A Study of the Antecedents of Customer Loyalty towards an Internet Service Provider in Timor-Leste

Cristela Pereira da Costa, and Sirion Chaipoopirutana

Abstract—This study investigates the relationship between corporate image, service quality (tangibility, responsiveness, reliability, assurance and empathy), customer satisfaction, price fairness, trust, customer loyalty and demographic factors (occupations and age levels) towards an internet service provider. Therefore, a survey was conducted by distributing 400 questionnaires in Timor Telecom's shops in 2 different districts located in Dili and Bobonaro. The Pearson Correlation was applied for the data analysis. Also, Analysis of Variance (ANOVA) was applied to analyze the demographic factors (occupations and age levels). The results show that there is a significant correlation and moderate correlation among corporate image, service quality, customer satisfaction, price fairness, and trust, customer loyalty towards an internet service provider. For the demographic factors, there is no significant difference in customer loyalty based on occupations and age levels. Based on these results, it seems that the Timor Telecom needs to develop the services and marketing strategies in order to gain more customer loyalty.

Keywords—Corporate image, Service quality, Customer satisfaction, Price fairness, Trust, Demographic factors, Customer Loyalty
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I. INTRODUCTION

A T the present time a critical issue for being competitive in the market in order to continue to be successful for a firm is the importance to the company to keep their current customers to be loyal to its brands Dekimpe et al., [9]. Many previous studies which are focused on customer loyalty found that customer who have a high experience of satisfaction probably keep their current services or products Dick & Basu, [7]; Gerpot, Rams & Schindler, [10]; Lee & Cunningham, [12]. A loyal customer is likely to lead to a positive attitude and behavior and will recommend other customer to buy or to use the brand. Previous studies stated that corporate image has a positive relationship with customer loyalty in telecommunication sector Nguyen and Leblanc [14]. Aydin and Ozer [1] argued that perceived service quality has been found to have a significant relationship with corporate image.

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Customer satisfaction has been identified as the major goal of most companies to lead a customer loyalty.

As declared by Zeithmal [20] price is an important factor of customer satisfaction as whenever customers evaluate the value of an acquired service or product. These days, trust becomes an important issue for managing customer loyalty. Also, trustworthiness is a principal of continuing the long-term relationship between customers and service firms Molm et al., [13].

Therefore, customer loyalty is fundamental and important when consumers have been connected to the telecommunication sector.

This research was applied 10 hypotheses and 8 variables to explore the antecedents of customer loyalty towards an internet service provider in Timor-Leste. The variables applied in this research are corporate image, service quality in terms of five dimensions (tangibility, responsiveness, reliability, assurance and empathy), customer satisfaction, price fairness, trust, demographic factors (occupations and age levels) and customer loyalty.

II. LITERATURE REVIEW

A. CUSTOMER LOYALTY

Customer loyalty is used to define the behavior of customer to repurchase a service or product continuously. Oliver [17] stated customer loyalty as a behavioral of customer's commitment to repurchase the same product or service in the future.

B. CORPORATE IMAGE

Barich and Kotler [2] stated that corporate image is defined as the customer's point of view which is well known and settled in the customer's mind through communication and experience which generally affects a company's performance The corporate image relates to the company's different physical and behavioral attributes such as logo of the company, ideology, value, and business name. Previous studies have submitted several factors that are considered as a host namely advertising, public relations, physical image, word of mouth, and customer's real experience with the goods and services of the company Yuille and Catchpole [19]. These factors influenced the corporate image of the company in customer's minds Norman [15]. Thus, the corporate image of

the company could be understood well as the way in which the company communicates its identity.

C. SERVICE QUALITY

Duffy et al., [8] mentioned that service quality is the outcome of the service that is accessible to meet customer's expectation towards what customers are dealing with and customer's perception about the way the service has been offered. Parasuraman et al., [18] settled on five dimensions (tangibility, reliability, responsiveness, assurance, and empathy) as an instrument called SERVQUAL (service quality). The researchers studied about the gap between expectation and perception which is commonly used by consumers to evaluate the perceived service quality.

