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## What Keep You Loyal to Your Telecommunication Services Provider?

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### Abstract

Fierce rivalry among the major players in the Malaysian telecommunications industry was evident despite tremendous growth in recent years. This competitive environment was driven by fluctuating consumer brand loyalty which has become a major concern. Hence, this study examined the factors that influence brand loyalty in the telecommunications industry which includes corporate image, confidence, service efficiency, and switching costs, as well as the importance of these factors. The study employed a quantitative research method and a structured questionnaire was used to collect the data. 249 usable responses were obtained and the data were analyzed using SPSS. The results indicated that corporate image and trust were significant while service quality was marginally supported. In contradiction, switching cost was insignificant in predicting customer loyalty. Trust was found to be a strong predictor of brand loyalty.

**Keywords:** Brand Loyalty, Corporate Image, Trust, Service Quality, Switching Cost

### Introduction

In the last ten years, the telecommunications industry has grown significantly (Gupta, 2019). Furthermore, Global Data's Country Intelligence Report has shed some light with a quantitative outlook on the telecommunication sector's prospects in terms of near-term opportunities, the growing dynamic market, and the development of demand in this sector (Gupta, 2019). Despite heavy rivalry among the major players in the Malaysian telecommunications industry, this suggests high potential and great opportunities for the telecommunications market. According to a survey of major players in Malaysia's telecommunications industry, Digi, Maxis, and Celcom have dominated the competition for the past decade, with Digi having the highest customer base, led by Maxis and Celcom (UKEssays, 2019). Aziz (2018) has stated that the government promotes the concept of increased competition in the telecommunications sector because it would encourage service providers to improve their efforts in delivering a better product at a lower cost.

In general, Malaysia's telecommunication service providers sell essentially the same offering, with just minor differences. The Malaysian Ministry of Communication sets telecommunications pricing, and service providers are not permitted to charge more than the

ceiling price (Gaille, 2019). As a result, since the companies offer comparatively similar products, they choose to set prices with just a slight difference, allowing newcomers like U Mobile to grab market share faster, going from 1% in 2009 to 14% in 2017 with 6.2 million subscribers (LiveatPC, 2019; MCMC, 2018) and positioning themselves as the value dealer due to their capabilities (Thean Eu, 2019). For example, companies like Digi have been able to maintain their market share consistently over the last ten years, with a 25 percent market share in 2008 and a 27 percent market share in 2017. On the other hand, companies like Maxis have seen a dramatic decline in market share, as they were one of the companies that dominated the telecommunications industry in 2008. (LiveatPC, 2019; MCMC, 2018). Furthermore, Celcom experienced a similar scenario, with their market share falling from 25% in 2008 to 22% in 2017. (LiveatPC, 2019; MCMC, 2018). The Malaysian telecommunications industry is currently going through a difficult period, with fierce rivalry. For telecommunications providers, this is indeed an issue. As a result, the telecommunications industry's uncertainty as a result of rivalry necessitates an understanding of brand loyalty and the forces that influence it to compete in the increasingly competitive telecommunications industry. As a result, the objectives of this analysis are twofold: i) to define the factors influencing brand loyalty in Malaysia's telecommunications market, and ii) to assess the effect of these factors on brand loyalty in Malaysia's telecommunications sector.

## **Literature Review**

### **Brand Loyalty**

Brand loyalty, according to Jacoby and Chestnut (1978), can be characterized by recognizing the characteristics of a specific customer that has a resilient attachment to a brand due to their belief that the brand they are dedicated to strongly satisfies them rather than the alternatives (cited in Holland and Baker, 2001). According to research, brand loyalty can be defined because it represents a person's habit of purchasing the same brand over and over again (Oppermann, 2000). Jacoby's (1971) study is regarded as one of the roots of most brand loyalty studies today, in which he explained that measuring brand loyalty involves taking into account both a consumer's behavior and expectations and that through knowing them, a business may foster a trusting relationship with their consumers (cited in Bennett, 2001). As a result, brand loyalty becomes a crucial element in attracting current clients, as well as a key solution for dealing with competition, which decides the company's performance (Free Malaysia, 2019).

