

# **Impact of Customer Satisfaction on Customer Loyalty and Switching Intentions: A Pilot Study on Telecom Sector in Pune City**

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**Abstract:** Telecom sector has materialized as the fastest growing service sector in India over the last decade. The cut-throat competition, technology pace and mobile number portability (MNP) have increased the challenges for the telecom service providers. The companies have accentuated on achieving customers' satisfaction with loyalty and achieving customers' retention.

This research paper attempts to find the impact of customer satisfaction on customer loyalty and their switching intentions. The primary data collection is done with 160 customers in Pune city. Researchers found that customer satisfaction has positive correlation with customer loyalty and negative correlation with customers' switching intentions.

**Keywords:** Customer Satisfaction, Customer Loyalty, MNP, Telecom Sector

## **Introduction**

### **Telecom Sector in India**

India has the fastest growing telecom network in the world with its high population and development potential. Airtel, Vodafone, Idea, Telenor, Reliance Jio, Tata DoCoMo, Aircel, BSNL and MTNL are the major operators in India. India's public sector telecom company BSNL is the seventh largest telecom company in the world.

Private operators hold 90.05% of the wireless subscriber market share whereas the two PSU operators, BSNL and MTNL, hold only 9.95% of the market share.

The total number of telephones in the country stands at 1002.05 million, while the overall teledensity has increased to 79.67% as of 31 May 2015 and the total numbers of mobile phone subscribers have reached 975.78 million as of May 2015. In the wireless segment, 2.44 million subscribers were added in May 2015 (Source: [www.trai.gov.in](http://www.trai.gov.in))

### **Customer Satisfaction**

Customer satisfaction can be defined as, 'the number of customers, or percentage of total customers, whose reported experience with a firm, its products, or its services (ratings) exceeds specified satisfaction goals.'

## Customer Loyalty

Customer loyalty contributes towards organization's success. According to Reichheld and Sasser (1990), the loyal customers:

1. Re-buy products despite the fact that there are attractive competitive alternatives to cause switching;
2. Spend money on trying products across the firm's product-line offerings
3. Recommend the firm's goods or services to other consumers;
4. Give the company sincere suggestions (feedback) as to their needs and expectations.

Customer retention can be achieved through successful customer loyalty strategy.

## Mobile Number Portability (MNP)

MNP or mobile number portability allows you to switch your mobile phone operator from one mobile phone network provider to another mobile phone provider and keep your existing mobile phone number. Number portability is allowed within a circle, nationwide or intra-circle. The following table shows noticeable increase in MNP requests from customers, indicating dissatisfaction for their existing service providers. Total 15.86% from total subscribers are availing MNP facility.

Year	Request for MNP (In Millions)
2012-13	47.82
2013-14	89.70
2014-15	153.85
2015-16	Not available

Source: www.traai.gov.in

## Theoretical Framework of the Study

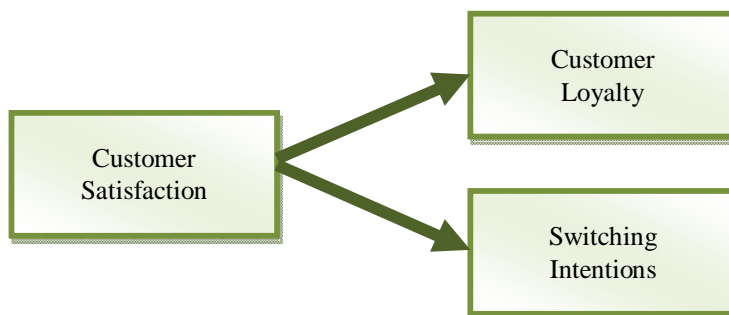


Fig. 1

## RESEARCH DESIGN

Sl. No.	Parameter	Description
1	Type of research	Descriptive and Exploratory Research
2	Research Instrument	Structured Questionnaire
3	Survey period	October 2016
4	Type of Industry	Telecom Industry
5	Universe	Population of Pune City
6	Sampling Method	Simple Random Sampling
7	Dependent variables	Customer Loyalty and Switching Intentions
8	Independent variable	Customer Satisfaction
9	Secondary sources	Book, Journal, Articles, Magazines
10	Primary sources	Questionnaire, Interview and Field Survey
11	Measurable scale used	Nominal and Interval Scale.
12	Rating Scale	Likert Scale 1 to 7 (1= Strongly Disagree, 5 = Strongly Agree)
13	Total Responders	160

## HYPOTHESIS OF THE STUDY

### Hypothesis 1

$H_{1(0)}$ : There is no significant association between ‘customer satisfaction’ and ‘customer loyalty’.

