

Customer Satisfaction for Cellular Phones in Pakistan: A Case Study of Mobilink

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Abstract: Customer satisfaction is a crucial element for the success of all businesses. One of the biggest challenges for a market is how to satisfy and retain the customers. The purpose of this study is to find the level of satisfaction and loyalty among the users of cellular phones. This study is based on Mobilink's prepaid customers. The findings suggest that overall customer satisfaction and customer loyalty is comparatively low among the customers of Mobilink. The Customer loyalty in Pakistan's mobile sector is relatively low because it is an emerging industry, new players are entering in this market and customers are more fascinated to try the new service providers. However it is expected that when the industry will be well established, the results will be more comparable to other studies.

Keywords: Customer satisfaction, Customer loyalty, Mobile telecommunication, Regression model, Drivers of customer satisfaction, Pakistan

JEL Classification: M30, M31

1. Introduction

In each company, customers are the most important element and are required to be handled and managed properly. The customers are satisfied when their expectations are fulfilled and delighted when their expectations are exceeded. Contented customers remain loyal buy more are less sensitive and speak positively about the company (Brown et al., 1992). Customer satisfaction normally indicates customer response to the state of fulfillment, and customer opinion of the fulfilled condition (Oliver, 1997). Kotler (1997) defines customer satisfaction as: "Satisfaction is a person's feelings of pleasure or disappointment resulting from comparing a product's perceived performance (or outcome) in relation to his or her expectations.

Recently the concept of customer satisfaction has received much attention. Satisfaction may be defined as a consumer's post-purchase evaluation of a product or service (Zeithaml & Bitner, 2003). In the past, many businesses took their customers for granted. The customers often have no other choice, or the market is growing so fast that the company could drop 100 customers per week, but acquires another 1000 customers and believes its sales to be satisfactory. Such a company, working on a 'leaky bucket' theory of business, considers that there will continuously be adequate customers to take the place of the defecting ones. One of the main reasons for the mounting importance on customer satisfaction is that higher customer satisfaction can direct to a stronger competitive place consequential in amplified market segment and earnings resulting in decrease price elasticity, drop business cost, reduce failure cost,

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and cut down the cost of attracting new customers (Fornell, 1992). Satisfied customers purchase more and inform other people regarding their experiences (Fornell et al., 1996). Companies should listen to and satisfy their customers. Numerous studies have shown that the long-term success of a company is closely linked with their ability to adapt to the needs of customers and varying preferences (Li et al., 2006; Takala et al., 2006).

Although Customer Relationship Management was popular as a means to tie customers to the company through different loyalty schemes, it left perhaps the greatest source of value-leveraged: the knowledge residing in customers (Gibbert et al., 2002). Consumer knowledge is one of the most important economic assets to the company (Cambell, 2003; Gibbert et al., 2002; Massey et al., 2001). To know what customers value most in the company's products or services, helps companies optimize resource utilization in areas for continuous improvement based on their needs and wants. To achieve this goal, researchers focus on the data or text mining techniques to find unnoticed patterns in large amounts of data (Hui & Jha, 2000; Shaw et al., 2001). Companies equipped with customer information and knowledge have more opportunities to make correct decisions, produce desirable products or services, and deliver true value for customers (Winnie & Kanji, 2001).

The most general interpretation reflect the idea that satisfaction is a feeling which results from a process of assessing what was received against that expected, the purchase decision itself and the fulfillment of needs or want (Armstrong & Kotler, 1996; Bartikowski et al.2004). Investigators have also found customer satisfaction from a multi dimensional nature and view overall satisfaction as a function of satisfaction with multiple experiences with the service provider. In general satisfaction is developed on the information from all prior experiences with the service supplier and is consider as a function of all prior transaction (Teas, 1993, Parasuraman et al., 2000).

