

**Impact of Demographical Factors and Extent of SMS usage
on Customer Satisfaction and Retention; An Empirical
Study of Cellular Companies**

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Abstract

The long term success of organizations depends on many factors in order to remain competitive. These companies try to retain their customers by providing them quality services. The following study examines the impact of demographical characteristics of cellular service users on their satisfaction of service and intentions to retain as customer in future. The study focuses only the SMS service provided by telecom organizations. The data was collected from 331 university students who use the Short Messaging Service (SMS) of any cellular company. Descriptives and Correlation were used for analysis.

Keywords: Short Messaging Service, Customer Satisfaction, Customer Retention, Telecom Sector

1. Introduction

Organizations are striving to be the market leader. But to be the market leader firms have to be competitive. In order to be competitive firms adopt all strategies that might bring positive change

and can offer higher returns. Out of the drivers for success customers are considered to be the king. Organizations now strive to retain their customers rather than to create new ones, because retaining customers is less costly and at the same time present customers can create more customers with their word of mouth marketing.

Retaining customers is concern for all manufacturing and services sector organizations; similarly this concept is not bounded to any area. Telecom sector is one of the major sectors in services industry having great amount of contribution for public and state. In Pakistan telecom sector is considered to be one of the most developed sectors of economy. This sector contributes significant amount in total GDP of the country. This sector has seen tremendous growth. The growth rate shows that number of subscribers has increased from 68,000 in 1996 and exceed 95 million in 2009 (PTA). Growth of cellular network in Pakistan lasted for many year and it broke all previous world records for customers and network coverage growth. As Valdecantos (2009) noted that cellular companies in Pakistan have seen 100% sustainable growth for some years. Now there is stiff competition between firms as rapid growth has lead to saturation in major markets in the world. Now companies are trying to retain their existing customers as new customers creation is difficult and costly.

This rapidly growing sector has not only attracted business community, but also academic researchers. Numbers of studies have been conducted in cellular industry in different countries, ranging from engineering to marketing aspects of cellular services industry. Many researchers have linked customer satisfaction and retention with sustainable financial performance of firms (Fornell & Wernerfelt, 1987; Reichheld & Sasser, 1990). Steenkamp (1989) also narrated that customer retention is one of the factor that can increase market share. Yankee Group indicated that acquiring new customer in mobile services companies costs seven times more than retaining customers.

Only one service, short messaging service (SMS), provided by cellular companies is assessed to see impact of demographical factors and extent of SMS usage on customers' satisfaction and intentions of customers to retain client server relation. This area of research was selected because there are very few studies on demographical and extent of mobile usage on satisfaction and intention to stay as customer

2. Literature Review

To create and enhance Customer satisfaction has become a corporate level strategy (Rust and Zahorik, 1993). Various authors and researchers have commented regarding importance of customers' satisfaction. In the words of Drucker (1973) customer satisfaction provides base for success. Customers satisfaction creates a link between marketing and management as its common objective for both the elements of business and it also creates a link between the two elements (Claycomb & Martin, 2002), and the source of competitive advantage for organizations (Anderson *et al.*, 1994). Research proves that there is a positive relationship between customers' satisfaction and financial performance of firms (Rust and Zahorik, 1993; Anderson *et al.*, 1994).

Telecom sector is not exempted from the rule. Henkel *et al.* (2006) found satisfied customers of telecom sector have high extent of usage and future repurchase intentions. Greater the level of satisfaction of customers greater will be chances for repurchase in future (Iqbal *et al.* 2008) and reduced customer whip (Henkel *et al.*, 2006; Serenko *et al.* 2006). Iqbal *et al.* (2008) also found that the satisfied customers will also recommend others to use the service. Kim *et al.* (2004) found that customers' satisfaction leads them to use service both in present and future. The customers who are loyal are reported to produce higher retention rates, these satisfied customers use maximum category spending for the firm, and also pursue others to be part of the business (Zeithaml, 2000, Keiningham, *et al.* 2007). HERMES newsletter (2005) found that satisfaction creates positive intentions of customers for usage and retention of cellular network.

Like customer satisfaction customer retention has also received a lot of attention from researchers. Various researchers have given numerous promises of customers' retention. Fornell and Wernerfelt, (1987); Reichheld and Sasser, (1990) found that customers retention reduces costs and can be source of high market share. Henkel *et al.* (2006) found satisfied customers of telecom sector have high extent of usage and intentions to repurchase in future. Cronin *et al.* (2000) found that service quality, service value, and satisfaction are all directly to customers intentions of usage. Steenkamp (1989) mentioned quality as aid that retains the customer which assists to uphold share in the market likewise Fornell (1992) acknowledged satisfaction with service facilitate to retain customers. Users with high satisfaction tend to repurchase new or additional services from their current service provider (Serenko *et al.* 2006). Deng *et al.* (n.d.)

argues that customer satisfaction enhances customer loyalty along with trust and switching cost. It is evident that in order to retain customers, customers should be satisfied (Brown & Gulycz, 2001).

