Reoseurly on Effects of Corporate Image, Customer Satisfaction and Switching Cost on Customer Loyalty in Togolese Telecommunication Companies

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Abstract In today's competitive business environment, companies are striking to retain their existing customers through many loyalty programs. Their ultimate goals are the success of retention and the gain of repurchase intention of customers. The purpose of this study is to contribute to the body of knowledge by empirically testing the impact of corporate image, customer satisfaction and switching costs on customer loyalty in the telecommunication companies in Togo. Data was collected through questionnaire from 160 mobile phone user's of two Togolese telecommunication industries, namely Togocell and Moov and we use ANOVA to test our hypothesis by using SPSS 17 as statistical tools. The results of the study reveal that the degree of customer loyalty has a tendency to be higher when perceptions of corporate image, customer satisfaction and switching cost are strongly favorable.
Key words Corporate image; Customer satisfaction; Switching costs; Customer loyalty; Togolese telecommunication companies

1 Introduction

Customer loyalty is considered by many service providers as an important source of competitive advantage (Woodruff, 1997). Gaining customer loyalty is one of the most important issues for many firms today; and the cost of ensuring that a customer stay with the firm is lower than the cost of acquiring a new one (Dick and Basu, 1994). Indeed, as (Reichheld 1996) pointed out, acquiring a new customer costs five times what it takes to keep an existing one. Enhanced customer loyalty in service firms will lead to greater profitability. Much research has focused on examining the relationship between customer loyalty and its antecedents (e.g. Aydin and Ozer, 2005; Cronin, Brady, and Hult, 2000; Ibanez, Hartmann, and Calvo, 2006; Liu, Leach, and Bernhardt, 2005; Sirdeshmukh, Singh, and Sabol, 2002; Woodruff, 1997).

It has been found that one factor believed to have a significant positive affect on customer loyalty is customer satisfaction (Soderlund, 1998). Another such factor is switching cost (Selnes, 1993). Moreover, according to (Nguyen and Leblanc 2001), a company's corporate image, especially that of financial service firms, also plays an important part in securing customer loyalty.

The purpose of this study is to show the effect of corporate image, customer satisfaction and switching cost on customer loyalty in Togolese telecommunication companies.

2 Evidence about Customer Loyalty, Corporate Image, Customer Satisfaction and Switching Costs

2.1 Customer loyalty

Zeithaml (2000) states that previous studies viewed customer loyalty as being either behavioral or attitudinal. The behavioral approach is that customers are loyal as long as they continue to buy and use a good or service (Woodside et al., 1989; Parasuraman et al., 1988; Zeithaml et al., 1996). Reichheld (2003) states that the strongest evidence of customer loyalty is the percentage of customers who were enthusiastic enough to refer a friend or colleague to a particular good and/or service. The attitudinal approach is that customers feel a sense of belonging or commitment to the good or service. (Baumann et al. 2005) noted that Day (1969) four decades ago introduced the concept that loyalty has both behavioral and attitudinal dimensions. The behavior approach includes criteria such as repeat purchase, share-of-wallet, and word of mouth referrals, whereas the attitudinal approach consists of criteria like commitment, trust or emotional attachment. (Baldinger and Rubinson 1996) examined the link between attitude and behavior and found that ‗the stronger the attitudinal commitment..., the more likely consumers were to remain loyal' thus the use of an attitudinal measure would also indicate the behavioral dimension of loyalty.

2.2 Corporate image

Corporate image is described as the overall impression made on the minds of the public about a firm (Barich and Kotler, 1991). (Nguyen and Leblanc 2001, p. 228) claim that corporate image is related to the physical and behavioral attributes of the firm, such as business name, architecture, variety of products/services, and to the impression of quality communicated by each person interacting with the firm's clients.Corporate image is the result of a process (MacInnis and Price, 1987). The process stems from ideas, feelings and consumption experiences with a firm that are retrieved from memory and transformed into mental images (Yuille and Catchpole, 1977). Therefore, corporate image is the result of an evaluation process. Although a customer may not have enough information about a firm, information obtained from different sources such as advertisements and word of mouth will influence the process of forming the corporate image.

