THE RELATIONSHIP BETWEEN PERCEIVED VALUES, CUSTOMER SATISFACTION AND BRAND LOYALTY IN THE CONTEXT OF MOBILE SERVICE PROVIDERS

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DISSERTATION SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION

PERPUSTAKAAN
UNIVERSITI MALAYSIA SABAH

SCHOOL OF BUSINESS AND ECONOMICS

UNIVERSITI MALAYSIA SABAH

2011
UNIVERSITI MALAYSIA SABAH

BORANG PENGESAHAN STATUS DISERTASI

JUDUL: THE RELATIONSHIP BETWEEN PERCEIVED VALUES, CUSTOMER SATISFACTION AND BRAND LOYALTY IN THE CONTEXT OF MOBILE SERVICE PROVIDERS

IJAZAH: SARJANA PENTADBIRAN PERNIAGAAN

SESJI PENG AJJAN: 2010-2011

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DEGREE : MASTER OF BUSINESS ADMINISTRATION
VIVA DATE : 11 JULY 2011

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ACKNOWLEDGEMENT

My greatest gratitude goes to my supervisor, Dr. Stephen Laison Sondoh and also my lecturer Dr. Amran Harun for their kind assistance and guidance throughout this project paper. Your wisdom to patiently guide me has made this work finally a completed one.

My sincere recognition thanks to the individuals who have participated in this study. I also wish to acknowledge everyone who has given me their time and assistance in anyway, directly or indirectly during the course of my study.

I would also like to thank my beloved parents - Mr. Chin Chee Kee, Wong Kam Tao, my sisters - Chin Vui Wei, Chin Vui Yee, Chin Vui Ying, my wife - Chin Nyuk Swan and also my five months old daughter - Chin Yee Tong who offered me unconditional love, encouragement, support, and their contribution that sustained me throughout the study.
ABSTRACT

THE RELATIONSHIP BETWEEN PERCEIVED VALUES, CUSTOMER SATISFACTION AND BRAND LOYALTY IN THE CONTEXT OF MOBILE SERVICE PROVIDERS

This dissertation reports the results of the study focused on describing and understanding the determinants of brand loyalty and the mediating effect of customer's satisfaction in using various mobile phone services. The researcher seeks to contribute to the development of a conceptual framework that integrates perceived values which consists of monetary value, convenience value, social value, emotional value, conditional value, epistemic value, functional value, customer satisfaction and also brand loyalty. The study was carried out among the mobile phone users in Kota Kinabalu and Labuan. For the purpose of this research, the researcher used questionnaire as the main research instrument. Quantitative data obtained were analyzed using Statistical Package for Social Research (SPSS) version 17.0. The result of this study found there is a significant relationship between monetary value, convenience value, social value, and functional value on brand loyalty. In contrast the emotional value, conditional value and epistemic value were found no significant relationship with brand loyalty. Customer satisfaction partially mediates the relationship between social value, monetary value and also functional value. Furthermore it was found that customer satisfaction fully mediates the convenience value. It is hoped that this research provides the implication for differentiated marketing strategies in pursuit to strengthen customer's satisfaction and consequently lead to brand loyalty.
ABSTRAK


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1.0 Overview

This chapter will be highlighting the issues and rational of study, brief profile of the mobile service providers in Malaysia, definition of key variables and dimensions used statement of the problems, objectives, significance of the study, scope of the study, and also the summary of this chapter.

1.1 Brief Profile of Mobile Service Industry in Malaysia

Table 1: Mobile Phone Subscription in Malaysia from 2005 to 2010

<table>
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<th>YEAR</th>
<th>2005 '000</th>
<th>2006 '000</th>
<th>2007 '000</th>
<th>2008 '000</th>
<th>2009 '000</th>
<th>2010 '000</th>
</tr>
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<tbody>
<tr>
<td>Mobile Services Subscription in Malaysia</td>
<td>19,545</td>
<td>19,463</td>
<td>23,347</td>
<td>27,713</td>
<td>30,144</td>
<td>32,387</td>
</tr>
</tbody>
</table>

Source: Euromonitor, 2011
There are 6 main mobile service providers in Malaysia and they are Maxis, Celcom, Digi, U-Mobile, Tune Talk and XOX Com respectively. These mobile service providers are providing Global System for Mobile Communication (GSM) services to the subscribers. Therefore it is very much different from the mobile internet service providers who caters services which is limited to only data and broadband services such as Yes 4G, P1 Wimax and so on. From table 1, it is obvious that the mobile telephone subscriptions have been increasing significantly from the year of 2005 to 2010. The research which was carried out by the Malaysian Communication and Multimedia Commission’s (MCMC) is not being highlighted in this study as there are no further survey being done after 2005.

