The influence of customer experience on customer loyalty for the mobile telecommunication services

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Abstract

The term customer experience (CE) is used to describe an emerging trend where the sellers and buyers are connected through the past and current product and service experiences. Customer loyalty is an important tool for current and future businesses in telecommunication field. Customer loyalty can help to capture and develop future strategies. Moreover, the effect of customer satisfaction on customer loyalty is also very vital for the sustainability and stability of service provider survival in competitive markets. While customer loyalty and customer satisfaction have been examined widely in different research contexts, the issue of customer loyalty in the context of mobile telecommunication services currently represents a gap in the literature. Therefore, the objective of this study is to identify the influence of customer experience on customers’ loyalty in mobile telecommunication services. This research will gather survey data and applies structural equation modelling SEM to analyse the data. The findings will provide insights for mobile telecommunication service industries in developing strategies for improved implementation of mobile products and services as well as the design of marketing strategies along with improved business models.

Keywords  Customer Experience, SEM, Customer Loyalty, Business.

1. Introduction

Customer experience is developed through service quality issues and its remediation in the service industry. According to Bitner and Hubbert (1994), service quality has been seen as a customer impression which is more relative to superiority or inferiority of particular service provider and its services. Service quality has been critically reviewed and evaluated due to the gap scores, the expectation of customer measurement, positive or negative word of mouth, service generalized dimensions, and definition of a primary standard for better quality (Brown et al. 1993; Edward & Sahadev 2011; Santouridis & Trivellas 2010). Researchers (Babakus & Boller 1992; Dabholkar et al. 2000; Parasuraman et al. 1985) have combined both customer’s perceptions and customer’s expectation together to avoid such issues, and they have found that the analysis shows better result in the SERVQUAL scale, as derived from the Parasuraman, Zeithaml and Berry (PZB) model, which are more reliable. Furthermore, researchers Kim et al. (2004); Lai (2004); Zhou (2013) have determined that voice call quality, value-added services (VAS) and customer support for complaint handling, always play a vital role in the developing customer’s satisfaction for mobile telecommunication service users. These factors help the customer to re-use the service or retain the service results in customer loyalty due to a higher level of customer’s satisfaction (Kim et al. 2004). It has been identified by Baumann et al. (2007) that effective customers attitude towards service, empathy and customers satisfaction will lead customer’s to recommend the particular service to others by positive word of mouth. An effective and positive attitude along with empathy has a long-term impact on customer’s satisfaction and behavioural intention as compared to responsiveness (Baumann et al. 2007). Cavana et al. (2007) determined that the relationship between assurance, responsiveness and empathy is very strong with the service quality. Additionally, it is further mentioned that reliability and convenience were also related to service quality, but their importance was not categorized as highly significant (Cavana et al. 2007). The relationship between perceived
quality and customer satisfaction was determinant positive but for very short term Omachonu et al. (2008). On the other hand, expected quality was deemed as a positive determinant for both short and long-term period Omachonu et al. (2008). Gronroos (1988) studied that service failure and recovery can have an impact on service quality. Therefore, poor service quality can impact customer experience which leads to becoming a loyal or disloyal customer.

In previous studies (Aydin & Ozer 2005; Edward & Sahadev 2011; Lin & Wang 2006; Santouridis & Trivellas 2010; Zhou & Lu 2011), empirical testing has been done in the telecommunication service industry and studies show a positive relationship between service quality and customer retention, the continuance of service or usage and loyalty. Also, the relationship of service quality with other factors influencing customer behavioural intention to stay local is not very well investigated. Factors such as social influence, marketing mix element, such as product price, facilitating conditions, habit, and behavioural intention are not very well examined, and their correlation is not empirically tested (Calabrese & Scoglio 2012; Chou et al. 2014; Santouridis & Trivellas 2010; Zhou & Lu 2011). However, the relationship between service quality and customer satisfaction has been empirically tested in many studies (Santouridis & Trivellas 2010; Wang et al. 2004; Zhou 2013). Over a long time, customer experience has been considered as an important element in building a customer relationship. Therefore, the objective of this study is to identify the influence of customer experience and satisfaction on customers’ loyalty in mobile telecommunication context.

2. Literature Review

A customer’s experience can be defined as the expectation gap between the level of customer’s experience that the customer thinks he should be getting (built up by marketing promises and other experiences) and the level they actually receive (Millard 2006).

