Customer Loyalty and Relationship Marketing in the Nepalese Telecommunications Sector

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Abstract

RM (Relationship Marketing) and CL (Customer Loyalty) have attracted a great deal of academic and professional attention over the past few decades. RM became a key trend in the marketing and management industries. Mobile communications networks have been a prominent infrastructure driving substantial economic growth in developing countries like Nepal. This study investigated CRM (Customer Relationship Marketing) and CL in the telecommunication industry in Nepal. A descriptive and causal-comparative research design has been adopted for this study as it seeks to identify the key variables of CRM and CL in the telecommunication industry in Nepal. Using survey methods, structured questionnaires with a five-point Likert scale on each dependent and independent variable were administered to obtain responses from mobile users. In this study, quantitative techniques have been used to analyze primary data collected through a survey. This study found a positive relationship between CL and its variables trust, communication, commitment, and conflict handling. Trust and commitment were the primary factors of CL in RM in the Nepalese telecom industry, with varied effects according to the measures of CL.

Keywords: commitment, communication, conflict handling, customer relationship marketing, trust

JEL Classification: M31, M39

Introduction

In the fields of service marketing and industrial marketing, RM is getting popular (Christopher, Payne & Ballantyne, 1991). This aims to acquire, retain, and enhance

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customer networks and generate loyalty in order to achieve their goals (Berry, 1995). RM seeks to acquire and retain customers through high-quality customer service as part of its marketing strategy and thus gain strong competitiveness in current markets due to market access, the generation of repeat purchases, the creation of exit barriers, and the belief that it benefits all parties (Andaleeb, 1996). As CL is the ultimate goal of RM, RM is concerned with generating it by providing value to all parties involved in relational exchanges (Peng & Wang, 2006). The telecommunication industry is becoming the growing economy in the world. The rise of competition, market saturation, and ongoing changes in environment and demographics in today’s business environment has generated a wide spectrum of awareness for firms. Firms must keep their unique competitive edge in order to survive and succeed. Strategies are meticulously designed and executed in order to achieve the ultimate goal of the enhanced bottom line. Building a relationship with customers can provide a business with great sources for improved marketing strategy planning.

CRM is important in the telecommunications industry because it uses a strategy based on relationships (Gronroos, 2004). Delivering quality services in order to build CL depends not only on sales but also on goods, services, and customer support. This study examines two dominant key players – Nepal Telecom and Ncell – regarding their decisions concerned to purchasing telecommunications products, as well as their decision to remain loyal to the service provider. Organizations require strategies to increase CL on a consistent and moving basis. RM has the potential to be so beneficial that businesses need to know what their customers appreciate and don’t like so they can deliver those things (Kotler & Armstrong, 2010). CRM performs an effective relationship with the customer. It determines how to solve their problems, instill loyalty in them, and persuade them to buy the company’s products and services.

The researchers were motivated by the fact that there had been few pieces of research conducted independently and in-depth on this topic prior to indicating the impact of RM on CL in Nepal, specifically in NT and Ncell. The key issue of this research is whether relationship marketing concepts such as trust, commitment, conflict handling, and communication have an impact on the Nepalese telecommunications industry and have the intended strengthening effect on customer loyalty. The goal of this study was to examine telecom companies’ trust, communication, commitment, and conflict handling in order to determine whether or not these factors strengthen CL.
Review of Literature and Theoretical Framework

Customer Loyalty

Oliver (1996) defined CL as purchasing the same product brand despite competing benefit offers and a strong desire to buy back preferred products or services later of product despite competing benefit offers and a strong desire to buy back preferred products or services at a later date. Ragins and Greco (2003) argued that a committed customer rather than a repeated purchaser has an emotional attachment to the seller. Lacey, Bruwer, and Li (2009) concluded that customers are important sources of future revenue and marketing intelligence for the company. Webber, Payne, and Taylor (2012) examined trust as a factor of continuing loyalty. According to the findings, product quality and delight had a smaller effect on long-term CL than trust and relationship quality. Jacoby and Chestnut (1978), loyalty is based on attitudinal and behavioral intents. Both were highly correlated (repurchases lead to a positive attitude), which results in attitudinal loyalty (high levels of association to retain on repetitive purchases).