Regarding demographic and its relation with satisfaction and retention there are mixed findings given by researchers. Demographics make difference in perceived quality (Butler et al. 1996), and perception of quality is positively related to customers' satisfaction and retention (Kim *et al.* 2004). Serenko *et al.* (2006) there is no difference in male and female regarding satisfaction and retention intentions. Age, education and expertise have no relation with satisfaction (Keiningham et al. 2006). Bigne *et al.* (2005) found that buying behavior of customer can be predicted by age, social class and behavior patterns. Matthews & MacRae (n.d.) found that demographics have a significant effect on attitude towards switching the service provider.

On the basis of above given literature we can conclude that both customer satisfaction and customer retention are main stay for business to be successful. There are various factors that determine satisfaction of customers and their intentions to stay as customer in future. Demographical factors are part of those factors that might influence customer satisfaction and retention attention.

3. Research Methodology

3.1 Sample

This study comprises youth; the reason for selecting this portion of population is that this segment of the population is widely targeted by the companies because of highest portion in population. To satisfy and to retain the customers is difficult one for this segment of the society. Youth pay more attention towards promotional advertisements of telecom companies. 400 students were selected from different universities and surveys questionnaire were personally administered. 331 questionnaires were received back with a response rate of 82.75%. There were 60% male students and 40% female respondents with an average age of 20.43 years. Sample was selected thru convenience sampling a form of non-probability sampling.

3.2 Instrument and Measurement

In order to operationalize the variables questionnaire was adopted from Yu *et al.* (2005). The demographics include gender and age, additionally service provider and SMS per day were also used to see their relation with satisfaction and retention.

3.3 Data analysis

Descriptive analysis and Pearson correlation were used to assess the relation of demographics and extent of usage on customer satisfaction and retention. SPSS 17 was used for this purpose.

4. Findings and Conclusion

The results regarding the issue are as follows.

Table 1: Mean and S.D for service quality, its dimensions and satisfaction

Descriptive Statistics			
	Mean	Std. Deviation	N
Satisfaction	5.2598	1.44249	331
Leave_Intentions	5.3369	1.28002	331
GENDER	1.2931	.45585	331
AGE	20.4381	1.81699	331
Service_Provider	2.7734	1.11736	331
SMS per day	1.4502	.61281	331

Table 1 shows mean scores and standard deviation for all the variables. The instrument used for data collection for satisfaction and retention comprised 7 point likert scale ranging from strongly disagrees to strongly agree. The mean score for satisfaction and leave-intentions are 5.25 and 5.33 respectively both showing somewhat agree. The average age of the respondents is 20.43 years. The average SMS sent by a user are between 100-200. The correlation between service quality and its dimensions is given below:

Table 2: Correlation between Demographics, Satisfaction and Retention of customers

Variables	Satisfaction		Retention	
	<i>R value</i>	<i>Sig.</i>	<i>R value</i>	<i>Sig.</i>
Satisfaction	---	---	.580	.000
Gender	.273**	.000	.256**	.000
Age	-.084	.127	-.060	.273
Service Provider	.015	.785	-.056	.313
SMS per day	.037	.503	.063	.253

**Correlation is significant at the 0.01 level (2-tailed).

Results of Pearson Correlation are shown in Table 2. The table indicates the relationship between demographical factors, customer satisfaction and customer's intentions to retain with the service provider. The table also shows the relationship between the five dimensions of service quality with the retention.

The results indicate that the satisfaction has a significant relationship with the customer retention ($r=0.580$, $p<0.000$). Similarly, gender has a significant relationship with satisfaction ($r=0.273$, $p<0.000$) and intentions to retain as customer ($r=0.256$, $p<0.000$). Age was having negative and insignificant relation with satisfaction ($r= -.084$, $p<0.127$) and customer retention ($r= -.060$, $p<0.273$). The service in use (Service provider) has insignificant relation with satisfaction ($r=.015$, $p<0.785$) and retention ($r= -.056$, $p<0.313$). No of SMS per day also proves insignificant relation with the satisfaction ($r= .037$, $p<0.503$) and retention of customers ($r= .063$, $p<0.253$).

5. Discussion

The scores indicate that overall customers are slightly satisfied with satisfaction and retention. At the same time correlation results indicate that Gender has significant relationship with satisfaction and retention, so both male and female behave differently while deciding to retain current service in future. Male were found to be more satisfied with the service provider and intend to retain the service provider in future. Age was not having significant relation with satisfaction and retention. So with increase in age has no relation with satisfaction and retention.

5.1 Future implementation of the study

As this study is conducted on only one service of cellular companies, its scope can be broadened and other services should also be included in the studies. This study is the first one of its nature in Pakistani scenario.

5.2 Limitation of the study

This study is restricted to only one service (short messaging service) of cellular companies. Other services might provide different results. This research also considers only demographics and extent of usage as predictors of satisfaction and retention intentions of mobile users, there are various other variables like service quality, call rates etc. that are also great determinants of satisfaction and retention.

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