According to Nawaz and Usman (2016), when it comes to combating the dynamic industry, brand loyalty has been labeled the universal solution. Oppermann (2000) researched tourism destination loyalty, examining the brand loyalty literature to determine the use and utility of destination loyalty. The study's findings revealed that measuring a person's loyalty based on their behavioral aspects may be reasonable and a good predictor for future tourism destinations, as positive experiences induce loyalty. A study on brand loyalty in the hospitality industry by Tepec (1999), which aimed to study the factors that contribute to brand loyalty and identify strategies to increase brand loyalty, has supported the fact that increasing brand loyal customers will be a more effective and profitable approach than acquiring new customers or indulging in irruption. Since loyal customers tend to trigger repeat purchases, they are least affected by competitors' marketing tactics such as price cuts because they are loyal to one brand. Back (2005) discovered that when it comes to repurchasing commitment, brand loyalty is a big factor.

### **Corporate Image**

Keller (1993) defines corporate image as a company's status in the eyes of customers to be seen as a trustworthy and respectable brand. It is not only about establishing a positive profile, but also about upholding the company's commitment to delivering the best possible service to its customers by fostering confidence, loyalty, and satisfaction. While Nguyen and LeBlanc (1998) define a brand image as a bundle that includes the company's philosophy, credibility, accomplishments, quality level, product or service efficacy, a strong customer base, and financial stability. Both of these elements contribute to the creation of a positive corporate image. In a nutshell, corporate image is an all-encompassing view formed in the minds of consumers as a result of the values, experiences, and concepts that a company has implanted, creating a constructive push toward customers' buying decisions at all times. A corporate image is a type of brand image that a company uses to reach greater heights as a whole, regardless of product or service. Creating a successful corporate brand in the minds of the public takes a lot of commitment, consistency, and time (Johnson et al., 2001). With proper marketing emphasis, this image may also generate a recalling capacity, such as recalling brands from colors, labels, songs, or any represented drives (Hatch et al., 2003; Bravo et al., 2009). As a result, a positive brand image will be accomplished by effective communication with a corporate message that represents their core beliefs, such as their humanitarian efforts, corporate priorities, vision, and purpose (Bravo et al., 2009). Corporate image is sometimes used as a criterion for judging the quality of a product or service. All businesses strive to create a deep emotional relationship with their clients through their brand logo (Slatten, 2008). Organizations will produce an extreme degree of future success to build market performance once they have full organizational coordination and delivery. The following hypothesis was established based on these arguments:

*Hypothesis 1 (H1): There is a significant relationship between corporate image and brand loyalty.*

### **Trust**

The incredibly fast-growing market has provided customers with many opportunities and preferences, and being the best in providing only the right service or product has become relatively impossible for many businesses, making brand loyalty a challenging task. As a result, companies place a premium on doing their best to their consumers to maintain their loyalty. Anderson and Narus (1990) described trust as a comfortable feeling about the other party that leads to positive behavior or outcomes for the other party. This may be trusted on a company, product, or service, resulting in purchases and, as a result, loyalty to the brand or service by a normal trust mechanism. Meanwhile, Doney and Cannon (1997) argue that loyalty is a beneficial partnership in which one party performs their duties flawlessly to receive their benefits of loyalty and confidence towards the receiving party, and the positive result is that all parties stay in the relationship for a long time and that it will continue in the future. Naturally, confidence acts as a barrier or a lever to keep consumers loyal to the brand.

As a result, it is self-evident that a company, client, partners, or brand have a positive, trusting relationship (Ganesan, 1994). Brand trust is also regarded as the haven that has developed as a result of the consumer's past interactions with the brand, giving the sense that the brand is valuable and effective for the consumer's needs and that their delivery has provided loyalty and confidence. Since one of the most critical aspects in building brand loyalty in any industry

is trust, industries have often put forth their best efforts to make the best impressions on their customers (Gundlach and Murphy, 1993). Consumers' confidence in a brand is built on the idea that the brand has a clear need to be met, and that the brand's success in meeting the promised expectations leads to brand loyalty. Not to mention the fact that brand credibility is a vital element in establishing trust. Brand confidence is built on a company's willingness to please its consumers by reliably meeting their demands and exceeding their expectations (Sweeney and Swait, 2008). Since service is an intangible quality that consumers can only enjoy by building a strong brand experience and a unique result, the service industry relies heavily on customer confidence. Brand loyalty is influenced by the consumer's evaluation of any direct (trial and usage) and indirect (advertising and word of mouth) interactions with the brand (Garbarino & Johnson, 1999). Customers can think more about the company as a result of a positive experience. We agree that brand experience affects consumers' thoughts to build recognition and faith, making it one of the most important and core sources of brand trust (Chaudhuri and Holbrook, 2001). Often, since consumers are in the auto-tuned process of trusting in the goodness of the service or commodity, faith can convince them without exerting much effort (Ndubisi et al., 2007). As a result, confidence is a critical component in establishing customer satisfaction and forging a deep relationship that will support the brand in the long run (Delgado et al., 2003). The following hypothesis was suggested based on this review:

