The significance of Pull-in and Push-back force in creating customer loyalty among millennials telecommunication use; A Pakistani perspective

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Abstract—Due to the increasing customer base and intense competition in telecommunication sector of Pakistan, companies are striving for customer loyalty. The inclusion of loyalty becomes more important as in service sector the cost of acquiring new customers is relatively more as compared to holding back old customers. The prime purpose of this research is to investigate that out of the two aspects of customer loyalty in service context; pull-in force (relationship quality) and push-back force (switching barrier), which one is more dominant in forming customer loyalty in telecom sector. A survey questionnaire was distributed among 397 millennials mobile users of Pakistan. Gathered data was then used to empirically test the proposed hypothesis by making use structural equation modeling technique (SEM). Customer loyalty was found to be significantly associated with both relationship quality i.e. satisfaction and trust, and switching barriers. Therefore, from a managerial viewpoint in order to foster customer loyalty the companies should focus on building relationship quality along with switching barriers. This would also assist in diminishing likelihood of customer switching. The results of the current study will help the telecom companies in Pakistan that are facing the dilemma to attract and retain old customers as fresh competitors continue to enter in the telecommunication service domain. The present study is one the earliest studies to find out the impact of both pull-in and push-back force on customer loyalty of telecom users in Pakistan.

Keywords—Loyalty, Satisfaction, Trust, Switching barriers, Pakistan.

1. Introduction

According to International Telecommunication Union (ITU, 2013) 6.8 billion people around the globe are mobile phones users. About half of the population in Pakistan is using mobile phone facilities (Jahanzeb & Jabeen, 2007). In the coming years not only the mobile phone users are going to surge but so as the phone service provider companies. Pakistan Telecommunication Authority (PTA) says in its annual report of 2014 that the figures of mobile phone users in Pakistan are 137.7 million. The cellular market in Pakistan is mounting at a higher rate than the competitor markets (Jahanzeb, Fatima & Khan, 2011). The telecom sector of Pakistan was effective in drawing USD 15.14 billion as Foreign Direct Investment (FDI) and also generated a revenue of USD 29.62 billion (PTA Annual Report, 2013, page 14). Telecom industry also contributed in raising the National reserves of Pakistan. Federal Board of Revenue (FBR) collected Rs57.78 billion from telecom sector in terms of General Sales Tax (GST). The current study holds its significance as the cellular market in Pakistan is becoming mature as now the mobile companies not only have to build loyal customers but also have to restrict them switching to other competitors.

It is evident from the previous literature (Lin, 2010) that in case of highly competitive sectors the attraction and retention of customers becomes an impossible task for the companies. To overcome this problem customer loyalty has been deemed as the viable option. The success of telecom companies rely on the fact that its customers remain loyal with the service provider in the long run (Gerpott et al., 2001). (Edward & Sahadev, 2011) highlighted that it is five times more expensive to attain new customer than retaining them. Having satisfied and loyal customer's increases profits (Huret al., 2010) and yield higher productivity levels (Reichheld & Schefter, 2000).). If customers are loyal to the service provider they not only rebuy the product or service but spread a positive word of mouth which helps to shape a good image of the company in the market (Rauyruen & Miller, 2007). Extant studies (Sweeney & Swait, 2008) pinpointed that the dilemma of customer switching is mounting at a great pace in telecommunication sector than any other sector. Previously the importance relationship quality has been studied in context of Pakistan to identify its impact on customer loyalty (Raza et al., 2012) but the influence of switching barriers have been ignored. Moreover, there has been a scarcity of research when it comes to exploring the impact of switching barriers among different age groups (Jones et al., 2000). This study therefore fulfills this gap and illustrates that in order to form customer loyalty not only relationship quality (i.e. satisfaction and trust) but switching barriers are of equal importance. The findings of this paper will help managers and cellular companies of Pakistan to create loyalty among the users of the mobile service which will help the companies to become profitable in the long run.

2. Literature review

The decision making process of customers is governed by two prevailing forces, one is pull-in force and the other is push-back force. The pull-in force is comprised to satisfaction and trust. Relationship quality has been found to have a significant positive impact on loyalty (Rauyruen & Miller, 2007). Trust of customer is formed when he or she thinks that the service provider will safeguard his interests and will not breach the confidentiality of his data. Satisfaction helps in creating customer retention and satisfied customers are pretty much eager to do business with the service provider in the long run. The push-back in the model is switching barriers. (Colgate &

Lang, 2001) proposed that switching barriers are helpful in developing customer repurchase behaviour. Formerly relationship quality and switching barriers are recognised as antecedents of loyalty (Lin & Wang, 2006; Hu & Hwang, 2006). But this study targeted the millennial generation to get a better understanding of loyalty among this group of population as they are more prone to technology and mobile phones than any other generation in the world (Williams & Page, 2010).