There is a dramatic evolution in marketing theories and practices through a series of changes from product to services. This change has shifted the focus to customer’s experiences, as marketing theories shifting focus from creating consumer product brands, building customer relationship through service marketing, and now to create customer experiences (Maklan & Klaus 2011). In today’s business world, the experience is a key novel phenomenon which has changed the service economy trends (Voss 2004). Therefore, placing focus on customers’ experiences can help companies in retaining loyal customers. Such customers become revenue generating customers for years by incorporation of their way into the businesses (Anaman 2010).

According to Richardson (2010), customer experience is how customers engage themselves with a company’s services and brand. Companies can provide positive customer experience to their users by provisioning of competitive pricing, distinctive network, flexible product variations, better customer service and value-added services. Meyer and Schwager (2007) further argued that the customer experience can be influenced by direct and indirect contact with the company. For example, direct contact can be classified as the customer interaction made during purchasing and using the product. While an indirect interaction includes the unplanned encounters with company’s product and services and it can be in the form of word of mouth, user recommendation, through advertisements, promotions, news, social media, reports and reviews. Therefore, Meyer and Schwager (2007) defined customer experience as the internal and subjective response customers have contact with a company.

Experience in literature is often seen as any knowledge which is acquired from a person’s participation in an activity (Gupta & Vajic 2000). Experience is also discussed as a customer’s take away impression which is formed by a product or service encounter (Carbone & Haeckel
1994). Moreover, when a customer interacts with different elements of a context created by a service provider over a period of time, it involves learning which is acquired by experience (Gupta & Vajic 2000). It is further discussed that experience is an emergent phenomenon, and it is the result of participation in some set of activities in a social domain, and there is a need to study the social context of experience in which it actually occurs (Gupta & Vajic 2000). If customer experience is positive, then it adds values to the brand (Islam & Rima 2013). For a company to establish a long-term customer relationship, it is always important to provide a positive customer experience and finally create brand loyalty (Islam & Rima 2013). According to Santos (2003), customer loyalty is determined by the company’s relationship with its customer and how well companies understand customers’ needs and wants.

For any service provider, in order to provide quality customer experience, a company also need skilled staff to meet the customer requirement. For provisioning of outstanding customer experience, a company needs to teach, train and develop in order to meet customer’s demand (Allen et al. 2005). Maklan and Klaus (2011) have discussed in their exploratory study, that the factors such as product experience, outcome focus, moment-of-truth, and peace-of-mind are positively related to customer experience. Hence, their study points out that service quality has a mediating role between service attributes and behavioural intentions. Maklan and Klaus (2011) further discussed a significantly stronger relationship between customer experience and loyalty. Similarly, it is discussed that customer experience, and word of mouth are positively related to each other. Hence, customer experience is deemed as an important marketing outcome. In the context of this study, customer complaint behaviour which also helps to think of satisfaction or dissatisfaction as a mental state of customer needs to take action or make a decision. Meyer and Schwager (2007) suggest that the company must review its overall customer experience in order to achieve full customer satisfaction. Anaman (2010) developed a customer experience model for telecommunication users, which posited that cost, handset, network coverage, customer services, offering, pricing, promotions and billing have a significant impact on customer experience. Research (Reichheld, F & Teal 1996) indicates that companies can fall into satisfaction trap that shows 60-80% of customers who claim to be satisfied or over satisfied will defect. Companies introduce different barriers between providers to enforce customer loyalty (Jones et al. 2002). Mostly, these barriers involve switching barriers including switching cost, social influence and bundle packages. Reichheld’s Net Promoter Scoring System (NPS) (Reichheld, F & Teal 1996) provides customer satisfaction measurement based on customer utility and experience. Therefore, this tool NPS strongly helps to link satisfaction, recommendation and business outcomes. In this study, customer experience effects as an independent factor with factors such as performance expectancy, effort expectancy, social influence, facilitating conditions, customer satisfaction and product price value will be seen on customer loyalty. Customer experience is not discussed with marketing mix factors such as price and product and customer behavioural intention and repurchase behaviour (Anaman 2010; Islam & Rima 2013; Maklan & Klaus 2011).