D. CUSTOMER SATISFACTION

Oliver [16] mentioned that customer satisfaction is the customer's feeling towards the product or service after it is being used. Also, Kotler [11] defined that satisfaction is a person's feeling of pleasure, caused by comparing a product's service performance based on his or her experience.

E. PRICE FAIRNESS

Bolton et al., [3] defined price fairness as a reasonable way which is acceptable to achieve an outcome or profit within an organization and also customers are acceptable for the price. Price fairness is one psychological factor that has an important role which will influence the reaction of customers about the price. Campbell [4] argued that price fairness is considered as a factor which has an important role that may lead customer's reactions to the price and customer's decision to purchase the service or product; price fairness examines the effects of changes in prices which may lead to a price increase.

F. TRUST

Chaudhuri and Holbrook [5] defined that trust is the willingness of the customer to rely on the ability of the service or brand which will positively affect customer behavior and loyalty. Trust is considered as one strategy which is related to service recovery. Additionally, Coulter and Coulter [6] theorized a customer perception that if we trust in a service provider its means that the service provider should show confidence, honesty, integration and high ethical standards.

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G. DEMOGRAPHIC FACTORS

Demographic factor is the qualities of a specific group a people that has a particular set of qualities. The demographic factors consist of age, gender, income, education, occupation and marital status). Demographic factors as one of the important variables to determine customer satisfaction and customer loyalty. The first studies of Zeithaml [19] by concerning the impact of consumer demographics found that demographic factors have a significant effect of gender, age and income.

III. RESEARCH FRAMEWORK AND METHODOLOGY

A. Research Framework

Base on previous empirical researches provided evidence. In the conceptual frame work, customer loyalty, the dependent variable, is affected by seven independent variables; corporate image, service quality (tangibility, responsiveness, reliability, assurance and empathy), customer satisfaction, price fairness, trust and demographic factors (occupations and age levels). The framework is shown in Fig.1. There were 7 hypotheses formulated based on the framework and they are shown as follows:

H1: There is a statistically significant relationship between service quality and corporate image

H2: There is a statistically significant relationship between service quality and customer satisfaction

H3: There is a statistically significant relationship between price fairness and customer satisfaction

H4: There is a statistically significant relationship between corporate image and customer loyalty

H5: There is a statistically significant relationship between service quality and customer loyalty

H6: There is a statistically significant relationship between customer satisfaction and customer loyalty

H7: There is a statistically significant relationship between price fairness and customer loyalty

H8: There is a statistically significant relationship between trust and customer loyalty

H9: There is a statistical difference in customer loyalty based on occupations

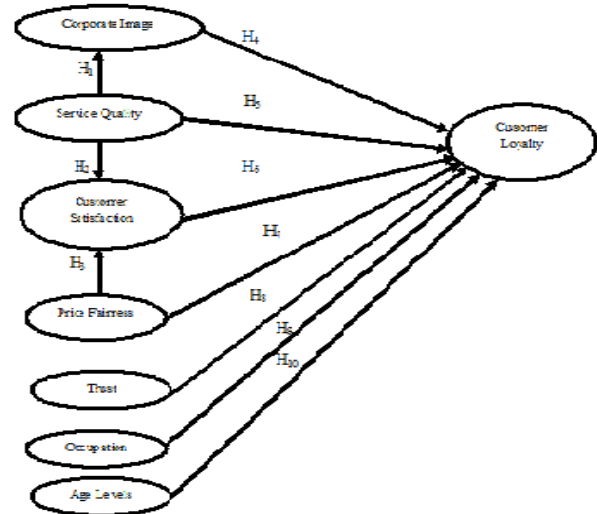H10: There is a statistical difference in customer loyalty based on age levels

Fig.1 A Study of the antecedents of customer loyalty towards an internet service provider in Timor-Leste

B. Research Methodology

The purpose of this research is to investigate the antecedents of customer loyalty towards an internet service provider in Timor-Leste. This paper describes seven independent variables which are corporate image, service quality, customer

satisfaction, price fairness, trust and demographic factors towards an internet service provider and dependent variables, customer loyalty. All 400 research questionnaires which were distributed to target population as sample in two different districts located in Dili and Bobonaro, Timor-Leste. The questionnaires consisted of nine sections that represent screening question, seven independent variables, and one dependent variable. The researcher applied judgment, quota and convenience non-probability sampling. The researcher selected the descriptive research methodology instrument to evaluate each variable. This means that the outcome of the research would be described by examining the relationship between different variables.