*Hypothesis 2 (H2): There is a significant relationship between trust and brand loyalty*

### **Service Quality**

Service quality and efficiency have captivated the interest of many businesses, academics, and professionals over the years due to their significant impact on market awareness, customer satisfaction, company sustainability, growth, and brand loyalty. One of the fine ways for the telecommunications sector to set their level of survival in the ever-increasing rivalry in markets is to focus on service quality and efficiency (Kim, Park, and Jeong, 2004). Telecommunication companies can set themselves apart from their competitors and build customer satisfaction by providing high-quality service. Simply put, service quality is the reliability of a service that meets or exceeds a customer's needs. It's widely understood as fulfilling customers' service demands to elevate their output to the highest levels (Santos, 2003). Meanwhile, Parasuraman et al. (1988) described service quality as a customer's overall assessment of a particular service audacity based on a comparison of the organization's achievement to the customers' overall expectations of whether or how the company should operate. Maintaining clients gets even less efficient when you have outstanding service efficiency. Customers that receive high-quality service are more likely to be faithful and buy more often in the future, and businesses who prioritize service quality often profit (Ishaqa Ahmed, 2011). As a result, the telecommunications sector must pay close attention to components and service quality because it is critical to assess service quality to track and improve, helping them to stay ahead of their rivals. One of the most important ways to maintain brand loyalty among consumers is to evaluate and examine their standings in terms of service efficiency. As a result, it was proposed that:

*Hypothesis 3 (H3): There is a relationship between service quality and brand loyalty towards telecommunication sectors.*



### Switching Cost

The one-time expense that happens as consumers turn from one good or service to another is known as switching cost. According to Keaveney (1995), it is the one-time cost that consumers relate to when switching from one service or product to another, and it is linked to the process or procedures on switching. It is not just the cost that occurs immediately, but it may also be the cost that follows the switching, such as switching procedures, new use costing, and other miscellaneous charges that did not exist before the switching. This may also be considered the "economic" costs of any new service or product (Ahmed, 2011). The cost of switching can be monetary or non-monetary; however, the cost can be actual or imagined (Jones, Beatty, and Mothersbaugh, 2002). Switching costs can also be a latent expense levied indirectly by the purchase of a service or good. "Transaction expense, brand loyalty cost, member cost, learning cost, customer behavior, quest cost, loyalty coupon cost, social cost, psychological cost" are all examples of switching costs (Xavier and Ypsilanti, 2008). Fornell (1992) divides switching costs into three categories: transaction costs, learning costs, and contractual costs. The initial cost of buying a service or good, as well as the cost of terminating the existing service or disposing of the product, is referred to as transactional cost. Learning expense, on the other hand, refers to the cost of knowledge, or the amount of money consumers pay to reach the same degree of convenience as in a prior service or product (Lee, Janghyuk and Feick, 2001). Finally, contractual costs refer to the advantages that are sacrificed by swapping products, such as bonus points, repeated discounts, or a high trade-in value. Many things are implied by the telecommunications sector. Finally, contractual costs refer to the advantages that are sacrificed by swapping products, such as bonus points, repeated discounts, or a high trade-in value. To keep their faithful clients, the telecommunications sector imposes many switching charges.