1.2 Statements of the Problems

Much research has been conducted in an attempt to understand the important factors that determine customer loyalty. One of the most important factors that contribute to the formation of customer satisfaction and customer loyalty is perceived value. However according to Shukla (2009), there are different conclusion in justifying whether perceived value has direct and positive relationship with customer loyalty on mobile service providers across the world.

According to Fred (1993), the product attributes such as service, durability, brand image, design style, price, design variation, place, promotion, advertisement and unique features are classified as the perceived values and as one of the determinants towards brand loyalty. From the same finding as well, Fred (1993) concluded that the perceived values by the customers towards the mobile services would lead to brand loyalty. Based on the same finding they also concluded that the Chinese local brands of mobile phone are in disadvantageous position in consumers’
perceptual map with respect to both the quality/value and personality awareness dimensions.

Ha (1998) argued that customer loyalty is the result of successful marketing strategy that creates competitive value for consumes, like what Southwest Airlines and Harley-Davidson. Customer perceived value is so critical that it drives market share and increase the customer loyalty (Zeithaml, 1988). It is also concluded that the product perception is normally created by the firm’s marketing strategy by having the appropriate marketing mix for the right position in the intended target market.

On the other hand, Jensen and Hensen (2006) discovered that the perceived value by the customers do not ensure the creation of brand loyalty. They also added that perceived value obtained from the product have different context and reception between Western and also Chinese consumers. His research found out that the influence of the brand loyalty of Chinese consumers differ significantly from Western consumers whereby brand loyalty stems from perceived quality, perceived value and trust from the Western consumer context. Also in Jensen and Hensen (2006) study it was discovered that the Chinese young affluent consumers are more willing to pay a premium for a symbolic brand than Western consumers who are more concerned about getting good value for money.

By looking at the different result conducted by different researches, the gap between the perceived values and brand loyalty is still remained as a myth due to some particular factors. Therefore this study will examine the relationship between the perceived values and brand loyalty with the mediating effect of customer satisfaction.
1.3 Research Questions
The research questions this study addresses in line with above research objectives are as follows:

a. Does perceived values have a positive relationship with brand loyalty?
b. Does perceived values have a positive relationship with overall customer satisfaction?
c. To what extent is the relationship between perceived value and loyalty intention is mediated by overall customer satisfaction?

1.4 Objectives of the Study
The specific objectives of this study are as follows:

a. To examine whether perceived values has significant relationship with the brand loyalty in mobile services context.
b. To examine the relationship between perceived values and overall customer satisfaction.
c. To examine the role of overall customer satisfaction as a mediating factor in the relationship of consumer loyalty.

1.5 Significance of the Study
This study is to be carried out with the purpose of determining the relationship between the perceived value and also brand loyalty among the Malaysia mobile service subscribers. For the past 10 years there were more than 6 mobile phone service providers being set up and joined the mobile telecommunication industry. These mobile service providers are Celcom, Digi, Maxis, Tune talk, Xox, and also U-mobile. Among these mobile service players in Malaysia, Celcom, Digi and Maxis are the biggest mobile service providers in Malaysia. However in this particular
study, all the 6 mobile telecommunication will be used as the subjects in order to create a more solid result.

It is clearly seen that most of the mobile service providers as mentioned above offers their product and services with significant packages which cater to the different needs from the mobile phone users. However it remains as a doubt for the players whether the packages and service offered to the public will ensure brand loyalty among the subscribers in Malaysia.

