The Influence of Customer Equity on Customer Loyalty among Telecommunication Service Provider Users

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Abstract
In telecommunication companies, retaining customers is a major concern because customers have variety of choices to choose from. Previous studies have discovered that customer equity plays a significant role in retaining the existing customers as well as acquiring new customers. Nowadays, since the customers are offered with the same products and services, but from different service providers, customer equity (Value Equity, Brand Equity and Relationship Equity) will assist the customers to decide which service providers to be selected. The purpose of the study is to investigate the relationship between customer equity dimensions; namely, Value Equity, Brand Equity and Relationship Equity, and Customer Loyalty among customers of Telecommunication Service Providers. Analysing 400 responses using multiple regression analysis from customers of the five major Telecommunication Service Providers (Maxis, Celcom, Digi, Tune Talk and U-Mobile), shows that all three dimensions of Customer Equity contribute significantly in explaining the variance in Customer Loyalty, indicating that companies have to leverage on the brand name of company, to provide competitive prices, quality and convenience of the products and services and fostering the relationship between the customers and the company through a customer loyalty program. Trust has been included as a moderating variable and the result indicates that it has no significant moderating effect on the relationship between customer equity and customer loyalty. The implications of the study are discussed further in the paper.

Key words: Customer Equity, Customer Loyalty, Trust, Telecommunication Industry

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Introduction
Telecommunication industry in Malaysia has been dominated by three most popular companies which are Maxis, Digi and Celcom. The services offered by the companies have tremendously assisted people to make their daily lives easier. The three companies have been competing with each other to be at the top and leading the industry in Malaysia.

The number of telecommunication companies in Malaysia that are constantly fulfilling the needs of customers to communicate is rising. In the past six years, the telecommunication market has been dominated by major telecommunication companies such as U-Mobile and Tune Talk. Due to the intense competition among telecommunication service providers, it is an undeniable fact that the
telecommunication market structure in Malaysia is oligopoly (Adam, Wan, Mohd, Chin & Vincent, 2012).

There are few reasons customer equity is very important in any telecommunication provider. First and foremost, it will help the organization to manage its marketing effort. As mentioned by Villanueva and Hanssens (2007), rather than focusing on all dimensions of equity, telecommunication providers can focus only on one equity and try their very best to meet into their customer’s preferences. Automatically, it will reduce their marketing cost and most importantly, it will improve the revenue of the firm (Hays, Keskinocak & Lopez, 2004).

Secondly, customer equity is very important because it will enhance customer satisfaction. In any customer service industry, customers will only be satisfied if their needs and wants are met by service providers. Once the customers are satisfied with the price, quality of the product and service offered, the customers will surely stay loyal with the telecommunication provider and the customers will let others know especially the new customers by spreading the positive word of mouth (Khan & Rizwan, 2014).

Customer loyalty is perceived as the pillar of strength for the relationship between an individual's relative attitude and repeat patronage. The relationship is seen as mediated by social norms and situational factors. Cognitive, affective, and cognitive antecedents of relative attitude are identified to contribute to loyalty, along with motivational, perceptual, and behavioral consequences. Implications for research and for the management of loyalty are derived (Dick & Basu, 1994).

Customers intend to re-use the same services if they feel that the services are good or up to their standard. Hence, the main obstacle for the firm is to satisfy the customer through customer equity (Aravindakshan, Rust, Lemon & Zeithaml, 2004). Past studies have shown that the service providers faced intense challenges due to the nature of the customers, the competition which is getting tougher, the evolution of technology and these made maintaining a loyal customer an issue. According to Hoq and Amin (2010), most of the telecommunication providers in Malaysia only focus on service quality to measure customer satisfaction and loyalty. They added that service quality is the only prerequisite to determine customer satisfaction and loyalty.

In Malaysia, most of the telecommunication providers invest so much on their marketing effort without knowing the exact reason that could be used to penetrate customers mind and preferences. Hence, the only way to overcome this problem is to focus on customer equity so that telecommunication service providers will know what they are supposed to do in order to acquire more new customers.