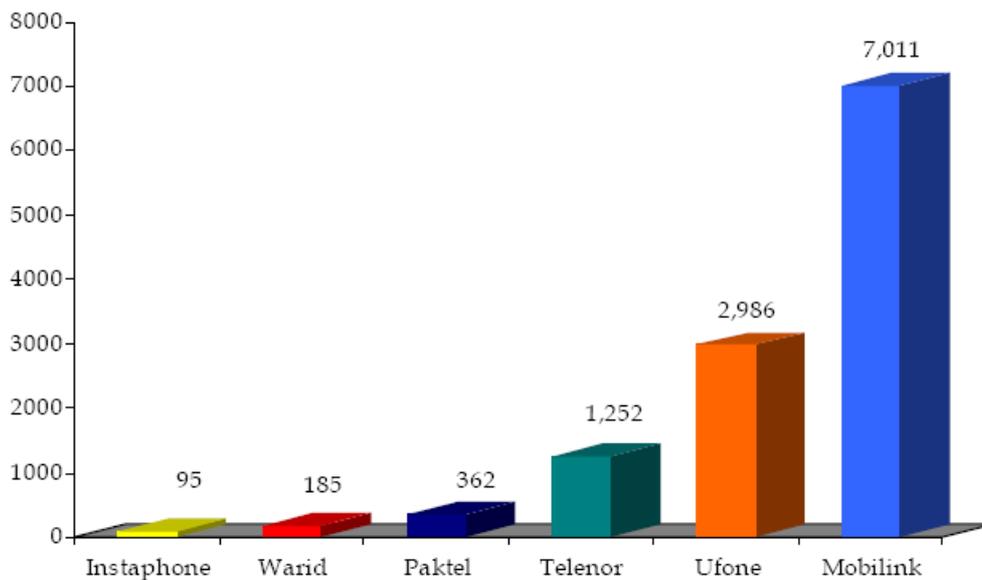
Now a days, customers bring higher expectations for communication from its service providers and if companies are not able to meet these expectations, the customers will take their business elsewhere, leading to a disaster for the company. The consumers wants and expectations are altering all the time, this direct to a condition where customers creating ever higher benchmarks, and therefore to attain excellence is impossible (Wellington, 1995). Applying customer satisfaction approach means recognizing customers, and then finding their wants and expectations, and to end with their perceptions (Stenberg, 1997). Knowing the customer's needs makes it easier to anticipate the ideal set of products and services to help them satisfy more. Telecommunication Companies have held historically major market positions in most countries. High technology markets can be characterized by continuous and rapid change of the markets and short life cycles of products. In high tech companies, technology is a key element of the company. A company's most important success factor is the ability to deliver better customer value than competitors do, and the objective of a strategy is to deliver value to the customers in order to provide required returns to the shareholders and employees (Riggs, 1983). The clear importance of customer satisfaction compel various companies to conduct surveys of consumer satisfaction and report the level to which their customers are satisfied, from time to time, with or without the help of marketing agencies. Currently there is also an increasing managerial concern in using customer satisfaction as a decisive factor for

identifying product performance and then relating customer satisfaction to both management and worker compensation (Anderson & Sullivan, 1993).

2. Mobile Telecommunication in Pakistan

Cellular mobile services in Pakistan began in the 90s, when the two cellular phone licenses were granted to Paktel and Pak Com (Instaphone) for the provision of cellular mobile telephone services in Pakistan. Currently there are six cellular operators in the market. There has been a remarkable growth in Cellular market. The steady growth saw the addition of more than two million mobile phone subscribers every month throughout the last year. Network coverage of almost ninety percent of the total population of Pakistan has made mobile industry even more appealing for foreign investment. Pakistan comes forward as one of the fastest mounting mobile markets among the developing countries. This year the telecom sector grows by eighty percent, whereas in the last four years the average growth rate has been more than hundred percent. Total subscribers reached 76.9 million (December 2007) It was 34.5million in 2006 and 12.7million in 2005. Figure 1 shows cities/villages covered different Cellular Mobile Operators.

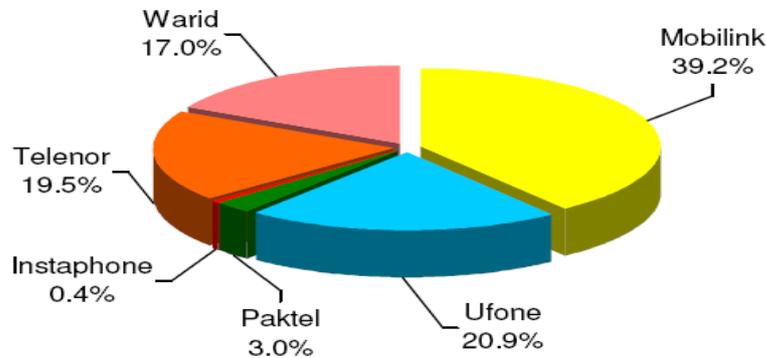
Figure 1. Cities/Towns/Villages Covered by the Company



