

Review Article

An Overview of Service Quality, Customer Satisfaction and Customer Loyalty; a Literature Review

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Received: November 30, 2017; Accepted: December
21, 2017; Published: December 28, 2017

Abstract

This paper assesses the impact of service quality (tangibility, reliability, responsiveness, assurance, empathy) and customer satisfaction on customer loyalty to the services of one of the Nigerian telecommunication giant, MTN. The paper starts with an overview of the general telecommunication sector in Nigeria, students from three public tertiary institutions in Gombe state of Nigeria were purposively chosen for the study. The study recommends that mobile telecommunication companies should put more efforts enhancing the variables that have positive effects on customer loyalty as that will give the companies more competitive advantage in Nigeria. Subsequently, the variables under study (service quality, customer satisfaction and customer loyalty) were also highlighted. The service quality variable was considered as a multi-dimensional variable comprising of five dimensions, namely; tangibility, reliability, responsiveness, assurance and empathy. To examine the relationships among the variables through customer retention.

Keywords: Service Quality; Customer Satisfaction

Introduction

Most all other sectors of the economy [1]. Its function in any economy is described as a strategic one aimed at promoting economic growth and as one that has linkages with other sectors. Recently, the role of telecommunication infrastructure in enhancing economic growth has generated a lot of interesting discussions and debates. Arguments are that the development of a modern nation to its full potential in the contemporary world can never be attained without adequate telecommunication infrastructure; this implies that the development of telecommunication infrastructure will significantly boost economic growth and development, this evidence that the sector contributed (N 1.549 trillion) to the Nigerian Gross Domestic Product (GDP) in the second quarter of 2017 representing 6.68% increase from the first quarter of the year (NGN1.452 trillion) as disclosed in September 2017 [2]. It is in view of this that most developed economies such as the U.S, Japan, UK and France have deregulated their telecommunication sectors to allow for more investments. The results they got were not just improved telecommunication capabilities, but also increased foreign investments, boom in private sector development, more employment opportunities and better education and training facilities, Nigeria is not an exception from this development [3,4].

Due to the upsurge and the speed in the growth rate of the telecommunication industry in Nigeria, the GSM market has thrown up intense rivalry among the operators and necessitated the need to engage in relationship marketing activities that would enable them to retain a large number of their customers as well as make them loyal. This is more evident as the market is approaching saturation with little opportunity to attract new customers. Obviously, this may spell devising new marketing strategies such as; attractive tariff regime, introduction of new and innovative products, sales promotion, among others. All of these are aimed at both attracting new customers

and retaining the existing customers [5].

The importance of customer loyalty is well recognized by service organizations and they are continuously striving to maintain their base of loyal customers. Loyal customers are profitable customers and generate revenue by purchasing more, more often, a wider range and by recommending new customers and as such deserve special consideration from the firms [6]. Despite attempts by the GSM operators to woo customers in North-eastern Nigeria, problems linger such as; complicated tariffs, lower customer satisfaction, inefficient service delivery, interconnectivity problem, deceptive promotions, unsolicited promotions, unsolicited short messages (SMS), call drops, and unfairly and unjustifiable billings. Therefore, the GSM providers in Nigeria are faced with the challenges of demonstrating customer-focused and continuous service improvement, as a way to ensuring customer satisfaction, brand supremacy and ultimately customer loyalty [5].

An Overview of Telecommunication Industry in Nigeria

Telecommunication began in Nigeria in 1886 with the installation of a cable link between Lagos and colonial headquarters in London providing communications channels for administrative purposes in 1895. The first rudiment of public communications facilities was introduced and the Public Works Department (P.W.D) administered a telegraphic system. In 1907, the Post and Telegraphic (P&T) department was established [7], to take care of domestic communication. At independence in 1960, the total number of telephone lines was 18,724 for an estimated population of 40 million people. In 1985, the P&T department was split into postal and telecommunication divisions. The latter was merged with the Nigerian External Communications (NEC) to form Nigerian Telecommunication Limited (NITEL) (Adeyinka, Ajiboye,

Emmanuel, Wojuade, 2007). Until 1992, the telecommunication industry in Nigeria was a government monopoly guided and regulated through the Wireless Telegraphy Act (WTA) of 1961 as subsequently amended

Currently, according to Premium Times, (2016), active subscribers figure in the mobile network is around 150 million, and there are mobile signals in all the states of the federation. Since a number of Nigerian's major highways are covered by mobile telephone services, the law enforcement agencies have the necessary communication tools to carry out their work effectively. Businesses have also been empowered by these vital ICT tools. And in general, the Nigerian economy has been impacted positively through job creation, improved business performance and timely information exchange.