Corporate image affect customer loyalty (Johnson et al., 2001, p. 224). Nguyen and (Leblanc 2001) demonstrate that corporate image relates positively with customer loyalty in three sectors (telecommunication, retailing and education). The same relationship is demonstrated by (Kristensen et al. 2000) for Danish postal services, and by Juhl et al. 2002) for the Danish food retailing sector.

2.3 Customer satisfaction

There is several definition of customer satisfaction. A widely accepted definition would be the following which is presented by Olivier in 1997: "satisfaction is the consumer's fulfillment response. It's a judgment that a product or service feature, or the product of service itself, provided (or is providing) a pleasurable level of consumption-related fulfillment" (Olivier, 1997). In this definition, first the focus is on a consumer rather than a customer. Consumer uses a product or service, whereas a customer pays for the product or service but may not use the service or product offered to him. Second, satisfaction is a feeling and thought; it's a short-term attitude that might change under certain circumstances or situations. Satisfaction stays in consumer's mind and is different from observable behaviors such as product choice, complaining, and purchase. Third, satisfaction commonly has positions at both a lower and upper level. This means that a consumer's satisfaction may drop if she/he gets too many good things. Also, their satisfaction level may rise if they get a little of good things. Many people focus upon the lower position and neglect the potential for an upper position. This conflict and ignorance might ruin the whole purpose of customer satisfaction and sets its level to a very low position in the mind of customer.

2.4 Switching costs

(Porter 1998, p. 10) defines switching costs as one-time costs facing the buyer when switching from one supplier's product to another's. In addition to objectively measurable monetary costs, switching costs may also pertain to the time and psychological effort involved in facing the uncertainty of dealing with a new service provider (Bloemer et al., 1998, Klemperer, 1987). Hence, switching costs are partly consumer-specific (Shy, 2002). For this reason, a switching cost can be seen as a cost that deters customers from demanding a rival firm's brand.

(Jackson 1985) describes the switching cost as the sum of economic, psychological and physical costs. The economic or financial switching cost is a sunk cost which appears when the customer changes his/her brand, for example the costs of closing an account with one bank and opening another with a competitor, the cost of changing one's long-distance telephone service (Klemperer, 1987) or the costs of changing one's GSM operator.

Psychological cost is perceived as the cost stemming from social bonds (e.g. staff-customer relations, etc.) that appear over the course of time and the uncertainty/risk of the unused brand. The customer perceives high risk regarding a brand he/she has never used (Sharma and Patterson, 2000). Physical costs is perceived as consumer lock-in, where it is observed that consumers repeatedly purchase the same brand even after competing brands become cheaper (Shy, 2002, pp. 71-2). For these reasons, switching costs are a factor that directly influences customers' sensitivity to price level, and so influences customer loyalty (Jones et al., 2002; Bloemer et al., 1998; Burnham et al., 2003; Lee et al., 2001).