Sampling procedure

In the design of this research, the researcher will use the non-probability sampling procedure to conduct this study in order to select the respondents. Non-probability sampling means the elements in the population who are chosen are not known or predetermine. The non-probability sampling relies on the researchers' judgment or convenience which will be applied to this research.

The researcher applied Judgment sampling, Quota sampling and Convenience sampling to be the second and third step respectively; all details are as follows:

Step 1: Judgment Sampling

Judgment sampling is a non-probability sampling procedure used to select the sample which means an experienced individual's selection of the sample based on his or her own judgment. For this study, the researcher made a judgment to select the respondents' and Timor Telecom's shops to study in this research.

Step 2: Quota Sampling

The aim of quota sampling is to declare the exact individuality of several subgroups which possibly will represent the population the researcher required (Zikmund [21]. This method is used to compute the entire sample of members to separate each proportion of subgroups. The researcher used the quota sampling method by setting samples for each location in order to acquire the total sample of respondents to be equal to 400 respondents.

Step 3: Convenience Sampling

Convenience sampling will be used to distribute questionnaires to customers who used Timor Telecom's internet services. By using this method, the researcher will directly distribute the questionnaires to customers who visit the Timor Telecom stores and other public places and were willing to answer the questionnaire. Commonly, researchers use convenience sampling to obtain a large number of samples that were most convenient, quick, and economical.

IV. RESEARCH AND FINDINGS

The hypotheses testing, is supported by the conceptual framework. There are a total of ten hypotheses. The eight hypotheses were tested by using Pearson Correlation Coefficient. Based on the research objectives, Pearson's Correlation analysis was used in this study. For demographic factors was analyzed using ANOVA. After analyzing the hypotheses, the null hypotheses for eight hypotheses were rejected and for demographic it was failed to reject. The results are summarized as follows:

TABLE I
SUMMARY OF HYPOTHESES TESTING

Hypothesis	Statistical Test	Significant Value	Correlation Coefficient	Result
$H1_0$: There is no statistically significant relationship between the service quality (tangibility, responsiveness, reliability, assurance and empathy) and corporate image • Tangibility • Responsiveness • Reliability • Assurance • Empathy	Pearson's Correlation	0.000 0.000 0.000 0.000 0.000	0.546^{**} 0.599^{**} 0.651^{**} 0.583^{**} 0.564^{**}	Reject H_o
$H2_0$: There is statistically significant relationship between service quality (tangibility, responsiveness, reliability, assurance and empathy) and customer satisfaction • Tangibility • Responsiveness • Reliability • Assurance • Empathy	Pearson's Correlation	0.000 0.000 0.000 0.000 0.000	0.628^{**} 0.612^{**} 0.688^{**} 0.613^{**} 0.599^{**}	Reject H_o
$H3_0$: There is a statistically significant relationship between price fairness and customer satisfaction	Pearson's Correlation	0.000	0.641^{**}	Reject H_o

$H4_0$: There is a statistically significant relationship between corporate image and customer loyalty	Pearson's Correlation	0.000	0.655**	Reject H_o
$H5_0$: There is a statistically significant relationship between service quality (tangibility, responsiveness, reliability, assurance and empathy) and customer loyalty • Tangibility • Responsiveness • Reliability • Assurance • Empathy	Pearson's Correlation	0.000 0.000 0.000 0.000 0.000	0.575** 0.632** 0.685** 0.680** 0.656**	Reject H_o
$H6_0$: There is no statistically significant relationship between customer satisfaction and customer loyalty	Pearson's Correlation	0.000	0.690**	Reject H_o
$H7_0$: There is no statistically significant relationship between price fairness and customer loyalty	Pearson's Correlation	0.000	0.579**	Reject H_o
$H8_0$: There is no significant relationship between trust and customer loyalty	Pearson's Correlation	0.000	0.636**	Reject H_o
$H9_0$: There is no significant difference in customer loyalty based on different occupations	ANOVA	0.127	-	Failed to Reject H_o
$H10_0$: There is no significant difference in customer loyalty based on different age levels	ANOVA	0.93		Failed to Reject H_0