In this relation, it is necessary for this study to be conducted in order to test whether all the packages and services generated from different mobile service providers are actually leading to the brand loyalty among the Malaysia mobile phone users. The participants' responses and the testing which will be carried out in this report would be able to conclude the correlation whether the perceived values will generate enough customer satisfaction and mediate the brand loyalty.

1.6 Expected Benefits

The findings of the study should benefit both academics and practitioners to understand the relationships between perceived values, customer satisfaction and loyalty in the mobile service providers industry in Malaysia. From the academic perspective, this study will contribute to consumer behavior and loyalty literature by providing empirical evidence to support the relationships between perceived values, overall customer satisfaction and consumer loyalty intention in the context of mobile service providers industry in Malaysia.

However from the executive perspective, the result of this study would serve as a reference for the mobile phone companies to further review on their marketing
and production strategies towards the growth of their sales. The mobile service providers would find this study useful in identifying their product’s acceptance and brand preference by the consumers to further develop the products which most of the people are expecting.

1.7 Scope of the Study

The scope of study for this research is to find out the relationship between perceived value and brand loyalty among the mobile phone users in Malaysia. From the other research it was discovered that the relationship between these two variables are seemed to be inconsistent whereby some researches found out that the relationship between perceived value and brand loyalty is positive, and the other studies found the other wise.

Throughout the study, the definition of perceived value will be further defined and categorized. The perceived value as defined by Pura (2005) can be categorized into 6 dimensions and they are monetary value, convenience value, conditional value, epistemic value, social value, and emotional value respectively. However what was being explained by Sheth et.al. (1991), the functional value (performance quality) should also be classified under the perceive value measurement other than the six values as determined by Pura (2005). The mediator-customer satisfaction will be examined as well as whether this mediator has any significant relationship that would be affecting the brand loyalty.

Basic research is defined as a research which is carried out with the purpose of generating knowledge and understanding the entire phenomena and problems that took place in different organizations (Sekaran & Bogie 2009). Therefore this
research is classified as a basic research which carries the purpose to find out the relationship between the perceived value and brand loyalty among the mobile service subscribers in Malaysia.

The independent variables in for this research is the perceived values whereby the dependent variables which will be used for the testing are the perceived brand loyalty which might be mediated by customer satisfaction.

The questionnaires will target those mobile phone users or respondents who use mobile phones and the questionnaires will be distributed to the respondents by using distribution methods. Respondents from either in Kota Kinabalu or in Labuan the researchers will personally meet up with the respondents and distribute the questionnaire to them. The questionnaire will then be collected on the spot as well once the respondents have completed them.

1.8 Definition of Key Variables and Dimensions Used

Definitions and description of terminologies used in the study are illustrated below.

**Brand Loyalty** is defined as a repeated purchase behavior based on consumers' satisfaction with their accumulated experience in purchasing the same brand (Lin, 2010).

**Perceived Value** is the evaluation of what is fair, right or deserved for the perceived cost of the offering by a product or service (Zeithaml, 1988).

**Monetary Value** is a value which is perceived as monetary benefit or superiority compared with other available alternatives (Sheth et.al, 1991).
Convenience Value as defined by Mathwick et.al. (2001), it is a perception by the consumer on whether a task or demand is achieved effectively with the presence of ease or difficulties.

Emotional Value is a value which is acquired when a product or service arouses the feeling or affective states (Sheth et.al, 1991; Sweeny and Soutar, 2001).

Social Value as defined by Pura (2005) to be the utility which can be derived from the product or service's ability in enhancing social self-concept. Pura (2005) also added that the social value derives mostly from the product or services shared with other users.

Conditional Value is a perceived utility acquired by the users of the product or services as the result of the specific situation or set of circumstances facing by the choice maker (Sheth el al, 1991).

Epistemic Value normally reasoned by the curiosity or satisfaction of desire or knowledge by the users towards the product/services offered to them. (Pura, 2005). In other words epistemic value arise when the consumers are seeking for novelty and variety for new products and services.

Functional Value normally derives from the characteristics of certain product or services pertaining on their attributes such as reliability, durability, price, quality, and others which could affect the purchase decision of the consumers (Moliner, 2009).

