

Customer satisfaction and loyalty in mobile phone industry marketing essay



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“ A customer is the person who brings us his wants. He is not an interruption of our work, but the purpose of it. We are not doing a favor by serving him; he is doing us a favor by giving us the opportunity to do so” (Sara Gustafson, Erica Lundgren 2005).

Customer satisfaction is the degree to which customer expectations of a product or service are met or exceeded (BNET Business Directory). The term customer loyalty is used to describe the behavior of repeat customers, as well as those that offer good ratings, reviews, or testimonials (WiseGeek).

Consumer satisfaction and loyalty plays an important role in the success of any business. Therefore these are considered as priority task for many businesses (Kotler et al, 2002), as satisfied and loyal customers bring in profitability and competitive advantage to an organization (Bowen and Chen, 2001). As Gould (1995) proposes that no company can survive in business without satisfied and loyal customers. This is the reason, that organizations put efforts to develop and provide offerings to satisfy their customers and maintain their loyalty. Loyal and satisfied customers not only increase the value of the business, but also enable it to maintain the costs lower than those associated with attracting new customers (Beerli et al, 2004).

3. Industry Background

The mobile phone service industry provides network services for communication of voice or data signals through wireless mode. There are more than 74 million mobile phone subscribers in U. K. in which 85% of the adults have a handset. UK represents the most competitive market in Europe and there is a huge war among the service providers to differentiate

themselves from their competitors (Mintel 2008). Subscription levels are expected to continue to grow, however, it should be noted that while there were 73.5 million subscriptions in UK in 2007, it has been cited that nine million subscriptions are for SIM cards that are inactive and a further 7.7 million that are “barely active”. Mobile phone subscriptions are forecast to increase in 2008 to 76 million subscriptions. Currently the UK represents approximately 9% of the European market and by 2010 it is forecast to have 78 million subscriptions. (Mintel 2008)

There are five mobile phone networks currently operating in the UK : O2, T-Mobile, Orange, Vodafone and most recently ‘3’. Vodafone and O2 (formerly BT Cellnet) are the largest and oldest. These two networks were joined by T-Mobile (formerly One 2 One) swiftly followed by Orange. All of these companies now operate digital networks. In addition, there are many ‘virtual’ networks operating on these major networks, packaged under a different name. e. g. Virgin, OneTel, Lycataalk etc.

All the above mentioned facts shows that there is a huge market for Mobile service providers in U. K. Mobile phone is everyone’s need and there is a large customer base who uses the services of more than one network provider.

4. Justification for the choice of research

Over the last decade organizations of all types and sizes have increasingly come to understand the importance of customer satisfaction. It is a renowned fact that it is far less costly to keep existing customers than to make new ones. It is becoming accepted that there is a strong link between

customer retention, customer satisfaction and profitability. In a large area of public sector customer satisfaction itself is the measure of success (Nigel Hill, 2002). Mobile phone network industry is a giant industry in U. K. I chose this research topic because I personally observed there is a huge competition in this industry, and the industry is prone to face problems of customer decay. The average business loses between 10 and 30 percent of its customers each year; but they often don't know which customer they have lost, when they were lost, why they were lost or how much sales revenue and profit this customer decay has cost them (Nigel Hill and Jam Alaxender, 2002, p 3). A loyal customer feels committed towards the organization and results in profit and growth to the organization. In this highly competitive era, every company tries to offer uniqueness and best value for money, an educated and smart customer has some determinants to choose which organization to stay committed with and which company to switch over.

5. Research objectives

5.1 To find out the right service gap

Service gap is the difference between the present quality of service and ideal quality of service. It is very important for an organization to know the right service gap so as to focus on narrowing down that service gap and offer better services to the customer. Nigel Hill and Jim Alaxender have specified five types of service gaps (Nigel Hill and Jim Alaxender, 2002, p 5.):

Promotional Gap -When what is said about the service differs from the standards actually delivered.

Understanding Gap – when managers' perceptions of customer's expectations are inaccurate

Procedural Gap – when customers expectations are not translated into appropriate operating procedures / system.

Behavioural Gap – When the service delivered is different from the specifications of the service.