Switching to another telecommunications brand can result in customers losing the benefits of their previous service providers. Consumers must now react to all of the latest features and functions of the new product or service. Fornell (1992) was one of the first writers to use customer satisfaction to link switching costs to brand loyalty. According to the research, the higher the switching cost, the more favorably it affects consumer loyalty (Ping, 1997). Customers who are afraid of the cost of moving choose to stay true to their current brand so they are in a comfort zone and would not like to swap or repurchase a product or service. Customers are also wary of switching costs because they are ignorant of or refuse to equate costs above switching costs (Lee, Lee, and Feick, 2001). Contractual switching rates are no longer the most significant hurdle in the telecommunications industry, as many telecommunication brands have streamlined their service concepts and learned to prioritize new subscribers as a result of increased consumer competition. In general, according to Oliver (1996), switching costs promote consumer satisfaction by using the fear of the unknown. It is a critical chance to save consumers from converting to a competitor's brand by offering more consumer benefits and giving loyal customers higher priority. In comparison to the transitional and learning costs, it is often assumed that the greater the consumer's emotional interest in the switching cost, the more likely it is to generate good customer loyalty. Based on these claims, it was proposed that:

*Hypothesis 4 (H4): There is a relationship between switching cost and brand loyalty*

Figure 1 shows the research conceptual framework that explains the relationships between independent variables and dependent variables, as well as the resulting hypotheses.

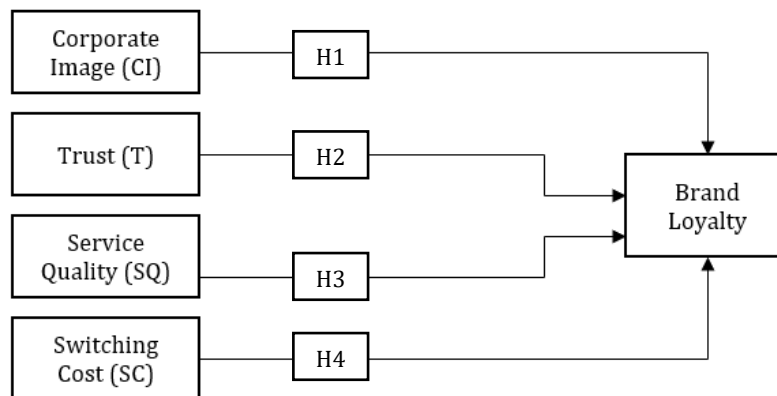


Figure 1. Conceptual Framework

## Methodology

### Procedure and Participants

The quantitative methodology with a deductive approach is prescribed for this analysis since the primary goal of the quantitative process is to assess the association between an independent variable and a dependent variable within a population (Thomas, 2006; Muijs, 2004). The non-probability convenience sampling method was used, with an online polling method being ruled out as the most important method for collecting data from respondents. Surveying techniques, according to QuestionPro (2019), will assist a researcher in obtaining clarity and presenting evidence for evaluating hypotheses. For this analysis, a sample size of 250 respondents has been projected, with cell phone users as the target audience.

### Measures and Instrumentation

Table 1 shows the instruments used to collect the data from the participants. Research instruments from past researchers were adapted to suit the context of the study.

Table 1. Research Instrument

Test Instruments	Instrument Author(s)	Number of Items	Cronbach's Alpha
Brand Loyalty	Nawaz and Usman (2016)	4	.963
Corporate Image	Aydin and Ozer (2004)	5	.967
Trust	Aydin and Ozer (2004) & Nawaz and Usman (2016)	5	.965
Service Quality	Aydin and Ozer (2004)	4	.962
Switching Cost	Aydin and Ozer (2004)	3	.892

The Cronbach's Alpha test is used to assess the reliability of the questionnaire/subjects in each variable, and it is performed within SPSS. According to Bonett and Wright (2014), a value between 0.6 and 0.7 indicates that the subjects are accurate, while a value greater than 0.8 indicates that the subjects are extremely reliable and solid. As a result, Table 1 displays the variables and the reliability measurement, with all variables being extremely accurate.

## Analysis and Results

### Respondent Profiling

The profiling of the respondents is shown in Table 2. A total of 239 people took part in the survey. The gender composition of the respondents reveals that male respondents are marginally more than female respondents, with 133 (55.6 percent) male respondents and 106 (44.4 percent) female respondents. The ethnicity distribution of the respondents, on the other hand, indicates that Malays make up the largest group of respondents, accounting for 36% of the total. Indians came in second with 35.6 percent, or 85 respondents, and Chinese ethnicity came in third with a frequency of 68 respondents. U Mobile is the preferred mobile network of 33.1 percent of the 239 respondents, resulting in 79 subscribers. Furthermore, according to this survey, U Mobile has the largest number of subscribers, led by Digi with 65 users, Maxis with 55 users, and Celcom with 40 users, accounting for just 16.7% of the total respondents.