Customer Satisfaction refers to customer perception of whether or not the amount of money paid for the product was reasonable (Sweeney & Soutar, 2001).
1.9 Summary

This chapter serves the purpose to brief the reader about the mobile service providers analysis in Malaysia. In addition the statement of problems and objectives are both being highlighted in this chapter to clarify what is main objective for this particular research to be carried out. The significance, scope and expected benefits from this study are also being explained to emphasize the area which were covered and also the benefits which might be useful for the relevant parties. In this chapter the research questions and also the definition of key variables being used in this study are also briefly explained.
CHAPTER 2

LITERATURE REVIEW

2.0 Introduction

This chapter will cover about the review of the journals and studies which were being applied to all the variables in this particular research. The literature reviews discussed about the dependent variable (brand loyalty), independent variables (monetary values, conditional values, convenience value, emotional value, epistemic value and social value) and also the mediator (customer satisfaction).

2.1 Brand Loyalty

It is true that most of the businesses wants to gain and maintain the customer loyalty towards their brand. The reason is because brand loyalty will be able to generate profits, increase the market share, revenue and also competitive advantages among the competitors. It is very important to understand the concept of loyalty and also the development as according to Reichheld and Detrick (2003), a 5% of increment in customer retention will lead to a profitability of a company by 25% to 95%. Yang and Peterson (2004) also added that customer loyalty is one of the major drivers of success in today's world especially in e-commerce sector. They argued that loyal customer would often, over time bring in substantial revenues and demand less time and attention from the firms the consumer patronize.

There are three brand loyalty approaches being categorized by Jacoby and Chestnut (1978) after identifying more than 50 operational definitions of brand loyalty. The three brand loyalty approaches are behavioral approach, attitudinal approach and also composite approach respectively. Jacoby and Chestnut (1978) has then further developed the behavioral approach into another four groups and they are (1) proportion of purchases devoted into a given brand, (2) sequence of purchase, (3) probability of purchase, (4) synthesis or combination of several behavioral criteria. However, these behavioral definitions were being questioned and criticized by Oliver (1999) as he challenged that all the behavioral definitions by Jacoby and Chestnut (1978) suffer from the problem that they only record what a customer does and not tapping into the psychological meaning of loyalty.
Attitudinal brand loyalty on the other hand can be defined by the stated preferences, commitment or purchase intentions of the customers (Mellen, et al 1996). Assael (1998) explained that brand loyalty, as a favorable attitude towards a brand resulting in consistent purchase of the brand over time is one of the examples to elaborate attitudinal brand loyalty. In addition, Movern (1995) also defined that attitudinal brand loyalty can be proven by the degree to which a customer holds a positive attitude towards a brand and has commitment to it and intends to continue purchasing it in the future.

Composite brand loyalty approach according to Jacoby and Chestnut (1978) emphasizes both behavioral and also attitudinal concepts. In other words brand loyalty as defined by Jacoby and Chestnut (1978) as: (1) the biased (i.e., non-random), (2) a behavioral response (i.e., purchase), (3) expressed over time, (4) developed by some decision-making unit, (5) with respect to one or more brands out of a set of such brands, and (6) is a function of psychological (decision-making evaluate) processes.

In other words the behavioral loyalty that was defined earlier reflects the conditions number one to three and the attitudinal loyalty combines condition four to six.

2.2 Customer Satisfaction

Customer satisfaction has been widely recognized by most of the researchers in the world and it plays a very important role in the business world determining the improvement of profitability, increasing market share, reinforcing repurchase behavior, retaining customers, building and maintaining customer loyalty and also instilling commitment (Evan and Lindsay, 2008). However, Parasuraman et. al (1985) claimed that customer satisfaction and service quality are both elusive, subjective and also abstract constructs which are difficult to be defined, managed and also measured. Viewing at today's stiff challenges in the business world and also the more sophisticated consumers demand it is crucial to measure the customer satisfaction as a mean to identify whether the services or products are meeting the consumer’s needs as well as expectation. Evan and Linsay (2008) also explained that the customer satisfaction serves the purpose in identifying the possible areas of improvement to and track the current trends of consumers.
REFERENCES