$H_{1(1)}$ : There is significant association between ‘customer satisfaction’ and ‘customer loyalty’.

### Hypothesis 2

$H_{2(0)}$ : There is no significant association between ‘customer satisfaction’ and ‘switching intentions’.

$H_{2(1)}$ : There is significant association between ‘customer satisfaction’ and ‘switching intentions’.

## DATA ANALYSIS AND INTERPRETATIONS

Table 1: (Demographics) Total respondents are 160 and the distribution is as follows

Demographics	Category	Number of Responders	Percentage of Responders (%)
Name of the Service Provider	Idea	32	20.00
	Airtel	24	15.00
	Vodafone	27	16.88
	BSNL	11	6.88
	Uninor	15	9.38
	Aircel	18	11.25
	Tata Docomo	14	8.75
	Reliance Jio	19	11.88
	Total	160	100

Table 1 (Contd.)...

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Occupation	Service	59	36.88
	Business	18	11.25
	Student	83	51.88
	Total	160	100
Qualification	Undergraduate	12	7.50
	Graduate	31	19.38
	PG and above	117	73.13
	Total	160	100
Gender	Male	92	57.50
	Female	68	42.50
	Total	160	100

**Table 2: Customer Satisfaction: Independent Variable**  
**Customer Loyalty: Dependent Variable**  
**Switching Intention: Dependent Variable**

	Mean	Standard Deviation
Customer Satisfaction	3.69	0.812
Customer Loyalty	3.93	0.593
Switching Intention	3.47	0.712

## Interpretation of Table II

According to the survey, researchers found that customer satisfaction is having mean value of 3.69 with standard deviation of 0.812. These figures indicate that customers are satisfied with their respective telecom service providers.

Researchers found that customer loyalty was (mean value 3.93 with standard deviation 0.593) and switching intentions (mean value 3.47 with standard deviation 0.712). These figures indicate that respondents show loyalty towards their telecom service providers. Though there are various other offers from other telecom service providers; responders show less intention towards switching their existing service providers.

**Table 3: Correlations**

		Customer Loyalty	Switching Intentions
Customer Satisfaction	Pearson Correlation	0.493	-0.276
	Sig. (2-tailed)		

(Level of Significance 0.01)

The correlation coefficient is 0.493 for customer loyalty and customer satisfaction. This is significant to reject our first stated null hypothesis and accept alternate hypothesis. Thus researchers found that, "There is significant association between "customer satisfaction" and "customer loyalty". This correlation is found to be positive.

For switching intentions and customer satisfaction, the correlation coefficient is -0.276 which is found to be negative and is also significant. Thus, researchers accept stated second alternative hypothesis which states that, "There is significant association between "customer satisfaction" and "switching intentions".'

## CONCLUSION

In this pilot survey, researchers attempt to analyze the impact of customer satisfaction on customer loyalty and their switching intentions amongst the telecom service users in Pune city. For satisfaction to be effective, it must be able to create loyalty amongst customers.

Satisfaction is a key measure which indicates that customers' needs are well fulfilled. Customer loyalty measures how a customer is likely to repeat the purchases activities with service provider. Customer satisfaction is not an accurate indicator of measuring customer loyalty as loyalty is susceptible.

In many cases, consumers are satisfied with the services but they may switch to other service providers if they can get better value, less cost or better quality elsewhere. Therefore, customer satisfaction is not an accurate indicator of loyalty. Customer retention is one of the crucial factors that telecom service providers must be looking for, to gain a strategic advantage.

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