**Table 2.** Respondent Profiling

Elements	Freq.	%	Elements	Freq.	%
<b>Gender</b>			<b>Mobile User</b>		
Male	133	55.6	Celcom	40	16.7
Female	106	44.4	Maxis	55	23.0
<b>Total</b>	<b>239</b>	<b>100%</b>	Digi	65	27.2
<b>Ethnic</b>			U Mobile	79	33.1
Malay	86	36.0	<b>Total</b>	<b>239</b>	<b>100%</b>
Chinese	68	28.5			
Indian	85	35.6			
<b>Total</b>	<b>239</b>	<b>100%</b>			

### Descriptive Statistics

The descriptive figures for the analysis are presented in Table 3. Overall, the confidence factor has the highest mean of 3.79, led by the business reputation of 3.76, service efficiency of 3.70, and swapping expense of 3.65.

**Table 3.** Descriptive Statistics

Category	Min	Max	Mean	Std Deviation
Brand Loyalty	1.00	5.00	4.0492	.97551
Corporate Image	1.00	5.00	3.7632	1.08944
Trust	1.00	5.00	3.7900	1.04273
Service Quality	1.00	5.00	3.7082	1.14877
Switching Cost	1.00	5.00	3.6569	1.07921

### Correlation Analysis

According to Mukaka (2012), the rule of thumb for interpreting the size of Pearson's correlation coefficient (R) is that a value between 0.1 and 0.3 indicates a low positive relationship, a value between 0.4 and 0.6 indicates a moderate positive relationship, a value between 0.7 and 0.9 indicates a strong positive relationship, and a value of 1 indicates a perfect positive relationship. The correlations of each variable are seen in Table 4.



**Table 4.** Pearson Correlation Statistics

	Brand Loyalty	Corporate Image	Trust	Service Quality	Switching Cost
Brand Loyalty	1				
Corporate Image	.777**	1			
Trust	.802**	.822**	1		
Service Quality	.735**	.742**	.863**	1	
Switching Cost	.450**	.556**	.528**	.559**	1

**Model Summary**

R-squared is used to calculate how important independent variables are in determining the variance of the dependant variable that has been entered into the formula. The value of R-squared itself is not the greatest determinant because it appears to rise as more independent variables are applied to the formula, which may not be an appropriate indicator. After all, those variables that have been added may not be adequately linked or impactful to the dependant variable, which R-squared will not be able to catch. As a result, adjusted R-squared only considers the variables that affect, with the value of adjusted R-squared increasing only when there is an impactful variable and decreasing when there are non-related variables in the model.

**Table 5.** Model Summary

Indicator	Standardized Beta
R	.831 <sup>a</sup>
R Square	0.691
Adjusted R Square	0.686
Std. Error of the Estimate	0.54662
R Square Change	0.691
Sig. F Change	.000

a. Predictors: (Constant), CI, T, SQ, SC

Table 5 shows that corporate reputation, confidence, service efficiency, and switching costs will account for up to 69 percent of brand loyalty variation. It shows that the relationship between the independent and dependent variables is strong and that the higher the R-squared value, the better the regression model fits the data. The almost equivalent R-squared and modified R-squared values further demonstrate that the variables are more stable and that the model has fewer non-important variables. Since the model fit was so well, hypothesis testing was done, and the findings are seen in Table 6.

**Table 6.** Hypotheses Testing

H	Independent Variable	Standardized Beta	t-value	Sig. (p-value)	Result
H1	Corporate Image	.365	5.519	.000	Supported
H2	Trust	.408	4.793	.000	Supported
H3	Service Quality	.137	1.848	.066	Marginally Supported
H4	Switching Cist	-.045	-.982	.327	Rejected

*Dependent variable: Brand Loyalty*

Simple linear regression analysis resulted in the following regression model:

$$\text{Brand Loyalty} = 1.090 - 0.040(\text{SC}) + 0.326(\text{CI}) + 0.382(\text{T}) + 0.116(\text{SQ})$$

According to the equation above, the independent variables have a major impact on brand loyalty. For example, if service quality improves by one unit, brand loyalty rises by 0.137. Similarly, as corporate image improves by one percent, brand loyalty improves by 0.365, and when trust improves by one unit, brand loyalty improves by 0.408. However, as the switching cost rises by one unit, the brand loyalty benefit decreases by 0.045. With a standardized beta value of 0.48, trust is the most important predictor of brand loyalty when the four variables are compared. Trust, led by corporate image and service efficiency, is now the most significant indicator of brand loyalty. On the other hand, switching costs are the only independent variable that has a negative association with brand loyalty.