In Pakistan's the most competitive and heated mobile market operator's survival lies in entering new areas to explore new value added services and products and providing better quality of services. This is only feasible by extending networks and be the first to attain unserved population of the country. Recently, however, the industrial structure in the mobile telecommunications has changed dramatically by liberalization. All forecasts in conjunction with technology, market, economic or social aspects, pointing towards continued growth in communications due to the growing concern for the safety and security that can add a new impetus for the remote communications. Ever since deregulation in the mobile telecommunications industry, competition has been gaining pace, it is growing even faster than cable television businesses bundle in phone services and cellular phones put back the fixed telephones of many customers.

As a result many companies renovate their organizations to meet up the demands of this new competitive environment.

Figure 2. Share in Mobile Market by Operators in Pakistan

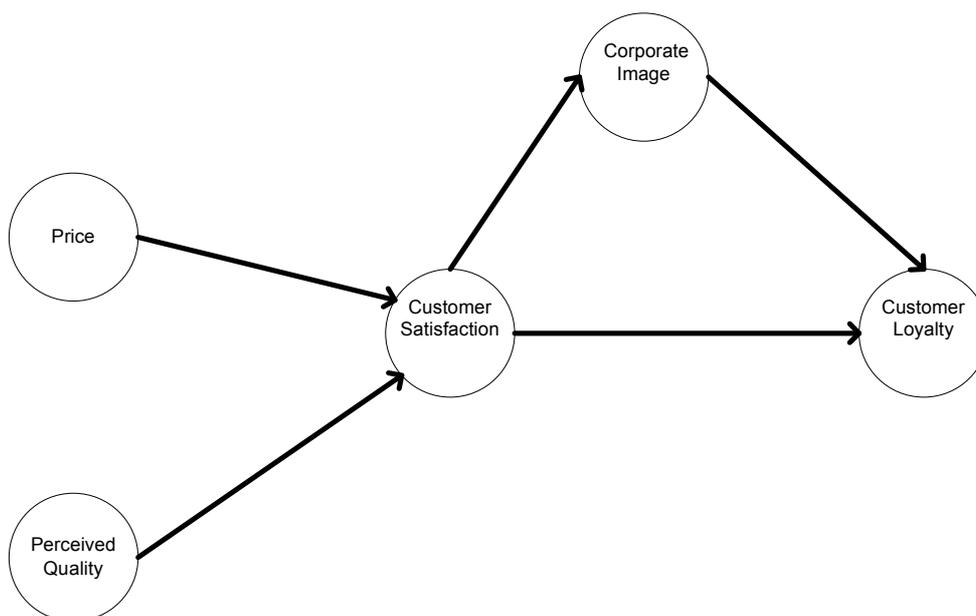


These changes symbolize major challenges, the acclimatization of the system and structures with corporate strategy; core capabilities; and work procedure. Since, the customer is a valuable resource for the benefit and incremental development, the important factor for alteration is the organization becomes more customers oriented. Management and staff are supposed to learn more about their customers, their principles, wants, expectations and preferences.

3. Theoretical framework

On the basis of literature review a theoretical framework shown in Figure 3 has been developed. In this theoretical framework the relationship between customer satisfaction and its drivers i.e. perceived quality, price and the relationship between customer satisfaction and its outcomes i.e. corporate image and customer loyalty in Pakistani environment are elaborated. The variables for the research were selected from the findings and suggestions of previous studies on customer satisfaction.