2.1. Millennials or Gen Y

Millennials or Gen Y are the group of people that are born between 1980 and 2000 (Kotler & Armstrong, 2013). Millennials are considered to be the largest consumer market for the companies which constitutes a major portion of wealth in the world (Weber, 2015). This generation is difficult among all the other generation when it comes to loyalty creation (Ayaydın & Baltaci, 2013). So it would be interesting to find out that if the same holds true for Pakistani millennials in telecom sector. Millennials not only have a significant purchasing power but at the same time they have the authority to influence the buying decisions of their families (Neuborne, 1999).

2.2. Loyalty

Loyalty is stated as intensely held guarantee to repurchase a product or service regularly in the future (Liu & et al, 2010). Customer loyalty is regarded as favorable behavior of a customer towards the service or product (Kim & et al, 2004). Literature on customer loyalty has categorized it into two: short terms and long term loyalty. Long term loyal customers are more fruitful for the companies as they are reluctant to switch to the competitors. (Liu & et al., 2010) research work illustrates that companies should make conscious efforts to establish long term loyalty due to the benefits attached with it. Customer loyalty importance is further crucial in case of competitive markets like telecommunication (Rowley, 2005). Company's growth is very much dependent upon customer loyalty (Richard, 2003).

2.3. Satisfaction

Satisfaction is termed as a positive response to purchase situation (Babin & Griffin, 1998; Bennet et al., 2005). Customer satisfaction is the overall attitude shaped when customer's post-purchase estimation meets his or her pre-purchase anticipations (Hellier & et al, 2003). Customer satisfaction is achieved when customers are fulfilled with the product and service of the company (Kim & et al, 2004). Tremendous amount of research has been done in the field of customer satisfaction which results in providing various insights about this construct i.e. quality of the product or service, price, contextual and personal aspects of individuals all are significantly related to customer satisfaction (Zeithaml & Bitner, 2000). Extant literature has highlighted that customer satisfaction results in customer loyalty (Deng, Lu, Wei, & Zhang, 2009). Based on this the following hypothesis is proposed:

H1: Satisfaction has significant positive impact on loyalty of millennials.

2.4. Trust

In context of service concern firms, trust is deep rooted behavior held by the customer that the service provider will meet his expectations and needs (Anderson & Weitz, 1989). Trust is formed

if one party has self-confidence in the trustworthiness and steadfastness of the other party (Morgan & Hunt, 1994). (Doney & Cannon, 1997) depicted that trust is shaped as a result of integrity and compassion. According to (Rauyruen & Miller, 2007) trust is comprised of two levels: at first level the customer trusts the sales representative, while at the second level the individuals have trust and faith within the firm or company. In the telecommunication sector the second level trust is more dominant and critical. In the existence of trust the performance of companies increase. Customer retention is found to be significantly influenced by trust (Thomas, 2009). Trust is a pre-dominant factor in the establishment of customer loyalty (Aydin & Ozer, 2005). Based on this the following hypothesis is proposed:

H2: Trust has significant positive impact on loyalty of millennials.

2.5. Switching barriers

Switching barriers are the one that cause hindrance for the customers to switch to the alternative service providers (Jones et al., 2000). When the services of the service providers are not up to the mark, it is the presence of these switching barriers that may be in the form of social, monetary or psychological damage that can still aid to clutch the customers (Fornell, 1992). Switching barriers are financial and emotional hurdles that a customer has to go through if he chooses to switch to other product and service (Kim, Park, & Jeong, 2004). (Kuisma, Laukkanen, & Hiltunen, 2007) has highlighted the factors for example; searching cost, loss of discounts or incentives, loss of existing relationships and uncertainty of future with the new service provider, all these aspects make it expensive for the customer to switch. Previous work has stressed that switching barriers act as a helping hand in foundation customer retention (Aron, 2006). Customer loyalty has also been found to be influenced by the presence of switching barriers in case of telecom sector (Kim & Yoon, 2004). But it would to fascinating to further probe that whether the inclusion of switching barriers also assists in creating loyalty among the millennial generation. As a result the following hypothesis is proposed:

H3: Switching barriers have significant positive impact on loyalty of millennials.

3. Methodology

Survey questionnaire research methodology was used for data collection by making use of convenience sampling technique. Sampling frame included all the potential millennial mobile service users in three major cities of Pakistan i.e. Karachi, Lahore and Islamabad. There were certain criteria for respondent's participation in the study, first criteria was that the respondent should be mobile network user, second criteria was that the respondent age should be between 18 to 35 years. A total of 480 filled questionnaire were returned, 397 valid questionnaire were further used for analysis. This study made use of existing measurement scales to measure all the constructs. Three item scale was employed from the study of (Moon & Kim, 2001) to measure loyalty of millennials .Both trust and satisfaction were also measured by three item scale of (Crosby et al 1990). Switching barriers were measured by making use of two item scale of (Kim et al 2004).