Based on this study, it was concluded that there is a positive relationship between corporate image, trust, and service quality towards brand loyalty in the telecommunication sector. Conversely, switching costs are associated negatively with brand loyalty. The derived significance value for corporate image and trust is 0.000, which is less than the p-value of 0.05, thus it rejects the null hypotheses. Henceforth, it was summarized that corporate image and trust have a significant relationship with brand loyalty, thus H1 and H2 were accepted. The result indicates that the p-value for service quality is higher than 0.000. Nevertheless, a p-value of 0.066 is very close to the acceptable value of 0.05, hence concluded H3 to be marginally supported. In contradiction to these three variables, switching was found to be insignificant in explaining its association with brand loyalty, hence H4 was rejected.

### Discussion and Conclusion

The primary goal of this research is to identify the factors that affect brand loyalty in the telecommunications industry. The literature review's in-depth discussion aided in gaining a greater understanding of brand loyalty and the aspects that influence it. The findings of this study suggest that in the telecommunications industry, corporate reputation and confidence affect brand loyalty. Service quality and switching cost, on the other hand, do not seem to have a direct association with brand loyalty, though service quality is marginally significant. Switching cost, on the other hand, has only a moderate positive relationship with brand loyalty, according to Pearson's correlation study, while the other variable has a strong positive relationship. Furthermore, according to the hypothesis, trust has the highest standardized beta value, indicating that it is the most powerful determinant, followed by the corporate

image. In the telecommunications industry, service quality has a minor impact on brand satisfaction, although switching costs have little impact.

In contrast to corporate image, service quality, and switching cost, the results of this study indicate that trust has the greatest impact on brand loyalty in Malaysia's telecommunications market. According to previous studies by Anderson and Narus (1990), among other variables, trust is one of the strongest determinants of brand loyalty, and the descriptive review of this study backs up this claim by showing that trust has the highest mean value. Customers' interest in a company means that they have a good view of it, which leads to brand loyalty (Gundlach and Murphy, 1993). According to this report, corporate image is the second most important predictor of brand loyalty. According to Pearson's Correlation study, the corporate image has a strong positive correlation with brand loyalty. According to Nguyen and LeBlanc (1998), corporate credibility has a significant impact on brand loyalty, as having a strong respectable corporate identity, good accomplishments, promising quality levels, and successful products or services lead to a positive outlook among consumers, inducing them to be loyal to a specific brand. As a result, the collection of values, experiences, and concepts that a company has implanted in the minds of customers provides a constant constructive drive toward customers' buying decisions. As a result, this demonstrates that corporate image has a major impact on brand loyalty. On the other hand, the study's results indicate that, according to the association review, service quality has a strong positive relationship with brand satisfaction, but the conclusion for service quality was only partially accepted because its meaningful significance was significantly higher than 0.05. People prefer to be loyal to a brand based on their perceived familiarity with the service quality obtained from buying the brand's goods, according to previous studies such as Oliver (1999), because service quality is one of the significant determinants of brand loyalty.

This research, on the other hand, shows that in general, service quality is best experienced where there is a high level of interaction in the relationship between the service provider and the consumers. According to a study by Bloemer and Ruyter (1999), high participation from service providers is critical when providing service to consumers because it leaves an everlasting positive impression that leads to brand loyalty.

Hence, consumers cannot tell if the service quality will affect their brand loyalty based on a single contact with the service provider, and as a result, service quality is unimportant in this situation. In terms of switching cost, the findings show that there is a negative relationship between switching cost and brand loyalty in the telecommunications sector, but the hypothesis is not supported, implying that switching cost has little impact on brand loyalty. This may be because service providers in Malaysia provide the same product with only minor differences. As a consequence of the findings, the marketing consequences for service providers will be to foster faith and corporate reputation to build brand loyalty.

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