V. SUMMARY AND CONCLUSION

The researcher focused on the corporate image, service quality (tangibility, responsiveness reliability, assurance and empathy), customer satisfaction, price fairness, trust and demographic factors and customer loyalty towards an internet service provider based in the data analysis. The majority of respondents were male, aged between 26 to 35 years old and most respondents were single with a monthly income $100.00 or less and were bachelor degree. Most of respondents were employees.

For hypothesis testing, the data had been analyzed by using SPSS (statistical package of social science) to test the hypotheses and find the results for this research. Additionally, the researcher applied the Pearson Correlation Coefficient (Bivariate) to test the eight hypotheses and two others hypotheses were analyzed using Analysis of Variance (ANOVA). The results of this study showed that all variables have a significant correlation, moderate correlation and statistical difference among the independents variables to lead a customer to be loyal with Timor Telecom as an internet service provider in Timor-Leste. For two hypotheses, there is no significant difference in customer loyalty based on occupations and age levels.

VI. RECOMMENDATIONS

According to the data analysis of this study, the results can help marketer not only to understand the customer but also to gain more competitive advantages. Regarding to the research findings, the answers from the questionnaires of this research paper and based on the researcher's observation, the researcher would like to make some suggestion as follows;

Based on the results of hypothesis one, the researcher found that service quality in terms of tangibility, responsiveness, reliability, assurance and empathy had a positive and moderate correlation with corporate image. The quality of service has an important role to keep a good image of the company. Therefore, the researcher would recommended that Timor Telecom should pay more attention on renewal of their services by enhancing the technological advancements and providing various additional package of internet services that may be different from other competitors like Telemor and Telkomsel.

The finding of hypotheses two has showed that a good service quality (tangibility, responsiveness, reliability, assurance, and empathy) will affect the customer satisfaction. Therefore, the researcher would like to recommend that Timor Telecom should improve their services to obtain the customers' needs and try to improve their service to meet customer expectations. Also, Timor Telecom should understand customers' need and try to improve their services to meet customer expectation. The results of hypotheses three and seven have shown that price fairness has a strong positive correlation with customer satisfaction. For price fairness and customer loyalty has a moderate correlation. Therefore, the researcher would like to recommend Timor Telecom's company to pay high attention to the price and they should reduce the cost of internet to keep the customer using their service.

The results of hypotheses four and eight showed that there are strong positive relationships between corporate image, trust and customer loyalty. Therefore, Timor Telecom should improve service delivery process and try to keep customers' trust towards their company. The result of hypothesis five has showed that service quality in terms of the five dimensions has strong and moderate relationship. Therefore, the researcher would like to recommend that Timor Telecom must lead into the useful sharing of information about their services with aims to inform the customer to be well known.

The result of hypothesis six showed that customer satisfaction and customer loyalty have a strong positive

correlation. Therefore, the researcher recommended to Timor Telecom's company to improve their integration into customer relationship management strategies. Also, Timor Telecom needs to satisfy the customers by offering a cheaper price. The result of hypothesis eight pointed that trust and customer loyalty has a strong positive correlation. Therefore, Timor Telecom should be able to differentiate their service from two other competitors such as Telemor and Telkomsel. Also, Timor Telecom needs to develop more customer trust by improving their ability to provide good service, good connection and responsible.

FURTHER RESEARCH

In this research, the researcher focused on only one company which is providing a service in the telecommunication sector. Therefore, for future studies looking to replicate this study by adding different variables or more variables which are still related and affect customer loyalty such as word of mouth communication, switching cost, and customer behavior, repurchase intention would be beneficial. This research was conducted in two different districts in Timor-Leste located in Dili and Bobonaro. Also, future researcher should collect the data in another district and are able to make a comparative study.

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