Attitudinal Loyalty

High-level attitudinal customers are more difficult for opponents to take away (Gundlach, Achrol & Mentzer, 1995), and they seek substitutes less frequently (Dick & Basu, 1994). Attitudinal loyalty examines the concept of having a positive attitude toward a service provider, such as a trust or emotional attachment. Attitude loyalty favors a brand for purchases, a long-term commitment from customers, and a propensity for those customers to recommend that brand to others. Only if there were behavioral loyalty would it be useful. As a result, the attitudinal approach takes into account indicators like brand interest, commitment, and trust (Adeleke & Aminu, 2012).

Behavioral Loyalty

Loyal customer results from the development of attitude and leads to positive behaviors. Customer behavior prioritizes repurchases and word-of-mouth is known as behavioral loyalty (Taleghani, Chirani & Mirrashed, 2011). Long-term purchasing of a good or service is positively correlated with customer behavioral loyalty. The most apparent evidence of a CL may be how frequently they recommend a brand to their friends and family (Azizi & Makkizadeh, 2012). Loyal customers are the result of positive attitudes that lead to positive behaviors.
Relationship Marketing

As technology opens up more collaborative and social communication channels, RM is evolving and growing in lockstep with the rapid growth of the internet and mobile platforms. Customer retention is prioritized by establishing, maintaining, and improving relationships with customers and other parties (Sohail & Malikakkal, 2011). Previous research has found that a company’s level of RM activities is positively related to its market presentation (Sharma & Sheth, 1997). They concluded that RM entails treating customers as partners, which differs from traditional transactions.

RM has proven to be a successful strategy for increasing loyalty. A loyal customer is more likely to use more time and cost and businesses try to keep customers close by offering loyalty programs. (Gummesson, 1994) stated RM as the continuance of the common association between the service provider and the buyer, which leads to the realization of profitability. The overall goal is to reduce marketing costs while also developing mutually beneficial relationships. There are various types of customer relationships, extending from transactional to relational. RM seeks to establish a customer relationship from the start in order to satisfy and retain existing customers, whereas transactional marketing aims to make a sale and find new customers. RM is more focused on establishing long-term customer relationships and mutual benefits for all parties involved in the transactions (Kotler & Armstrong, 2010).

Trust

Schurr and Ozanne (1985) stated trust is the strong belief that a partner’s word or promise is reliable and that the party will keep his or her end of the deal in the relationship. Other researchers have defined trust as unethical conduct (Dwyer, Schurr & Oh, 1987), mutual interest (Morgan & Hunt, 1994), mutual goals (Wilson, 1995), ambiguity (Crosby, 1990), positive outcomes (Anderson, 1984), making and keeping promises (Bitner, 1995). Ganesan (1994) explained two factors, benevolence trust and performance trust, and believed that the service provider would not control their relationship and would act in the best interests of the customers. Ndubisi (2007) argued that marketing’s trust responsibility includes not only making promises, which prompts customers to act in a particular system as passive counterparts in the marketplace but also keeping ones made, which upholds and strengthens the developing relationship. Gupta and Sahu (2015) examined the effect of RM dimensions on CL in India’s mobile telecom market. The study’s findings revealed that RM tactics such as trust could be used to improve customer relationships and increase user mobile service usage. Ayodele
and Chioma (2016) conducted research on customer loyalty predictive indicators in the Nigerian GSM market and aimed to empirically examine the factors that influence customer loyalty in the Nigerian GSM market. According to the findings, trust is the best predictor of customer loyalty in the Nigerian GSM market.

**Commitment**

Berry and Parasuraman (1991) stated that relationships are made on conjoint commitment. It predicts future purchase frequency and measures the likelihood of CL. Moorman, Zaltman, and Deshpande (1992) explained that commitment is an enduring desire to maintain a valued relationship. Wilson (1995) suggested that the most common dependent variable used in buyer-seller relationship studies was commitment. Najjar and Bach (2015) examined RM and CL and investigated how commitment, conflict resolution, trust, and communication affect CL. The study’s results revealed that the clear uncertainty with the specific administration supplier is likely reduced when suppliers behave in a way that fosters customer trust, enabling the client to make certain projections about the supplier’s anticipated practices.