3 Data and Methodology

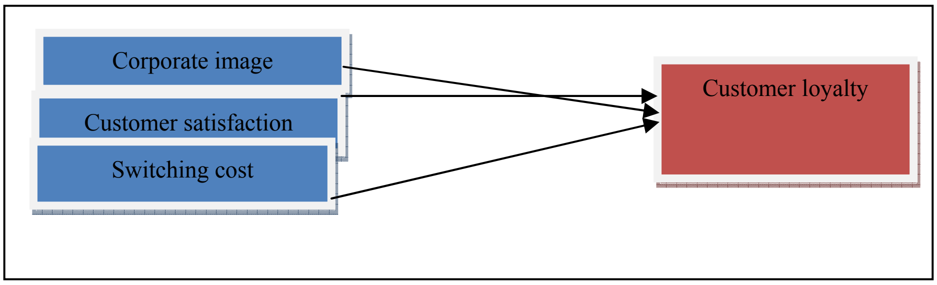

Figure 1 Research Model

To answer the research questions which are why have Togocel and Moov customers remained loyal and what have Togocel and Moov done to retain its existing customers and create customer loyalty, we use the model specify above (figure 1) and the analysis is based upon data collected through questionnaire from Togocel and Moov mobile phone users. For the purpose of our analysis, we use both the quantitative and the qualitative method of data collection and interpretation. The qualitative method is a set of questionnaire based on the five stage of Likert scale rating as follows: 1 (Strongly Disagree) , 2 (Disagree), 3 (Neither agree nor disagree), 4 (Agree) , 5 (Strongly Agree). The quantitative method is about the use of the SPSS 17 tool to test our hypotheses which are: H1- corporate image affect customer loyalty, H2- customers are loyal because of satisfaction, H3- customers perceived switching costs as determinant of their loyalty. The questionnaire is divided into two parts: the first part included the demographic variables wish includes questions about respondent's age (in years) and gender (male or female); the second part included the respondent's choices about corporate image, their satisfaction and loyalty and then their perceived switching costs. Taking into account the Statistical test for this research, we selected ANOVA (analysis of variance) with confidence level of .05 to test our hypothesis. About 400 questionnaires were mailed to the both mobile phone customers and 160 were returned with 40% as respondent's rate.

4 Results

Table 1 ANOVA for Corporate Image

		Sum of Squares	df	Mean Square	F	Sig
Between People		144.665	159	.847		
Within People	Between Items	23.037	2	11.519	15.035	.000
	Residual	243.629	318	.766		
	Total	266.667	320	.833		
Total		401.331	479	.838		

Grand Mean = 3.27

Table 2 ANOVA for Ccustomer Satisfaction

		Sum of Squares	df	Mean Square	F	Sig
Between People		269.915	159	1.698		
Within People	Between Items	499.560	11	45.415	40.541	.000
	Residual	1959.273	1749	1.120		
	Total	2458.833	1760	1.397		
Total		2728.748	1919	1.422		

Grand Mean = 3.39

The Cronbach alpha test was applied to determine the reliability of the data collected. The values of the Cronbach alpha for the tree items in the present study are all above 0.7, indicating hight reliability of the data. Results in the above tables (table1.1, table1.2, table1.3) show the ANOVA test for the independent variables which are corporate image, customer satisfaction and switching costs. The ANOVA tables show that difference between group is significance for the corporate image (df=2, F=15.035, Sig=.000 ≤.05), significance for the customer satisfaction (df=11, F=40.541, Sig=.000 ≤.05), and also significance for the switching costs (df=3, F=5.546, Sig=.001 ≤.05). We reject the null hypothesis we set and accept the alternative hypothesis. Demographic variables informations show that 39% of the respondents were female while the majority of the respondents 61% were male, and 31% belong to the age between 31 and 40, 25% between 20 and 30, 21% between 41 and 50, 13% between 51 and 60 and finally 10% .

Table 3 ANOVA for Switching Costs

		Sum of Squares	df	Mean Square	F	Sig
Between People		111.811	159	.703		
Within People	Between Items	11.367	3	3.789	5.546	.001
	Residual	325.883	477	.683		
	Total	337.250	480	.703		
Total		449.061	639	.703		

Grand Mean = 3.84

5 Conclusion

The innovative point of this research paper is to provide for the Togolese telecommunication enterprise the tools for gaining customers loyalty because any research has been found in that area. The funding of our research is corporate image affect customer loyalty, customers are loyal because they are satisfying with the service provided by the mobile phone companies and finally, customers perceived switching costs as determinant of their loyalty. The degree of customer loyalty has a tendency to be higher when perceptions of corporate image, customer satisfaction and switching cost are strongly favorable. Before setting loyalty programs, managers should focus on every determinant of customer loyalty such as corporate image, customer loyalty and switching costs.

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