Customer satisfaction has been considered as a prime determinant of customer retention and loyalty. Anderson, EW and Sullivan (1993) argued that satisfied customers have a greater tendency to be retained and avoid all other alternative options. Moreover, Fornell (1992) states that an increase in customer retention and loyalty is caused by higher satisfaction rate and customers. Hence, satisfaction develops repeat purchase behaviour of customers and positive word of mouth by them (Reichheld et al. 1989; Santouridis & Trivellas 2010). In general, it can be concluded that research has found that customer satisfaction has a vast impact on behavioural and attitudinal aspects of customer behavioural intention. Customer loyalty plays a vital role in the mobile telecommunication sector. Customer loyalty can be described as a
customer’s disposition to continue buying from a firm over the long term and recommending its products and services to friends and family (Wirtz 2004).

Similarly, it has been seen in mobile telecommunication services literature, where satisfaction has a strong relationship with customer behavioural intention, purchasing behaviour and loyalty. From previous studies, for example, Aydin and Ozer (2005) in context of Turkish mobile cellular telecommunication market, Kim et al. (2004) in context of Korean mobile telecommunication market, Lee et al. (2001) in France, Gerpott et al. (2001) in Germany, Santouridis and Trivellas (2010) in Greece, Zhao et al. (2012) in China, found outcomes that provide significant causal link between customer satisfaction and customer repurchase intention. According to Bell and Mgbemena (2017), customer loyalty towards mobile service operator is influenced by marketing campaigns and social interactions among customers. In another study Anderson, RE and Srinivasan (2003) discussed that a dissatisfied customer is most likely to search for alternatives available in the market and those customers are more likely to yield to accept competitor’s offers that is a satisfied customer. Hence, previous research has pointed out that satisfaction is a reliable forecaster of repurchase intention and behaviour (Lin & Wang 2006; Ranaweera 2007). Customer experience which is the difference between what the customers perceive and what they actually receive, the relationship is explained with customer satisfaction by customer expectation confirmation theory.

3. Theoretical Framework and Hypothesis

In order to support the theoretical framework for additional variables such as customer loyalty, customer’s experience and satisfaction, expectation confirmation theory will be used. Expectations-confirmation theory articulates that expectations, coupled with perceived performance, lead to post-purchase satisfaction. This outcome is mediated through positive or negative disconfirmation between expectations and performance. If a product outperforms expectations (positive disconfirmation), post-purchase satisfaction will result. Moreover, if a product falls short of expectations (negative disconfirmation) the consumer is likely to be dissatisfied (Oliver & Richard 1981; Spreng & Mackoy 1996). There are four primary constructs in this theory such as expectation, perceived performance, disconfirmation and satisfaction. This theory measures the effect of disconfirmation and perceived performance on satisfaction. For this study, the customer’s experience will be gauged by measuring service quality. Service quality is defined as “the comparison that the customer makes between their expectation about a service and the perceived performance of the service” (Caruana 2002,p.813). Similarly, customer experience has been argued by Millard (2006), as the expected gap between the level of customer experience that customer thinks they should be getting and the level they actually received. Therefore, expectation and perceived performance play a vital role in customer satisfaction and post-purchase behaviour such as customer retention. This theory will underpin the relationship between customer experience and behavioural intention which ultimately leads to customer retention. Similarly, this theory will help to underpin customer satisfaction and customer loyalty relationship.
The modified model is mentioned below with the hypotheses as follow:

**Figure 1. Expectation Confirmation Theory Model**

![Diagram of the model](image)

**CE** → **CS** → **CL**

- **CE** = Customer Experience
- **CS** = Customer Satisfaction
- **CL** = Customer Loyalty

**CE** → **CS** → **CL**

- **H1**: Customer experience has a positive impact on customer satisfaction.
- **H2**: Customer satisfaction has a positive impact on customer loyalty.
- **H3**: Customer experience has a positive impact on customer loyalty.

Customer’s experience is discussed as the internal and subjective response customers have to contact (direct and indirect) with a company (Meyer & Schwager 2007). Customer’s experience has not been considered as a separate construct in previous studies (Ozlem 2009; Parasuraman et al. 1985, 1988; Zeithaml 1981, 2000). Moreover, researchers were more focussed on customer satisfaction and service quality. In recent studies, customer’s experience has been defined as “The customer experience originates from a set of interactions between a customer and a product, a company, or part of its organization, which provoke a reaction. This experience is strictly personal and implies the customer’s involvement at different levels (rational, emotional, sensorial, physical, and spiritual)” Gentile et al. (2007 P.397). Service quality attributes for mobile service are studied in previous research (Anaman 2010) to measure customer’s experience. Service quality which is studied as a part of customer experience in this study has been linked with behavioural intention to stay loyal in previous studies (Cronin et al. 2000; Lopez-Nicolas et al. 2008; Zeithaml et al. 1996). The following section discusses the methodology part of this paper.