**Communication**

Communication has the skill to provide accurate and timely information. Currently, the business and its clients interact as they go through the pre-selling, selling, consuming, and finally, post-consuming stages (Anderson & Narus, 1990). The greater the depth and breadth of communication patterns, the stronger the partnership is likely to be (Lambert, 1996). Communication keeps loyal customers informed by delivering timely and reliable verification of the quality of the service and any changes to the service, as well as by communicating proactively in the event that a delivery issue arises. According to Ndubisi’s (2007) findings, a company’s customers are more likely to be devoted to it if it has a higher level of commitment, more reliable communication, and satisfactorily managing conflict. Effective communication has an impact on a service provider’s ability to retain customers. Melewar, Foroudi, Gupta, Kitchen, and Foroudi, (2017) examined the integration of identity, strategy, loyalty, communications for trust, and commitment. The study attempts to explain how such integration affects organizational stakeholders’ commitment, loyalty, and trust using the commitment/trust theory. The results show that identity and strategy are the two key components of integrated firm communication, and they serve to create stakeholder commitment, trust, and loyalty.
**Conflict Handling**

People use various strategies to achieve their goals when dealing with conflict. Dwyer, Schurr, and Oh (1987) defined conflict handling as a supplier’s capacity to anticipate possible conflicts, resolve apparent conflicts before they become problems, and discuss potential solutions openly when issues do arise. A seller-handled conflict, either positive or negative effects results (Song, 2006). Fey and Beamish (2001) described that a conflict starts when one party believes the other is having a negative effect on what they want. Ndubisi and Chan (2005) explained that when a company or employee has good conflict handling to resolve a customer’s problem, the consumer can be delighted with the business, and once the client is pleased, the client will become the CL.

Hussain and Akhtar (2015) conducted research on RM and CL: Evidence from the banking sector in Pakistan. Goal of the study was to deliver insight into the effect of RM strategy on CL in Pakistan’s retail banking sector, as well as to examine whether this relationship strengthens as the banking relationship improves. According to the findings, these variables significantly affect and accurately predict a good portion of the variance in customer loyalty.

The following conceptual framework has been set up based on the issues, the study’s objectives, and the literature review.

<table>
<thead>
<tr>
<th>Independent Variables</th>
<th>Dependent Variable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relationship Marketing</td>
<td>Customer Loyalty</td>
</tr>
<tr>
<td>Trust</td>
<td>Attitudinal Loyalty</td>
</tr>
<tr>
<td>Commitment</td>
<td>Behavioral Loyalty</td>
</tr>
<tr>
<td>Communication</td>
<td></td>
</tr>
<tr>
<td>Conflict Handling</td>
<td></td>
</tr>
</tbody>
</table>

*Figure 1 Theoretical framework of the study*

**Research Methods**

A descriptive and causal-comparative research design has been adopted for this study as it aims to identify the main variables on RM and customer loyalty of customers of the telecom industry in Nepal.

The study’s target population was telecom users in Nepal. Management Information System Report (June 2022) showed NT having 21,377,104 GSM users, Ncell having
16,816,985 GSM users, and finally, Smart cell having 2,375,022 GSM users. This exceeded the population size (estimated 40 million people) of Nepal. Since the population is scattered throughout Nepal and there is a major concentration of large size, the customers residing in Kathmandu Valley were only taken as samples for research. Hence, from an undefined population, the valid sample size of respondents becomes 384 at a 95% confidence level (Cochran, 1963).

This study used a convenience sampling method with a sample size of 384 or more, and questionnaires were distributed to 450 respondents. A total of 400 questionnaires were successfully collected, with 389 valid respondents (86 percent), a satisfactory rate.

Using survey methods, structured Likert scale questionnaires with a five-point on each dependent and independent variable were administered to obtain responses from the respondents. In this study, quantitative techniques have been used to analyze primary data collected through a survey. Descriptive statistics and inferential statistical analysis techniques have been used to examine CRM and CL in the telecom industry in Nepal. When multiple regression analysis is conducted, the following model equation is developed:

\[ Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \ldots + \epsilon \]  

where \( Y = CL \)

\( X_1 = \text{Trust}, X_2 = \text{Commitment}, X_3 = \text{Communication}, X_4 = \text{Conflict Handling}, \beta_0 \) is constant and \( \beta_1, \beta_2, \beta_3, \beta_4 \) are partial regression coefficients and \( \epsilon \) = error term

**Results and Discussions**

Each variable in the questionnaire’s internal reliability was evaluated in the study using Cronbach’s alpha.

