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Research paper

Determination of Brand Loyalty in Telecommunication Industry: a Literatur Review

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Abstract

This study focuses on the concept of "brand loyalty". The concept of brand loyalty is an important issue in the telecommunication industry and is one of the strategies in relationship marketing. This paper reevaluates the comprehensive determinants of brand loyalty, by testing the model proposed in previous research as a determinant of brand loyalty. The determinants of brand loyalty are service quality, customer satisfaction and brand trust. Several previous studies have addressed the relationship between service quality, customer satisfaction, and brand trust with brand loyalty and the study also presents various current research shortcomings and trends for future studies in the telecommunications industry.

Keywords: *strategies, marketing, brand loyalty, telecommunication.*

1. Introduction

Telecommunication industry of Indonesia has grown rapidly followed by the growth of the mobile phone industry sector. The growth of mobile phone industry is also followed by the high growth of Indonesian cellular phone subscribers which is predicted more than 100 million people by 2018. The high growth of the industry has also encouraged the higher growth of mobile phone market share so that it makes Indonesia as one of the potential countries for the telecommunication market in the future. The positive growth trend experienced by all mobile phone operators has caused little changes in the market share of each operator in recent years. Telkomsel, Indosat, and XL-Axiata are the three operators with the largest share of customers in Indonesia.

The growth of subscribers is predicted up to 426,520,331 people in 2018 (1). Factors that support the rapid development of mobile phone application technology are the emergence of the latest trends, the growth of e-commerce business, and transaction security support. These secure factors do not directly affect the ease of access for both the service provider and the users of telecommunications service. A customer is an important unit in the highly competitive cell phone market service environment. For cell phone service providers, customer research can be an important and useful strategy in understanding the mind of customers (2), where it can also have an important impact on increasing customer loyalty to the brand of telecommunication service providers.

The research on brand loyalty has been widely conducted in various areas of study and context especially in the context of telecommunications. To measure brand loyalty, the previous researchers used various variables as determinants of brand loyalty, including Quality of Service (3–6), Customer satisfaction (7–9), Brand trust (10–12). In some studies provide the evidence that the customer satisfaction, brand trust, and service quality directly or indirectly have an influence on brand loyalty.

This paper aims to examine the effects of customer satisfaction, brand trust, and service quality on brand loyalty in the mobile phone industry. The next section is to illustrate the theoretical framework and the description of research methods.

2. Literature Review and Research Methods

The research method is to describe the loyalty conceptual framework based on the literature review, which is extracted from 46 published academic articles from various international journals that revolve around the key themes associated with brand loyalty in the telecommunications industry. The existing literatures can be the basis for learning the concept of brand loyalty, but the literature review results are not clear enough in explaining the complex relationship to the problems faced by national telecommunications company leaders, and these opinions have created a gap in this study.

2.1. Relationship between Service Quality and Brand Loyalty

Quality of service is a very relevant concept in all sectors, including in the service sector (13). The tremendous growth in the service sector then makes the study of service quality in this sector more attractive. Customers are different from consumers. A customer is a person always buy products or services offered by the company. These habits are formed through repetitive purchases over a period of time. If the person does not make a repetitive purchase within a certain period of time then he is called

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a consumer. The measurement of customer perception on service quality is conducted through five dimension quality measurement, namely tangibility, reliability, responsiveness, assurance, and empathy (14).

Customers generally expect products in the form of goods or services that can be consumed and enjoyed well and satisfying. In other words, customers want a good and satisfying service. Companies must pay attention to the quality of the services provided by the company. The company certainly strives to provide good services quality to its customers. service quality is necessary, but not adequate yet in creating brand loyalty on the mobile phone (15). Furthermore, one of the determinants of loyalty in some industrial sectors under study is one service quality (16).

In the telecommunications sector, the perceived quality of service will affect the loyalty of telecommunication service users (17). It was further found that service quality had a positive effect on customer loyalty (3). The expected service quality will foster the brand trust of consumers, which will ultimately affect brand loyalty, either directly or indirectly (5). Meanwhile, many researchers perceived service quality of consumers has a direct influence on brand loyalty (6,18). Further, it is explained that the quality of service through service delivery dimensions and service reliability dimensions can drive high customer brand loyalty (17). However, research conducted by Hapsari, Clemes, & Dean (2017) find an indirect relationship between service quality and loyalty (19). In contrast to previous statements, the perception of the quality of customer service negatively affects brand loyalty (10). Furthermore, it was found that service quality dimensions can also be an important reason for consumers to switch to other mobile operators (20).

H1. Perceived Service Quality of the service provider has a positive impact on Brand Loyalty.

2.2. Relationship between Customer Satisfaction and Brand Loyalty

Most of the research on brand loyalty in the telecommunication industry are conducted in developed countries. Even in other service sectors, customer satisfaction confirms positive relationships with brand loyalty (21). Satisfaction is an important component in forcing customers to have positive or negative feelings about a particular service (20).