An Overview of Service Quality

The service quality concept has gained much attention from scholars and practitioners. In dynamic business environment, the role of customer is changing [8]. The changing paradigm of business has made the provision of quality of services as top priority for organizations, MTN service provider is included. Customer-focused strategy has become a means of competitive advantage and survival for organizations. Furthermore, the Perceived service quality has become essential focus for the organization in designing and implementing a customer oriented strategy [9]. The researcher concluded that customer satisfaction is vital in attracting new customer and retaining the existing customers. Researchers have emphasized distinct conceptualizations of quality. In operation management, reliability and fitness of use define quality; whereas in marketing and economics, attributes of products constitute quality. In services, quality is concerned with the overall assessment of the services [10]. Khan identified performance, features, conformance, reliability, durability, service ability, aesthetics, and customer perception of quality based on service provider's image

Dimensions of Service Quality

The definition of quality may vary from person to person and from situation to situation. The definitions of service quality vary only in wording but typically involve determining whether perceived service delivery meets, exceeds or fails to meet customer expectations [11]. Service quality has also been defined by Agyapong, (2011) as customer perception of how well a service meets or exceeds their expectations Service quality is commonly noted as a critical prerequisite and determinant of competitiveness for establishing and sustaining satisfying relationships with customers. Previous study suggests that service quality is an important indicator of customer satisfaction [11,12]. Attention to service quality can make an organization different from other organisations and gain a lasting competitive advantage [11]. In particular, consumers prefer service quality when the price and other cost elements are held constant [11]. It has become a distinct and important aspect of the product and service offering [13]. The satisfaction a customer gets from quality of service offered is usually evaluated in terms of technical quality and functional quality [14,15]. Usually, customers do not have much information about the technical aspects of a service; therefore, functional quality becomes the major factor from which

to form perceptions of service quality [12,16]. Service quality can be measured in terms of customer perception, customer expectation, customer satisfaction, and customer attitude [12,17]. Agyapong, (2011) indicates that the evaluation of service quality leads to customer satisfaction, [18,19] define satisfaction as the "customer fulfilment response," which is an evaluation as well as an emotion-based response to a service. Parasuraman et al., (1990,1988) [4,20] projected a service quality model that identified perceived service quality into five dimensions: tangibility, reliability, responsiveness, assurance, and empathy.

1. Tangibles involve the appearance of physical facilities, including the equipment, personnel, and communication materials.
2. Reliability involves the ability to perform the promised service dependably and accurately.
3. Responsiveness involves the willingness to help customers.
4. Assurance involves the knowledge and courtesy of employees and their ability to convey trust and confidence. This assurance includes competence, courtesy, credibility and security.
5. Empathy involves the provision of caring, individualised attention to customers. This empathy includes access, communication, and understanding the customer. Most customers prefer good service to lower prices. Think about all the situations where you are prepared to pay a little extra to get a better or more efficient service. Companies that give these added service benefits are likely to be winners. They have a competitive advantage over rivals. Customers are requiring and demanding better services and the goals of all Telecoms must be to make the customers feel special. This will lead to customer's perceptions exceeding their expectations and greater customer satisfaction. A personal, proactive approach, such as knowing guest history, issues and preferences is vital to impressing customers and increasing repeat business.

Customer Loyalty

Customer loyalty can be defined in two distinct ways. First, loyalty is an attitude. Different feelings create an individual's overall attachment to a product, service, or organization. These feelings define the individual's (purely cognitive) degree of loyalty. The second definition of loyalty is behavioural. Examples of loyalty behaviour include continuing to purchase services from the same supplier, increasing the scale and or scope of a relationship, or the act of recommendation [21,22]. Customer loyalty is developed over a period of time from a consistent record of meeting, and sometimes even exceeding customer expectations [21]. Iddrisu (2011); Kotler et al., (1999) [21,23] asserted that the cost of attracting a new customer may be five times the cost of keeping a current customer happy. Furthermore, Iddrisu, (2011); and Gremler and Brown, (1996); [21,24] noted that the degree to which a customer exhibits repeat purchasing behaviour from a service provider, possesses a positive attitudinal disposition toward the provider, and considers using only this provider when a need for this service exists.

Bloemer and Kasper, (1995), [25] hold a contrary view about customer loyalty. According to the authors, Loyalty may be interpreted as true loyalty rather than repeat purchasing behaviour, which is the actual re-buying of a brand, regardless of commitment.