According to Jacobs (2013), one of the importance of customer equity in influencing loyalty in telecommunication services is to establish a brand that is really strong. To remain relevant, telecommunication service providers are encouraged to offer something different from their competitors. Differentiation is very important to understand consumer wishes (value, brand and relationship) before their competitors and then using that knowledge to build applications and delivery models that customers want to purchase.

Therefore, this study aims to identify the level of customer equity among telecommunication users and to identify the highest score of customer equity among telecommunication users based on preferences that contribute to customer loyalty.

There were all together three objectives of this study. Firstly, this study is intended to identify the level of value equity, brand equity, relationship equity and customer loyalty among users of telecommunication service. Secondly, this study investigated the influence of customer equity on customer loyalty among users of telecommunication service providers and lastly, this study is meant to investigate the influence of trust on customer equity and customer loyalty among users of telecommunication service.
Literature Review

Customer Loyalty

As noted by Bloemer and Kasper (2005), customer loyalty is perceived as true loyalty rather than repeat purchasing behavior, which is the actual re-purchasing of a brand, regardless of commitment. However, a satisfied customer may not necessarily be a loyal and happy customer. Colgate (1996), also noted that it is not always the case that customer defection is the opposite of loyalty, while Levesque and McDougall (1993) suggested that even a problem is not settled, approximately half of the customers would stay with the organization. Fishbein and Ajzen, (1975), mentioned that the way customers behave has an instant influence on customer loyalty. Equity theory maintains that loyalty leads to positive behaviors for example satisfaction and loyalty. According to Aksoy, Keiningham, Buoye, Lariviere, Williams and Wilson (2015), the utmost principle role of customer loyalty is to ensure that the customers are happy with the services and products offered by organization. Customer loyalty is also driven by the interactions that customers create with employees which in return will lead to long term loyalty. Customer loyalty has been regarded as the key indicator for customer retention. Oliver (1999) mentioned that customer loyalty will allow customers to buy the same brand products even competitors are selling a better products and services. In addition, most businesses are focusing on selling "services." They focus on sales and market share and compete by exceeding competitors' offers. The main benefit is that this "competitiveness" encourages customers to look for a better price.

Customer Equity

Customer equity places customers at the center of a firm's activities, recognizes customers as strategic assets and seeks to measure the value of a customer (across the relationships that the customer has with a company) to measure marketing productivity (Holehonnur, Raymond, Hopkins & Fine, 2009). A loyal customer may result in a readiness to act (to buy). According to Nawaz, Ahmad, Piracha and Raza (2017), the concept of customer equity is originated from economics where it is about the sum of the value of the firm’s warrants and the value of the common stock. The purposes of customer equity are to develop decision rules to acquire new customers, develop and retain customer, manage and track customer performances based on the feedbacks used in computing customer equity and to evaluate the value of a company (Hansotia, 2006). In a simpler form, the more loyal the customers with the organization, the higher the customer equity. In customer equity, it is made up of three (3) crucial components which are, value equity, brand equity and lastly, relationship equity (Bhasin, 2018).

Value Equity

Value equity refers to customer’s evaluation of what they get in return for the price that they have to pay (Bolton & Lemon, 1999). Should the offerings by the service providers do not meet the needs and expectations of the customers, the strategies that the service providers have used may not be working (Lemon, Rust & Zeithaml, 2000). Value equity is defined as the customer’s objective assessment of the utility of brand, based on perceptions of what they have paid and what they get in return. Three elements that influence value equity are quality, price and convenience. Quality is perceived by a customers’ evaluation on physical, service delivery and environment (Holehonnur et al., 2009). Price can be viewed as the aspects of “what is given up by the customer” that the service provider could offer (Rust, Lemon & Zeithaml, 2000). Some of the investors are starting to use price to enhance their sales as this is to measure their decision to invest in the organization. Consumers typically use a risk-reduction technique in purchasing products. However, the lack of search attributes, along with the heterogeneity of service quality, can make the service-buying decision more difficult for the consumer (Zeithmal, Parasuraman & Berry, 1985). Customers tend to perceive value
as a low price, their specific needs in a product; the quality received for the price paid, and what the customer received for what is given up including time and effort. Price deals are defined as price promotion on a certain products and services. To enhance value equity, price deals will assist the customers to save their money when a product and service is purchased (Thammawimutti, & Chaipoopirutana, 2018). Value is thus the foundation of the customer’s relationship with the firm, hence, making it the most critical element of customer equity (Nawaz et al., 2017). Value is strengthened as actual goods and service consumption experiences meet or exceed the customer’s expectations (Aravindakshan et al., 2004). Bhasin (2018) concluded that value equity is very crucial in the industrial market because business to business (B2B) are highly concern with the convenience, quality and pricing parameters for products and services offered by the organization.