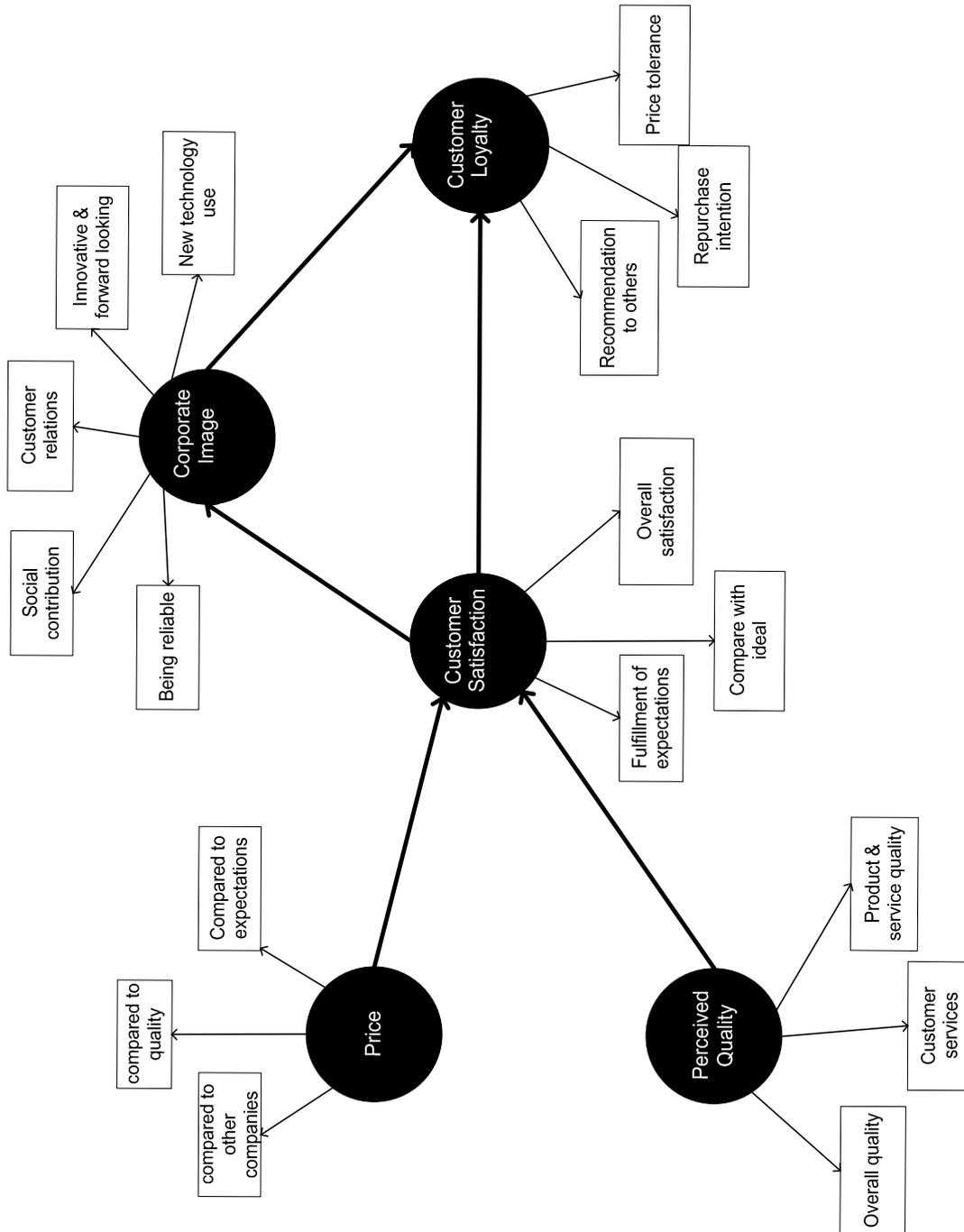
Figure 3. Theoretical Framework



4. Research Methodology

The population from which the sample of this research is drawn are the customers of Pakistan Mobilink mobile services. A questionnaire was prepared to be distributed into the selected sample, and no specific characteristics were defined for the respondents except being a Mobilink’s prepaid customer.

Figure 4: Model Construct and their Measurement Variables



Questionnaire was prepared in English language, and the first draft was issued to 10 individuals to ensure that the wording, format, and sequencing of questions are appropriate. A total of 250 questionnaires were distributed and 200 out of them have been completed, implying a response rate of 80 percent. Questionnaire includes five main construct i.e. image, price, quality, customer satisfaction and loyalty. Each construct had three to five questions with an itemized/licker ranking scale of 1-5 (1=very poor, 2=poor, 3=average, 4=good, 5=excellent). All constructs are measured using multiple indicators. Customer loyalty was assessed on three items developed by Narayandas (1996), customer satisfaction by three items adapted from the American Customer satisfaction index study (NRQC, 1995) and Feick et al. (2001). Corporate image was assessed by five items developed by Bayol et al. (2001), perceived quality by three items adapted from (NRQC, 1995) and Bayol et al. (2001). Price was measured by three items adapted from Mayhew & Winer (1992) and Johnson et al., (2001). All these measurement variables are shown in the Figure 4. The data collected from questionnaires were analyzed by using simple/multiple regression. The methodology was also adopted by Kristensen et al., (2000); Johnson et al., (2001); Aydin, S. & Ozer, G. (2005); Turkyilmaz, A. & Ozkan, C. (2007) in their respective studies.