<table>
<thead>
<tr>
<th>Scales</th>
<th>No. of items</th>
<th>Cronbach's Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer Loyalty</td>
<td>10</td>
<td>0.867</td>
</tr>
<tr>
<td>Attitudinal Loyalty</td>
<td>5</td>
<td>0.877</td>
</tr>
<tr>
<td>Behavioral Loyalty</td>
<td>5</td>
<td>0.871</td>
</tr>
<tr>
<td>Trust</td>
<td>5</td>
<td>0.880</td>
</tr>
<tr>
<td>Commitment</td>
<td>5</td>
<td>0.872</td>
</tr>
<tr>
<td>Communication</td>
<td>5</td>
<td>0.909</td>
</tr>
<tr>
<td>Conflict Handling</td>
<td>5</td>
<td>0.895</td>
</tr>
</tbody>
</table>

*Table 1  
Cronbach’s Alpha score*
Table 1 displays Cronbach’s Alpha score for dependent and independent variables were taken under the understudy. Although the standards for what constitutes a good Alpha coefficient are entirely subjective and dependent on the theoretical knowledge in question, many researchers recommend a minimum coefficient of 0.65 to 0.8 or higher in many cases (Goforth, 2015). With the aim to confirm whether the questionnaire was designed with the variables of study for providing the most accurate result, the reliability test was conducted, which was observed that 89.7 percent proving the loyalty level of internal consistency for the Likert scale question.

Table 2
Test of descriptive statistics of customer loyalty with independent variables

<table>
<thead>
<tr>
<th>Variables</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>S.D.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer Loyalty</td>
<td>1</td>
<td>5</td>
<td>3.35</td>
<td>.655</td>
</tr>
<tr>
<td>Attitudinal Loyalty</td>
<td>1</td>
<td>5</td>
<td>3.37</td>
<td>.717</td>
</tr>
<tr>
<td>Behavioral Loyalty</td>
<td>1</td>
<td>5</td>
<td>3.34</td>
<td>.677</td>
</tr>
<tr>
<td>Trust</td>
<td>1</td>
<td>5</td>
<td>3.36</td>
<td>.729</td>
</tr>
<tr>
<td>Commitment</td>
<td>1</td>
<td>5</td>
<td>3.23</td>
<td>.674</td>
</tr>
<tr>
<td>Communication</td>
<td>1</td>
<td>5</td>
<td>3.11</td>
<td>.911</td>
</tr>
<tr>
<td>Conflict Handling</td>
<td>1</td>
<td>5</td>
<td>3.21</td>
<td>.753</td>
</tr>
</tbody>
</table>

Table 2 shows the descriptive statistics of customer loyalty with independent variables. The mean value of CL was 3.35, with a SD of 0.655. Trust had the highest mean of 3.36 with a SD of 0.729, while communication had the lowest mean of 3.11 with a SD of 0.911. The average mean of all variables is above 3, which shows the mean value as “Agree” according to the five-point Likert Scale.

Table 3
Associations of customer loyalty with independent variables

<table>
<thead>
<tr>
<th>Pearson</th>
<th>Customer Loyalty</th>
<th>Trust</th>
<th>Commitment</th>
<th>Communication</th>
<th>Conflict Handling</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer Loyalty</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trust</td>
<td>.641**</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commitment</td>
<td>.681**</td>
<td>.682**</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Communication</td>
<td>.419**</td>
<td>.400**</td>
<td>.522**</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Conflict Handling</td>
<td>.424**</td>
<td>.546**</td>
<td>.602**</td>
<td>.490**</td>
<td>1</td>
</tr>
</tbody>
</table>

**. Correlation is significant at the 0.01 level (2-tailed)
The correlation result reveals that all independent variables had a significant and positive relationship with the dependent variable at the 1% level of significance. The degree of correlation among the factors varies, with commitment ($r = 0.681$) having the highest correlation value, followed by trust ($0.641$), conflict resolution ($0.424$), and communication ($0.419$) in the telecom industry. According to the findings, an increase in trust, conflict handling, and communication leads to an increase in customer loyalty, and the relationship is positive and significant at the 1% level of significance. It demonstrated that they had a positive relationship.