**4. Methodology**

The prior section of this study has outlined the theoretical background and built a research model. This section will discuss the methodology that has been followed in this study. The study is based on a quantitative approach. The Structural Equation Modelling (SEM) is implied as a second-generation statistical analytical tool, will be used in this study for data analysis. Moreover, SEM incorporates both factor analysis and regression analysis in one analysis and becomes a sound analytical to researchers (Gefen 2002). This study aims to involve as many mobile service customers as possible. Therefore, the study’s survey is online. It has employed participant through an online method for the survey, with a structured questionnaire used to collect data. The data is collected through a marketing company Research Now. Data is
collected from all over Australia according to the population in each state. The data represents
the samples from each state of Australia. Initially, 1865 people tried to attempt this survey, but
after further screening, only 364 valid responses are considered for further analysis. The aim
is to have users and participants of mobile telecommunication service providers. The
participants are selected randomly from the population over 18 years of age. The participants
are asked about mobile phone services/products in Australia. Research instrument is carefully
designed by using items from the past study and these items are contextualised according to
the mobile telecommunication service scenarios. There are two sections in this survey, one is
for demographics and the second part is for original framework research construct. Research
constructs are gauged with the help of items and responses are gathered through a 6-point Likert
scale.

For customer experience, the items for this construct has been developed from service quality
and customer experience literature, but few items are modified according to the context of
mobile telecommunication service. The items for this construct have been used from previous
studies. The items are adopted from previous literature (Kassim 2006; Wang et al. 2004; Wu
et al. 2008) and few items are modified in this study context.

<table>
<thead>
<tr>
<th>Context</th>
<th>Items</th>
<th>Questions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service provider experience</td>
<td>CE1</td>
<td>My experience with mobile services of my service provider is very good.</td>
</tr>
<tr>
<td>Value-added service</td>
<td>CE2</td>
<td>The mobile value-added services are better than expected.</td>
</tr>
<tr>
<td>expectation</td>
<td></td>
<td>The speedy resolution of complaints by service provider exceeds my expectations.</td>
</tr>
<tr>
<td>Complaints resolution</td>
<td>CE3</td>
<td>My mobile service experience with my service provider exceeds my expectation on the quality of voice-calls such as (voice clarity, signal strength).</td>
</tr>
<tr>
<td>Quality of service (Voice calls, signal strength)</td>
<td>CE4</td>
<td>My mobile service experience exceeds my expectation of the reliability of data services.</td>
</tr>
<tr>
<td>Reliability</td>
<td>CE5</td>
<td>My information privacy experience as a customer is better than expected.</td>
</tr>
<tr>
<td>Customer service</td>
<td>CE6</td>
<td>The staff of my service provider as per my experience is willing to help whenever I need any assistance.</td>
</tr>
<tr>
<td>experience</td>
<td></td>
<td>I will rate my experience with my previous service provider plan as very well.</td>
</tr>
<tr>
<td>Service rating</td>
<td>CE8</td>
<td>My customer care experience such as (convenient business hours, receiving outage notification messages.) exceeds my expectation.</td>
</tr>
<tr>
<td>customer care</td>
<td>CE9</td>
<td></td>
</tr>
</tbody>
</table>