**Brand Equity**

The study of brand equity falls under the umbrella of marketing. However, only recently brand equity has been studied in the context of the customer equity framework. On top of that, brand equity is the portion of customer equity attributable to the customer's perceptions of the brand (Erdem & Swait, 1998). Brand equity is the customers’ perception and evaluation on the brand image. According to Ou, Verhoef and Wiesel (2017), brand equity is important in goods, products and services that are visible as it is more publicly noticeable by the customers as compared to the value equity and relationship equity. Customers who perceived the brand as favourable will actively involve in any activity organized by the service providers. This is further supported by Nawaz et al., (2017) where branding is a prerequisite of relationship and a strong brand will assist the organization to differentiate and stay competitive among its competitors. The element of brand equity: brand awareness, attitude towards the brand and brand ethics are associated with the relationship of the consumer with the product and hence provide useful insights to better understand of the firm’s customer equity (Aaker, 1991). Customer brand awareness is brand communication to current and potential customers, which depends on the communications tool mix (advertising, promotions, etc), the media (television, web, radio, direct mail, etc) and the message (what the firm wants to convey) (Aravindakshan et al., 2004). Next element is attitude to the brand. It is about the effort of the service provider to create a better relationship with the customers (Rust et al., 2000). In addition, customers' attitude toward the brand depends on how the organization conveys the message special events, brand extensions, brand partners and product placement and celebrity endorsements (Aravindakshan et al., 2004). The last element is corporate ethics. It is about the specific gesture that can help to influence the customer’s perception of the service providers. Brand equity matters the most and it is based on customer’s involvement with the activities and the overall experience (Lemon et al., 2001). In brand equity, it is very important for organization to create a brand that can capture the attention of the customers. This is because, customers do not just purchase a brand name, but rather purchase products that are made of combination of tangible and intangible benefits created by the organization (Thammawimutti, & Chaipoopirutana, 2018).

**Relationship Equity**

Relationship equity can be defined as the tendency of the customers to stay with the brand, above and beyond the customers' assessments of the brand (Rust et al., 2000). Relationship equity is about making the customers stay with the brand rather than changing to others. The elements that may enhance relationship equity are loyalty programs, special recognition treatment, affinity programs, community building programs and knowledge building programs. A loyalty program is the gesture that rewards customers for certain behaviors with tangible benefits. Special recognition and treatments refer to actions that recognize customers for certain behaviors with intangible benefits. Affinity programs seek to create strong emotional connections with customers, linking the customer’s relationship with the organization to other important aspects of customers’ life. Community building programs seek to cement the customer-firm relationship by linking the customers to a larger
community of customers. Lastly, knowledge-building programs increase relationship equity by building a structural bond between the customers and the firm, making the customers less willing to recreate a relationship with alternative providers (Lemon et al., 2001). This is further added by Keyser (2017) where successful organization will develop relationship with people because it allows organization to collect commercial intelligence from the network built. At certain point of time, organization needs to gather feedback from the customers and this can only be achieved once organization has successfully built a secured relationship.

If the perceived relationship equity is high, the consumers will feel well treated and handled with exceptional care (Kristof, Schroder & Lacobucci, 2001). A positive experience with other customers is also an indicator of relationship equity (Thurau, Gwinner & Grembler, 2002). According to Aravindakshan et al., (2004), relationship equity is focusing on switching costs and try to make the customers stick to the organization, and this is depending on how the service providers treated the customers and at the same time, the willingness of the customers to build and foster the relationship.