5. Data Analysis & Results

An internal consistency analysis was performed for each constructs. The results in Table 1 show that the values of Cronbach's alpha for all constructs are above 0.6 which implies a high reliability of the measures. Some descriptive statistics about the personal information of the respondents were also prepared. Total two hundred people filled our questionnaires, out of which one hundred and sixty seven were males and thirty three were females.

Table 1. Reliability Statistics

Construct	Number of Items	Cronbach's Alpha
Corporate Image	5	0.791
Perceived quality	3	0.728
Price	3	0.718
Customer Satisfaction	3	0.719
Customer Loyalty	3	0.785

Table 2 describes the age of the respondents and sixty four percent of the respondents belong to 20-30 age groups, which show that this group is the main user of mobile phone. All the respondents' education was above 12th grade.

Table 2. Respondents Age

Age	Frequency	Percent
Under 20	16	8
20-30	128	64
30-40	29	14.5
40-50	16	8
50-60	9	4.5
Over 60	2	1
Total	200	100

The analysis has been divided into two parts, first the drivers of customer satisfaction and second the consequences of customer satisfaction. In purposed model there are two drivers of customer satisfaction, price and perceived quality as shown in Figure 4. To check the effect of price and quality on customer satisfaction multiple regression model is used. In Table 3 the results show that the effect of price and quality on customer satisfaction is positive and significant. The value of these paths in other studies varies between 0.2 to 0.4 for quality and 0.12 to 0.3 for price (Kristensen et al., 2000; Johnson et al., 2001; Aydin, S. & Ozer, G. 2005; Turkyilmaz, A. & Ozkan, C. 2007) where as in this study these values a 0.391 for price and 0.401 for quality, showing a significant result. However the value of R² for customer satisfaction is relatively low, as compare to other studies.

Table 3. Coefficients for Drivers of Customer Satisfaction

	Standardized Coefficients (Beta)
Price	.391
Perceived Quality	.401
R square	.423
Adjusted R square	.417

In terms of consequences of customer satisfaction the path from customer satisfaction to corporate image is analyzed. The effect of customer satisfaction on corporate image is positive and significant, as shown in Table 4 the value of path coefficient is 0.60 which is supported by the literature, showing that customer satisfaction has a large effect on corporate image.

Table 4. Coefficients for Consequences of Customer Satisfaction

	Standardized Coefficients (Beta)
Customer Satisfaction	.600
R square	.360
Adjusted R square	.357

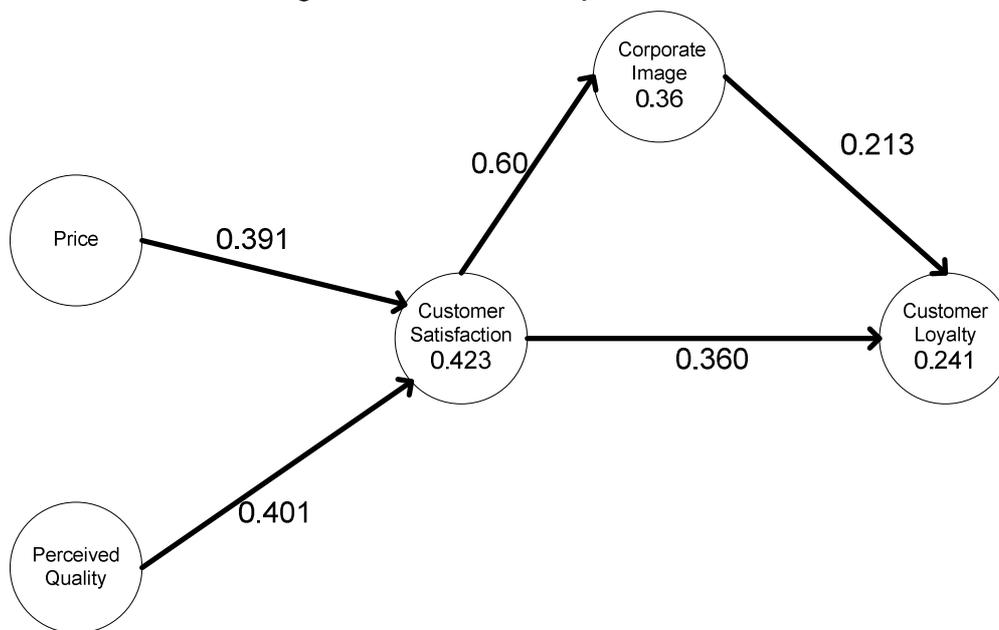
Table 5 shows the effect of satisfaction and image on customer loyalty. The path coefficient for image is 0.213 and for customer satisfaction is 0.360. The effect is positive and significant but low when compared with other studies. However, the effect of corporate image on customer satisfaction is smaller but significant, which was also smaller in other studies. The direct effect of customer satisfaction on customer loyalty is also positive and significant but the path coefficient shows that in this study the result is comparatively low as compare to other studies conducted in this sector. This direct effect captures the effects of satisfaction on loyalty that are not mediated by the corporate image. It is useful to examine the total effect that satisfaction has on loyalty (Johnson et al., 2001). The total effect is the sum of all direct and indirect effects linking satisfaction and loyalty given as the value of R² for customer loyalty that is 0.241 which is very low as compare to other studies.

