corporate image.

**REGRESSION ANALYSIS**

The linear regression procedure examines the relationship between a dependent variable and a set of independent variable. This research also analyses the relationship between customer loyalty and trust, switching cost and corporate image using regression analysis and the result is given is Table 1.4.

**TABLE 1.4: REGRESSION MATRIX**

| Independent Variables | β (t-Value) | Sig |
|---|---|---|
| Trust | 0.396 (3.843) | 0.000 |
| Switching Cost | 0.232 (2.301) | 0.023 |
| Corporate Image | 0.004 (0.044) | 0.965 |
| R.Square | 0.341 | |
| Adjust R.Square | 0.327 | |

Finally, as expected from the Table 1.4, the results out that all independent variables are positively correlated with customer loyalty. However, the coefficient on corporate image is not statistically significant. This implies that customer loyalty and corporate image is unrelated. But the coefficient on trust and switching cost are statistically significant. This implies that customer loyalty and trust and switching cost are related; by using values of Table 1.4 the researcher investigate the influence of trust, switching cost and corporate image. As expected, Trust (β=0.392, t-value = 3.843, P<0.01) and switching cost (β=0.232, t-value = 2.301, P<0.01) had a significant and strong positive influence on customer loyalty. However corporate image had no significant influence on customer loyalty (β=0.004, t-value = 0.044, P=0.965) at the 0.05 level. Thus hypotheses (H1),(H2) were supported, while (H3) was rejected. The researcher found that the proposed model explained a significant percentage of variance in loyalty (R Square = 34%).

In Hypotheses (H1), (H2) and (H3) the researcher investigates the influence of trust, switching cost and corporate image on loyalty. The Pearson Coefficient for the relationship between customer loyalty and trust is 0.561, so there is a relationship between customer loyalty and trust and it is moderate and positive. Thus the hypothesis (H1) is accepted. The positive explanation behind these findings is that trust in the company plays a vital role in building loyalty among mobile phone operator customers in Coimbatore. As there are many more mobile operators currently operating in Coimbatore with very competitive prices and services, customers have a natural tendency of choosing that operator that provides trustworthy services without any unfair practices. It means they have to trust the company first to become loyal.

The Pearson Coefficient for the relationship between customer loyalty and switching cost is 0.516. So the relationship between customer loyalty and switching cost is moderate and positive. Thus switching cost is positively related to customer loyalty. Hence the hypothesis (H2) is accepted. The positive explanation behind these finding is that the customers of mobile phone operators in Coimbatore city do have concern regarding the switching cost in showing their loyalty towards the company. The low price of the SIM Card influences the customer to switch easily and try all different brands. As a result, erecting high switching cost to retain the customer is an effective tool in mobile phone operating business in Coimbatore.

The Pearson Coefficient for the relationship between customer loyalty and corporate image is 0.382, so there is relationship between customer loyalty and corporate image, and it is low and positive. Although the correlation is weak, it still showed a positive relationship between customer loyalty and corporate image. Corporate image is not statistically significant (P=0.965>0.01) and based on the results of previous studies as (Avdin and Ozer, 2004), the hypothesis (H3) is rejected. Although it is not significant, the analysis results indicate corporate image affects positively customer loyalty. Corporate image is the factor that is least concerned among the customers of mobile phone operators in Coimbatore are unaware of the company's perceived image. Whether the company has stable condition or whether they have social contribution are given least priority. Rather customers prefer other objective criteria such as price, service, network coverage etc in choosing brands.

## RECOMMENDATIONS

The findings of this paper have implications for the manger of service firms. The managers can use these results to make better marketing strategies in order to attract more customers to buy the services. The managers should consider factors that influence repeat purchase that eventually lead to customer loyalty. In the context of Coimbatore, it is important to build trust among the consumers regarding the service provider. Consumer loyalty in Coimbatore depends strongly on trust, it means if consumers trust the service provider, they become loyal to the brand and to the company. In addition, switching cost is another factor that can lead to customer loyalty. The managers should increase the level of switching cost so that consumer cannot switch easily to other brands and eventually become loyal to company. Corporate image should also be put into consideration in an attempt to make marketing strategies more competitive. It is seen that consumer prefer certain service provider for its reputed image. So the managers should try to enhance the image of the company, which will guide to company. To enhance image, companies should apply different promotional programs along with corporate social responsibility. As a consequence, the customers perceive the company as a good company in the society.

## CONCLUSION

In this research, the relationship between customer's loyalty and trust, switching cost and corporate image is examined. To this end, the data was analyzed by correlation and regression analysis. The results of the regression analysis show that all of the factors have positive effects on customer loyalty. The relationship between corporate image and customer loyalty is low and positive. Customer loyalty is the dependent variable in the regression analysis. The objective of regression analysis was to determine which of the three factors would have the most important influence on customer loyalty. The three relations were hypothesized to influence customer loyalty, there are two significantly and positively trust and switching cost, but corporate image is not significant. The Pearson Coefficient for the relationship between customer loyalty and trust is 0.561 and it is positive. This tells us that, as trust increases customer loyalty increases. The Pearson Coefficient for the relationship between customer loyalty and switching cost is 0.516 and it is positive. Therefore as switching cost increases, customer loyalty increases. On conclusion trust and switching cost are important predictor of customer loyalty.

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