Theoretically, it can be argued that customer satisfaction is a key influencer in consumer buying behavior which can lead to the customer loyalty to a particular brand (8). Meanwhile, several other studies propose that customer satisfaction as a significant variable predicting brand loyalty (22,23). The success of the brand loyalty program in the telecommunications industry is also influenced by increased customer satisfaction (4,24). It is almost the same as the previous research, which also finds that the customer satisfaction positively and significantly influence brand loyalty in examining the conceptual models of brand loyalty of mobile user in Taiwan (7,21,25–27). Furthermore, customer satisfaction can be a mediating variable in confirming and reinforcing the influence of all pathways in the model on brand mobile user loyalty in Selangor, Malaysia (9). The results of this research are similar to Ahmad et al. (2016) who indicate a direct relationship between satisfaction and loyalty (18). But other studies reveal an indirect relationship between customer satisfaction and loyalty (19). in addition to determining the direct influence on loyalty, customer satisfaction as a mediation variable is also able to confirm and reinforce the influence of all the pathways in the brand loyalty model of mobile users (9,21).

Other studies outside of the telecommunication context find an indirect relationship in the relationship of customer satisfaction with loyalty through commitment (19,28). Although overall customer satisfaction can be used to build a telecom brand loyalty model, low customer satisfaction can reduce customer loyalty to the brand, and even overall satisfaction can affect customer loyalty to the brand (29,30). Differences in the proposals in previous research encourage writers to try to reformulate the determinants in the brand loyalty model in the telecommunications industry.

H2. Customer Satisfaction of the service provider has a positive impact on Brand Loyalty.

2.3. Relationship between Brand Trust and Brand Loyalty

Brand issues become one of the issues that should be continuously reviewed by each company. Brands can have a high value because there is brand building activity that is not just based on communication, but is all kinds of other efforts to strengthen the brand. A brand will have a reputation if the quality and credibility are always maintained consistently so that the customers are interested to consume that brand. In addition, the brand must also be able to increase the emotional involvement of customers so that the customers will have a bond and will loyal to the brand. In the era of information technology, trust has been widely accepted as an important factor in the provision of safe and reliable communication services (31).

Satisfaction driven by the brand trust will further explain its true loyalty. Brand trust represents an important component of internal placement or attitudes associated with brand loyalty (32). Therefore, the understanding of customer loyalty to the brand is imperfect if it can not be achieved without explanation of the brand. The belief in the brand will ultimately build brand loyalty. Various literature shows that trust is one of the strongest predictors of brand loyalty (33,34). Trust is the willingness to rely on exchange partners (service providers) one of whom is to have confidence as an important investment in building satisfaction to lead to loyalty (24).

Trust is generally examined in two dimensions based on the rational evaluation process and the emotional response developed from the interaction process (35,36). The main dimension of trust is known as cognition-based trust, knowledge-based trust, or trust system (37,38). Brand trust plays a positive role in generating consumer loyalty to a brand, and the type of perceived belief is objective and based on a rational process that determines whether the other party in the relationship can be trusted (10),(11). In other words, cognitive beliefs relate to perceived beliefs, which are based on service provider expertise and performance, such as competence, credential, and reliability (11).

The second dimension of trust is known as a trust-based influence, emotional trust, interpersonal trust, or relational trust (38,39). The conclusion is that affective beliefs relate to emotions based on service provider likeability, such as courteousness, friendliness, and pleasure (40). various opinions on trust engagement as key determinants in the development of loyalty models also explain that brand trust and brand loyalty are key aspects of brand management (41). Furthermore, Kaur & Soch (2013) show that trust has been accepted as one of the significant intermediaries in driving telecommunication brand loyalty (28). So that, Idrees, Xinping & Shafi (42) ensure that consumer trust in the brand will lead to brand loyalty (42), thus encouraging some researchers, use brand trust to measure loyalty, and show positive and significant results on brand loyalty (12,25,43,44). Further So et al. (2016) confirms that trust is something that is very important in building brand loyalty (41). Based on the literature can be concluded that there is a positive and significant relationship between trust and brand loyalty.

H3. Brand Trust of the service provider has a positive impact on Brand Loyalty.

3. Theoretical Framework

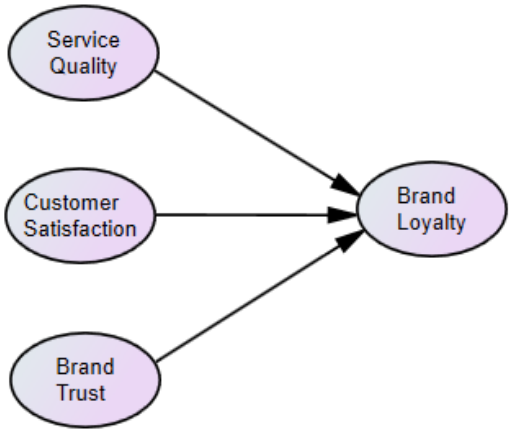


Fig. 1: Theoretical Framework

4. Conclusion

The objectives of this literature review are: first, (1) to identify the dimensions of customer satisfaction, brand trust, and service quality. (2) to examine the relationship between exogenous variables with the brand loyalty of telecommunication service providers in Aceh Province. This research also provides theoretical value enrichment through proposed models for other future research with different dimension measurements. This conceptual brand loyalty framework can provide practical contributions if empirically tested further. These empirical findings may also provide valuable input to marketing practitioners in devising marketing strategies, especially customer-oriented frameworks and brand loyalty.

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