In a business perspective, relationship equity originated in the form of information, communities, individuals and markets. Since it is about building a relationship, organizations perceive relationship equity as the most cost-effective way of sustaining a business (Fridman, 2016). This is mainly because this strategy does not require big dollars to invest. If organization is in short of cash, it could leverage in relationship to generate leads and expand the business network to generate more revenue.

Research Methodology

This study used correlation type of research analysing the relationship between independent variables and dependent variable namely, Customer Equity and Customer Loyalty. The population of this study was the telecommunication service provider users at One Utama Shopping Centre.

Results of the Study

<table>
<thead>
<tr>
<th>Table 1: Demographic profile of the respondents</th>
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<tbody>
<tr>
<td>Variable</td>
</tr>
<tr>
<td>Gender</td>
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<td></td>
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<td>Age</td>
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<td></td>
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<tr>
<td>Marital Status</td>
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<td></td>
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<tr>
<td>Preferred Telecommunication Service Provider</td>
</tr>
<tr>
<td>Maxis</td>
</tr>
<tr>
<td>Celcom</td>
</tr>
<tr>
<td>Digi</td>
</tr>
<tr>
<td>Tune Talk</td>
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<tr>
<td>U-Mobile</td>
</tr>
<tr>
<td>Others</td>
</tr>
<tr>
<td>Duration of usage</td>
</tr>
<tr>
<td>Less than a year</td>
</tr>
<tr>
<td>One year</td>
</tr>
<tr>
<td>Two years</td>
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<tr>
<td>More than Two Years</td>
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</tbody>
</table>
Based on the findings above, 246 respondents (61.5%) are female, 146 respondents (36.5%) aged below 18 years old, as for the marital status of the respondents, 308 (77%) respondents were single 126 of the respondents (31.5%) preferred to use Tune Talk. Lastly, 113 respondents (28.25%) had subscribed to the telecommunication service provider for two years.

**Table 2: Correlation between Customer Equity and Customer Loyalty**

<table>
<thead>
<tr>
<th>No</th>
<th>Variables</th>
<th>SD</th>
<th>Mean</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Brand Equity</td>
<td>0.84519</td>
<td>3.6517</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Value Equity</td>
<td>0.84359</td>
<td>3.7508</td>
<td>.136**</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Relationship Equity</td>
<td>0.95898</td>
<td>3.5625</td>
<td>.218**</td>
<td>.294**</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Trust</td>
<td>0.71691</td>
<td>3.7110</td>
<td>.181**</td>
<td>.271**</td>
<td>.439**</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Customer Loyalty</td>
<td>0.70471</td>
<td>3.7585</td>
<td>.202**</td>
<td>.252**</td>
<td>.366**</td>
<td>.531**</td>
</tr>
</tbody>
</table>

Figure above indicates the outcome from the relationship between customer equity and customer loyalty. From the finding, brand equity has very low correlation towards customer loyalty \((r=.202, p<0.01)\). Furthermore, value equity \((r=.252, p<0.01)\) and relationship equity \((r=.366, p<0.01)\) had low correlation towards customer loyalty. The findings also showed that trust \((r=.531, p<0.01)\) has a moderate correlation with customer loyalty.

The findings depicted that the familiarity of the customer towards their service providers in performing their services and the willingness of the personnel in helping their customers are important in fostering the relationship with the customers (Bhasin, 2014; Ramaseshan, Rabbanee & Tan, 2013; Richards & Jones, 2008).

However, the telecommunication service providers need to focus more on their branding such as making it more attractive, unique so that the brand is well-known to the market (Aravindakshan et al., 2004; Pae, Samiee & Tai, 2002; Verhoef, Langerak & Donkers, 2007).