Table 4

Effect on customer loyalty with independent variables

<table>
<thead>
<tr>
<th>Model</th>
<th>Constant</th>
<th>Trust</th>
<th>Commitment</th>
<th>Communication</th>
<th>Conflict Handling</th>
<th>F-statistic</th>
<th>$R^2$</th>
<th>VIF</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>0.935</td>
<td>0.308</td>
<td>0.435</td>
<td>0.061</td>
<td>-0.065</td>
<td>110.712</td>
<td>0.529</td>
<td>2.355</td>
</tr>
</tbody>
</table>

(0.000) (0.000) (0.01) (.043) (0. 106) (0.000)

Table 4 exhibited the result of regression models. Each independent variable’s VIF value was under 10 (Gujarati & Sangeetha, 2007). Hence, all independent variables were free from multicollinearity problems. The model was statistically significant at 1% level of significance as evidenced by an overall F statistic, and VIF is greater than 0.1, since all data are normally distributed. At a 5% level of significance, the regression analysis’s findings indicated that communication, commitment, and trust were less value than alpha. These factors and customer loyalty were positively correlated and statistically significant. Conflict resolution, however, had an insignificant (-0.065) beta value at a level of significance greater than 5%. Customer loyalty is significantly impacted by commitment because it has a higher beta value—0.435—than other variables. A high beta value thus showed that it was important in explaining client loyalty.

Discussions

The correlation coefficient of commitment ($r = 0.681$) is strong at 1% significance level. The result of this research is similar to those (Lacey, Bruwer & Li, 2009) with the results that commitment had the potential to increase CL. Similarly, customers’ level of trust ($r = 0.641$) was important and strongly correlated with CL. This result was in line with earlier research findings, which showed a positive correlation between trust and CL. (Fornell, 1992; Cowles, 1997).
Sivesan and Achchuthan (2012) found that conflict handling had (-0.031) Beta value at 0.788, which is more than 5% significance level, which is insignificant. RM contributed significantly to CL (F = 12.229; P < 0.05) and calculated 30% of the variation found. Communication and trust were important contributors to CL, but commitment and conflict handling were not. Though conflict handling is not significant, its correlation coefficient (r = 0.424) was moderate. The results show that the faster telecom staff resolves customer complaints, the more loyal customers they gain. This supports the findings of previous studies (Fornell & Wernefelt, 1988). The appropriate and acceptable conflict resolution procedure will foster customer relationships.

Bekele (2011) found that RM activities can explain 65% of CL. Likewise, Husnain and Akhtar (2015) found that the commitment variable had the highest beta value of 0.639. A one-unit increase in commitment results in a 64.5 percent increase in customer loyalty, according to the positive and significant relationship between commitment and CL ($\beta$=0.645, p<0.05).

**Conclusion**

This study’s main goal was to investigate telecom companies’ trust, communication, commitment, and conflict management practices in order to ascertain whether or not these elements have a strengthening effect on CL. RM’s main objective is to establish enduring relationships with its clients. The first prerequisite for surviving in a hypercompetitive environment and making money is a long-lasting relationship with customers.

The results add credibility to the idea that relationship marketing elements can improve the caliber of a buyer-seller relationship, which in turn can boost CL. In addition to being desired outcomes of RM, customer trust, commitment, conflict handling, and communication are also precursors to CL. Although many aspects of RM have the potential to increase CL and trust, this research finds that some aspects, like commitment and conflict handling, are more sensitive than others.

**Managerial Implications**

Results showed that important suggestion for managers who adopt RM strategy, and it is useful for managers in Nepalese telecommunications companies to understand the efficiency of RM from a user point of view. Furthermore, this research is intended for
all telecommunication marketing managers, particularly RM officials, who propose, develop, and design products and services and make firm decisions. It is hoped that it will act as a guide and help them decide on RM in a way that is appropriate for the needs of the current users.

Voice, text messages, data use, and customer preferences are becoming more significant as the competitive environment becomes more intense. This study provides valuable insight and feedback from mobile phone customers in the telecommunications industry. CRM measures may be used to meet the training needs of the telecommunications industry’s staff in order to develop appropriate training programs that will aid in their understanding of the activities involved in developing RM and customer loyalty.

**Limitations for Future Research**

There are a few limitations for future researchers. The study attempted to identify the major factors influencing RM in Nepal’s telecommunications business. Future researchers who are directly or indirectly involved with mobile services in the telecommunications industry are hoped to benefit greatly from the study’s findings. Furthermore, future researchers can conduct additional research by incorporating other independent variables that can determine the dimensions of RM and CL in the telecommunications industry among Nepalese customers. However, when selecting independent variables, researchers must be more cautious because only the right variable can improve the value of the regression model fit.

**References**