Table 5: Coefficients for Customer Loyalty

	Standardized Coefficients (Beta)
Customer Satisfaction	.360
Corporate Image	.213
R square	.241
Adjusted R square	.234

Figure 5 indicates the path coefficients that are the standardized regression coefficients. The R^2 values, given in the circles, are the fraction of the total variance of the dependent variable that is explained by its respective regression model. It is important to notice that all the relationships between the variables in the model are positive. Therefore, for each regression model, an increase in the value of an independent variable will also increase the value of related dependent variables.

Figure 5. Results of Proposed Model



The overall customer satisfaction and customer loyalty is comparatively low in this research as compare to other studies conducted in different countries. The Customer loyalty in Pakistani mobile sector is relatively low because it's an emerging industry, new players are entering in this market and customers are more fascinated to try the new service provider. When this industry will be well established, at that time the results may be more enhanced. The Customer Satisfaction has a considerable positive impact on corporate image. This is in accordance to the literature results depicted in the studies earlier. However, the effect of corporate image is smaller but considerable on customer loyalty, as proved by other recent studies about mobile communication sector.

6. Conclusion

Although there are few players in Pakistan's mobile telecom market, the competition between them is more intense than ever. They compete not only in network quality by a large amount of investment in network extension and upgrading, but also in customer acquisition and satisfaction by direct and indirect strategies. Hence customer satisfaction and also service quality would be critical factors for surviving in this emerging market.

The result of the research shows a positive relation between all the constructs. The effect of perceived quality and price on customer satisfaction is positive and significant. But the indicators show that overall customer satisfaction is comparatively low in mobile industry. In global comparison of mobile-communication industry, the customer satisfaction value lies between 0.5 and 0.65; therefore the said value is relatively low in Pakistan.

The Customer Satisfaction has a considerable positive impact on corporate image. This is in accordance to the literature results depicted in the study earlier. However, the effect of corporate image is not contributing towards the customer loyalty in a worthy manner, as proved by other recent studies about mobile communication sector. The customer loyalty result in our study, in comparison to the global scenario is relatively low.

The above stated facts are specific to the research sample selected, the Mobilink (PMCL) service provider. The general trend is a higher satisfaction in regard to quality of service but lower when we analyze the price in relation to customer satisfaction. One possible explanation is the relative higher service rates of Mobilink in comparison to its competitors. Recent PTA reports clearly show that although Mobilink still maintains the highest number of customers but its percentage growth is not the highest anymore. This is in direct relation to the study conducted which concludes with lower Customer Loyalty figures for Mobilink. Owing to evolving competition with lower rates and matching service quality, the percentage of customers switching to other service providers, is higher than vice versa. Despite these factors, Mobilink is still regarded as the market leader in quality provision.

In this study, only two drivers are considered, i.e. price and quality. Furthermore, additional research is needed to find out whether other factors more that we studied can be added to the model in mobile telecom of Pakistan or even other industries or not.

The research sample was restricted to Abbottabad district. The patterns can alter with customers from metropolitan and Federal administrated cities. Future research should test the model in other contexts to further verify the generalizability of the results.

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