4. Analysis

The sample comprised of 235 male respondents (59.1%) and 162 female respondents (40.8%). All the respondents (100%) fall within the age bracket of 18-35. In terms of monthly income (6.8%) percent of respondents had a net income up to Rs. 10000, (62.2%) earned up to Rs. 30,000, (17.1%) earned up to Rs. 50000 and (13.9%) had an income of more than Rs. 50,000. While evaluation the education level of sample side it was found that (43.3%) of respondents held a bachelor's degree whereas (57.7%) had Master's degree respectively.

4.1. Measurement model

Initially the measurement model was not appropriate with our survey data. So as a consequence to make the model right we did re-specification. As a result of re-specification the proposed model achieved adequate fitness. The fit indices for the measurement model are $\chi2$ = 769.67, $\chi2$/df=1.94, AGFI=.867, GFI=.893, Comparative fit index (CFI) = 0.938; Tucker–Lewis index (TLI) = 0.927; Incremental fit index (IFI) = 0.938; Normed fit index (NFI) = 0.881; P close .641 and Root Mean Square Error of Approximation (RMSEA) = 0.49 specified a suitable level of fit for the measurement model. All the model fit values were under the threshold level as proposed by (Tabachnick & Fidell, 2007; Hu & Bentler, 1999). The confirmatory factor analysis (CFA) values of all the variables are given in the following table:

S.No	Codes	Factor loadings	Standardized estimates	t-value	p-value	Cronbach's alpha	AVE
1	T1	.545				.70	.69
2	T2	.761	.135	10.725	***		
3	T3	.727	.129	10.458	***		
4	Sats1	.786				.77	.61
5	Sats2	.680	.060	13.185	***		
6	Sats3	.721	.062	14.053	***		
7	SB1	.653				.75	.65
8	SB2	.728	.114	11.522	***		
9	SB3	.753	.105	11.772	***		
10	L1	.889				.84	.63
11	L2	.689	.049	14.971	***		
12	L3	.666	.049	14.315	***		

Table 1: All the factor loading are greater than 0.50 criteria of (Steenkamp & Trip, 1991), AVE of all the variables exceeded the criteria of 0.5 (Fornell &Larcker, 1981), all constructs in the measurement model had Cronbach greater than .70 criteria of (Hair, Anderson, Tatham, & Black, 2010).

The data was then checked for validity and reliability. Following table exhibits the reliabity and validity of the data set:

Constructs	CR	AVE	Trust	Satisfaction	Switching barrier	Loyalty
1 Trust	0.774	0.633	0.790			
2 Satisfaction	0.658	0.596	0.673	0.772		
3 Switching barrier	0.734	0.648	0.528	0.454	0.714	
4 Loyalty	0.733	0.670	0.379	0.542	0.681	0.750

Table 2: Composite reliability (CR) of all the constructs is greater than 0.60 criteria of ((Bagozzi & Yi, 1998), Discriminant reliability is also confirmed as all the variables has average variance extracted (AVE) greater than 0.50 threshold level (Hair et al, 2011).

4.2. Structural model & Hypothesis testing

The structural model as illustrated in Table 3, was tested using structural equation modelling.

		Path coefficient	S.E.	t-value	P-value	Decision
H1	Trust → Loyalty	.761	.164	6.001	***	Accepted
H2	Satisfaction → Loyalty	.358	.062	3.328	***	Accepted
H3	Switching barrier → Loyalty	.545	.087	7.987	***	Accepted

Table 3: Hypothesis 1 was accepted (gamma value=.76, p< .01), Hypothesis 2 was accepted (gamma value=.358, p< .01), Hypothesis 3 was accepted (gamma value=.545, p< .01).

5. Discussion & practical implications

The results of this research demonstrated that relationship quality and switching barriers had a significant positive impact in creating loyalty among the millennials of Pakistan in telecom sector. All these results are consistent with the previous literature findings (Deng et al., 2009). The statistical finding of this paper suggest that while creating customer loyalty in millennials both pull-in (relationship quality) and push-back force (switching barrier) are equally important. Our study also depicts that more the service provider safeguards for the interests of customers more the trust will be developed. Which means that the telecom companies should initiate more and more such steps that should help to form a bond of trust in customers. For example providing security in data sharing will help to build a level trust. A noteworthy way of building loyalty is the addition of switching barriers. Companies therefore must build such strategies that create switching barrier for the customer to restrict them like low price, superior network quality, and

efficient packages. Telecom companies should continue to create relationship quality and switching barriers for the millennials so that cost of switching for them is high and they remain to use the current service. To retain the customers companies should make use of both pull-in and push-back forces.

6. Limitations and future research

There are certain limitations attached to the present study which also opens new avenues for future research work. First, the data was only collected from the millennial generation. Future studies can make use of other population segments to generalize the findings of the study. Second, the research design used to calculate the customer loyalty model was cross-sectional. Rather than using cross-sectional research design upcoming studies can make usage of longitudinal research design to get improved results.

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