Table 1. Customer Experience Items

Customer loyalty is the attitudinal perspective of behavioural intention. Behavioural intention
(BI) is defined as the degree to which a person has formulated conscious plans to perform or
not perform some specified future behaviour (Warshaw & Davis 1985). The items are adopted
from previous literature (Aydin & Ozer 2005; Baker et al. 2000; Chang et al. 2009; Hung &
Chang 2005; Kuo & Yen 2009; Patterson & Spreng 1997; Ray & Chiagouris 2009; Venkatesh
et al. 2012; Yi-Shun et al. 2003; Zhou 2013; Zhou & Lu 2011) and revised according to the
context of this study. The below-mentioned table discusses the items used in this study.
<table>
<thead>
<tr>
<th>Context</th>
<th>Items</th>
<th>Questions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Repurchase service</td>
<td>mobile</td>
<td>I will repurchase the mobile service products offered by my service provider.</td>
</tr>
<tr>
<td>Recommendation</td>
<td>CL2</td>
<td>I will recommend the mobile products and services of my service provider to others.</td>
</tr>
<tr>
<td>Continuance of usage</td>
<td>CL3</td>
<td>I intend to continue using mobile services such as bundle packages (mobile phone and home broadband) offered by my service provider in the future.</td>
</tr>
<tr>
<td>Continuance of mobile plan</td>
<td>CL4</td>
<td>I plan to continue to use mobile phone product and services frequently.</td>
</tr>
<tr>
<td>Switching intention</td>
<td>CL5</td>
<td>If the price is reduced, I will be glad to use the mobile services of another service provider.</td>
</tr>
<tr>
<td>Positive word of mouth</td>
<td>CL6</td>
<td>I enjoy introducing my service provider's brand to other people.</td>
</tr>
</tbody>
</table>

**Table 2. Customer Loyalty Items**

Satisfaction is defined as the degree to which a business’ product or service performance matches up to the expectation of the customer. If the performance matches or exceeds the expectations, then the customer is satisfied, if the performance is below par then the customer is dissatisfied” Roberts-Lombard (2009). The items for this construct have been adopted after extensive literature review. Few items are modified according to the mobile service context. The items CS1 and CS2 are adopted from three different studies adopted from studies (Chang et al. 2009; Yi-Shun et al. 2003; Zhou & Lu 2011). Moreover, items CS3 and CS4 are adopted from four different studies (Chang et al. 2009; Ranaweera & Prabhu 2003; Yi-Shun et al. 2003; Zhou & Lu 2011) and then modified according to the mobile service context. The pre-test results and feedback suggested a few changes in wording. Hence, items CS1 and CS3 are modified as per feedback from experts. Furthermore, items CS5 and CS6 adopted from four different studies (Baker et al. 2000; Hung & Chang 2005; Ranaweera & Prabhu 2003; Wang et al. 2004) and modified into this study context.

<table>
<thead>
<tr>
<th>Context</th>
<th>Items</th>
<th>Questions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service performance</td>
<td>CS1</td>
<td>I am satisfied with the mobile services such as voice, data and broadband services of my service provider.</td>
</tr>
<tr>
<td>Mobile performance</td>
<td>CS2</td>
<td>I am satisfied with the performance of mobile services.</td>
</tr>
<tr>
<td>Data performance</td>
<td>CS3</td>
<td>I am satisfied with the performance of mobile phone data services offered by my service provider.</td>
</tr>
<tr>
<td>Billing and usage accuracy</td>
<td>CS4</td>
<td>My service provider provides accurate billing information related to usage.</td>
</tr>
<tr>
<td>Adequate availability of information</td>
<td>CS5</td>
<td>I received adequate required information for the service that I needed.</td>
</tr>
</tbody>
</table>
Overall satisfaction CS6 My experience with mobile services of my service provider is very good

Table 3. Customer Satisfaction Items

5. The outcome of the Study and Conclusion

This paper will identify the relationship between customer experience, customer satisfaction and customer loyalty. Customer experience is the most important factor which influences customer loyalty. This paper has provided a framework for gauging the relations between customer experience and customer loyalty with the help of a measurement model. Now, the next step is to analyse this data with the help of structural equation modelling.

It is argued in this study that masses can influence and be influenced by other known and satisfied people’s knowledge and experiences. This paper will also identify the relationship between customer satisfaction and loyalty. Experience can be generated through the perception of service quality. Customer satisfaction is important in the field of services which influences loyalty in the mobile telecommunication sector. The findings will provide insights for mobile service industries in developing strategies for improved implementation of business models as well as the design of future marketing plans. Net promoter scores (NPS) of all the concerned telecommunication operators are calculated on the basis of customer satisfaction. But there is a need to calculate these NPS results in order to compare customer loyalty against each score. The study produces various crucial insights that hold vital implications for various telecommunication and business stakeholders concerned. This study presents various implications from the theoretical as well as practical perspective. The model developed earlier on this subject have a number of weaknesses as most of them have focussed only on satisfaction while following a disaggregated approach (Saroha & Diwan 2019). Therefore, for this research customer experience is added as this study is quite holistic as it has included all the drivers including the service quality and customer satisfaction which involves direct customer interaction. This study has added a theoretical contribution by providing a framework catering service quality with experience.

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