**Table 3: Multiple Regression between Customer Equity and Customer Loyalty**

<table>
<thead>
<tr>
<th>Model</th>
<th>Standardized Coefficients</th>
<th>Beta</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brand equity</td>
<td>.116*</td>
<td></td>
</tr>
<tr>
<td>Value equity</td>
<td>.169**</td>
<td></td>
</tr>
<tr>
<td>Relationship equity</td>
<td>.305**</td>
<td></td>
</tr>
<tr>
<td>R</td>
<td>.432</td>
<td></td>
</tr>
<tr>
<td>(R^2)</td>
<td>.186</td>
<td></td>
</tr>
<tr>
<td>Adjusted (R^2)</td>
<td>.180</td>
<td></td>
</tr>
<tr>
<td>F Change</td>
<td>29.840</td>
<td></td>
</tr>
<tr>
<td>Significance F Change</td>
<td>.000</td>
<td></td>
</tr>
<tr>
<td>Durbin Watson</td>
<td>1.811</td>
<td></td>
</tr>
</tbody>
</table>

The figure above shows the findings of multiple regression between customer equity factors and customer loyalty. As illustrated in the table, the F value was 29.840 and this is significant \((P<0.05)\). The F value shows the details of the relationship between the independent variables and dependent variable. The \(R^2\) of .186 (18.6%) is explained in customer loyalty which derived from the
customer equity elements. Based on the findings, all variables of customer equity are significant in influencing customer loyalty. Therefore, the hypotheses on the above are supported.

In brand equity, some studies (Verhoef et al., 2007; Bolton et al., 2002) indicated that the power of the brand plays a vital role in enhancing satisfaction and loyalty between the customers and the telecommunication service providers. If customers recognize the brand as a favorable brand, most likely, they will choose the brand as compared to any other brand which provides the same products and services.

As for value equity, it is a part of contribution towards customer loyalty. This can only be achieved if the service providers focus on giving the best price as they can possibly give. Besides price, the quality of the service provided and the convenience of the customers using the service play a vital part. This statement is also supported by Rust et al., (2004) that value equity affects customer loyalty.

Lastly, as for relationship equity, it is about the effort of the telecommunication service providers in fostering the relationship to their customers. If the customers believe that they are well-treated by the service provider, the promises are kept, the, the relationship equity will be high. As mentioned by Fridman (2016), relationship equity is a special element that connects the customers to the company and its brand, thus strengthens this relationship beyond value and brand equity. Most importantly, relationship equity will allow organization to stay influential in the market as long as the secured relationship between the organization and the customers are secured.

Conclusion & Recommendations

Taking into consideration of today’s era coupled with high intense level of the competition among competitors, telecommunication service providers could provide the best rate every month to the customers as this is to ensure that they stay competitive among them. Analyzing the sales data will give an edge to companies as they could benchmark themselves among the rest of the competitors.

Secondly, in order to increase the brand awareness, the telecommunication service providers should display their products and services prominently in stores. The longer customers see the products, the more likely they will remember it. As supported by Vogel, Evanschitzky and Ramaseshan (2008), the companies should focus on establishing and maintaining the brand to influence loyalty directly.

To establish a strong brand, the company should be focusing on brand awareness, brand image and finally, the consistency of delivering the brand that surpasses the customer’s expectation. Lastly, to build and foster the relationship with their customers, the companies should practice open communication with the customers. According to Richards and Jones (2008), the customers need to be updated with the latest promotions, products offered by the service providers. This can be done via text messages where customers are constantly attached to their phone.

It is highly recommended that further studies to be carried out in other sectors such as retail, hospitality, banking, travel agencies and others to see whether there is any similarity in the findings.

Next, future studies should use other methods of data collection because this research solely relies on questionnaire as the instrument. It is recommended that other methods such as interview and observation should be used on top of questionnaires. These methods allow studies to gain broad and realistic information. Moreover, these methods can help to produce more valuable results.

Future studies should investigate the impact of change in company’s marketing activities or related customer perceptions and outcome variables that would be an interesting area for further research. This is because, companies will come out with innovative marketing strategies to attract more customers or perhaps the new marketing strategies or activities could make customers stay loyal with them.
Acknowledgement

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