Perception Gap – When the level of service perceived by customers differs from the service actually provided.

5. 2 To find out the degree of customer loyalty

There are different levels of customer loyalty referred as a ladder of pyramid in literature. These levels of loyalty vary from the customer perspective.

These are defined as follows (Nigel Hill and Jim Alaxender, 2002, p 16.):

Suspects – When suspects are unaware of the product or have no inclination to purchase it.

Prospects – When customers have some attraction towards the organization, but they have not yet taken the step of doing business yet.

Customers – usually one-off purchaser or may be sometimes repeat buyers, but no real feelings towards organization.

Clients – Repeat customers having positive feeling towards organization, but their support is passive rather than active.

Advocates – Actively supporting clients who recommend organization to others.

Partners – Strongest form of loyalty, where both parties see mutual benefit in partnership.

Predicting the right level of customer loyalty towards an organization helps in strategically planning the measures to enhance customer trust and shifting from bottom to top level of the loyalty pyramid. There is usually a homogenous segment of customers lying at each level. Identifying that segment and planning accordingly will help in increasing customer retention.

5. 4 To analyse the factors that affects customer satisfaction and loyalty.

A questionnaire will be designed with an aim to find out first two objectives and carrying out customer expectations from their mobile service provider. In-depth analysis of the data obtained will bring out the factors that affect customer satisfaction and loyalty. The organization can thus underpin those factors in their customer relationship process and try to retain customer commitment. A committed customer stay longer, buy more often, buy more range, spend more, recommend more, consider competitors less and feel committed. (Nigel Hill, Jim Alaxender, 2002)

6. Research Methods

The research is clearly classified as exploratory study. This kind of study is a valuable mean of clarifying the understanding of a problem (Saunders et al. 2003, p. 96). The above research objectives will be achieved using qualitative primary data in the form of unstructured questionnaire. The <https://assignbuster.com/customer-satisfaction-and-loyalty-in-mobile-phone-industry-marketing-essay/>

primary data will be collected from the below mentioned sample size in the form of unstructured questionnaires. The research strategy that will be carried out will be Survey in the form of unstructured questionnaire. The research will be exploratory study as the precise nature of the problem is not sure (Saunders et al. 2007, p. 138).

7. Data collection and analysis

Both primary as well as secondary data will be used for this research.

Secondary data will be obtained from various sources to obtain theoretical background for carrying out the research. The secondary data collection source would be :-

- Research Methods for Business Students – Mark Saunders, Philip Lewis and Adrian Thornhill, 2003.
- Handbook of customer satisfaction and loyalty measurement – Nigel Hilla and Jim Alexander, 2002.
- Online library resources e. g. Mintel, Emerald etc.

After getting the theoretical background for carrying out the research, Primary data would be collected from the sample size in the form of unstructured questionnaires. Unstructured questionnaire would be preferred as compared to other survey methods as it will be less complicated and deems fit for carrying our research like this.

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8. Time scale and resources

I have sufficient resources to carry out this research. I have divided my research plan into activities with clear completion time frames and my tendency would be complete the research within the designed time frame.

Month

Day

Activities

March

1-15

Further reading on key theories and concepts involved in research and drawing relevant information for the literature review.

Mid March to April

20-30

Commencement and finishing of critical literature review drafts

May to June

5-30

Collection and compilation of research data

July to mid August

1 – 17

Analyzing the data and writing the first research draft.

Mid August to Mid September

17 – 30

Compiling the final research and carrying out conclusions and recommendations.

References

Mark Saunders, Philip Lewis and Adrain Thornhill (2003) ' Research methods for business students' 3rd Edition. FT Prentice Hall Financial Times Pearson Education U. K)

Mark Saunders, Philip Lewis and Adrain Thornhill (2007) ' Research methods for business students' 4th Edition. FT Prentice Hall Financial Times Pearson Education U. K)

Nigel Hill and Jim Alexander (2002) ' Handbook of Customer Satisfaction and Loyalty Measurement'. 2nd Ed. USA : Gower Publishing Company.

Mintel (November 2008) ' UK Mobile Services and Network Providers'.