Iddrisu, (2011) and Zeithaml et al., (1996), [21,26] states loyalty is a multi-dimensional construct and includes both positive and negative responses. However, a loyal customer may not necessarily be a satisfied customer. Iddrisu, (2011) and Colgate, Stewart, and Kinsella, (1996); [21,27] and also noted that it is not always the case that customer defection is the inverse to loyalty, while Levesque and McDougall, (1993); [28] suggested that, even a problem is not solved, approximately half of the customers would remain with the firm. Loyalty is developed over a period of time from a consistent record of meeting, and sometimes even exceeding customer expectations [10,29]. Kotler et al., (1999) states the cost of attracting a new customer may be five times the cost of keeping a current customer happy. Gremler and Brown and Kheng et al., offers one definition of customer loyalty that is related to our purpose in this study: the degree to which a customer exhibits repeat purchasing behaviour from a service provider, possesses a positive attitudinal disposition toward the provider, and considers using only this provider when a need for this service exists. According to Bloemer and Kasper, (1995); and Iddrisu, Nooni, Fianko, and Mensah, (2015), [25,30] loyalty is interpreted as true loyalty rather than repeat purchasing behaviour, which is the actual re-buying of a brand, regardless of commitment. This may be due to switching costs, lack of perceived differentiation of alternatives, location constraints on choice, time or money constraints, habit or inertia which are not related to loyalty [10,31,32].

Customer Satisfaction

Qualities of brand characteristics that are offered by company determine the level of customer satisfaction [33]. Customer satisfaction can be defined in terms of meeting the expectations of the customers in terms of parameters associated with satisfaction [33]. The customer mind is a complex set of thoughts and ideas and cannot be fully predictable by human being. In the context of relationship marketing, customer satisfaction is the way that leads to long term customer retention because un-satisfied customers have very high switching rate [33]. According to Zairi, (2000), [34] the feeling of accomplishment of inner desires is called satisfaction. Customer satisfaction has direct effect on customer patronage [35]. If product or service fulfils the needs and demand of customer he will become satisfied and will be converted to customer patronage and thus will add in customer equity of company. Company profitability is not only depicted in its balance sheet but it is also measured on basis of its sound customer base and life time value that customers deliver to company [36]. Oliver (1999), suggested that customer satisfaction is the core philosophy of marketing strategy of any organization and plays a key role in an organization success. In fact customer satisfaction is the core principle of the modern tool of CRM being used by marketers to attract and retain customers' patronage.

Lim, (2010), [37] argued that customer's final pleasure may have significant affect connected with atmosphere. Bodily environment are useful to produce graphic within the mind connected with customer in order to affect their own behaviour. Oliver, (1981), [38] expressed in which pleasure shortly decays directly into one's total mindset "Satisfaction can be regarded as a broad principle; support good quality is a component of satisfaction" [39]. Client satisfaction is usually defined through conditions: that it's this consumer's

fulfilment result. It's a ruling that a products or services feature, or this products or services per se, comes with a pleasurable level of intake linked fulfilment. In other words, it does not take total level of well-being that has a service /product knowledge resulting from the application of some sort of products or services [38].

Customer satisfaction is a personal feeling of either pleasure or disappointment resulting from the evaluation of services provided by an organization to an individual in relation to expectations [40]. Service providers frequently place a higher priority on customer satisfaction, because it has been seen as a prerequisite to customer retention. As a positive outcome of marketing activities, high customer satisfaction leads to repeat visitation to stores, repeat product purchases, and word-of-mouth promotion to friends [41]. While low customer satisfaction has been associated with complaining behaviour [26]. A satisfied customer often stays loyal longer, and is likely to patronise the firm in future [42]. Customer satisfaction can be conceptualized as either transaction-specific satisfaction or cumulative satisfaction [43]. Transaction-specific satisfaction is a customer's evaluation of her or his experience and reactions to a specific company encounter [44]. Cumulative satisfaction refers to customers overall evaluation of patronage experience from inception to date [45].

Conclusion

In view of the distinguishing characteristics of services (intangibility, non standardization and inseparability. Muhammad and Malik, (2011), [46] argue that services are more difficult to evaluate prior initial purchase. Delivering consistently good service quality is difficult but profitable for service organizations. And that quality in service is not engineered at the manufacturing plant then delivered intact to customer. Most services cannot be counted, measured, tested and verified in advance of sales to ensure quality delivery.

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