

Research Application Summary

**Understanding customer value as a driver for customer loyalty: The case of
Airtel - Uganda**

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Abstract

The value concept has in recent times come to the forefront as many businesses and institutions grapple with how to ensure customers adopt their products, technologies, services and stay loyal without defecting to competitors. Customer value is a key concept in marketing as well as operations management. This case study involves telecom industry where customer loyalty determines the extent of the success and failure of products and services. Therefore, this article focuses on customer value as a driver of customer loyalty and attempts to link product and service attributes, product and service consequences, and customers interests. It further discusses the perceived value hierarchies of Airtel's services, like for example price, convenience, and on time performance. This study sampled 384 respondents using Disproportionate stratified random sampling method since there were two identifiable sub-groups of elements within the population with a composition of Airtel employees and customers. Respondent interviews were used in the data collection process. A Likert scale analysis was undertaken for the first level of descriptive data statistics. Regression analysis of the data was then conducted using multinomial logistic regression techniques to analyze predictors for an unordered group classification within the data. This study dissects customer value as a key driver of customer loyalty, and shows the customer value factors of Functional value and Price value as the most important among other factors examined. The study further shows that telecom employees and telecom subscribers view the factors of functional value, price value, emotional value and customer service value through different lenses.

Key words: Customer loyalty, customer value, telecom, Uganda

Résumé

Le concept de valeur a récemment pris le devant de la scène, car de nombreuses entreprises et institutions tentent de s'assurer que les clients adoptent leurs produits, technologies et services et qu'ils leurs demeurent fidèles sans pour autant nuire à leurs concurrents. La valeur client est un concept clé dans le marketing ainsi que la gestion des opérations. Cette étude de cas implique l'industrie des télécommunications où la fidélité des clients détermine la portée du succès et de l'échec des produits et services. Cet article met donc l'accent sur

la valeur client comme un facteur de fidélisation de la clientèle et tente de lier les attributs de produits et de services, les conséquences sur les produits et services et les intérêts des clients. L'étude aborde également les hiérarchies de valeurs perçues des services d'Airtel, comme par exemple le prix, la commodité et la ponctualité. 384 répondants ont été sélectionnés de façon aléatoire, en utilisant la méthode d'échantillonnage stratifié disproportionnée puisqu'il y avait deux sous-groupes d'éléments identifiables (employés et abonnés). Les interviews avec les enquêtés ont été utilisés durant la collecte de données. Une analyse à l'échelle de Likert a été entreprise pour le premier niveau de statistiques descriptives. L'analyse de régression logistique multinomiale a ensuite été faite pour déterminer les prédicteurs d'une classification de groupe non ordonnée dans les données. Cette étude examine la valeur client comme un facteur clé de la fidélisation de la clientèle, et montre que parmi les facteurs examinés, les facteurs de valeur client, valeur fonctionnelle et valeur du prix comme étant les plus importants. En outre, l'étude montre que les employés et abonnés de télécommunications considèrent les facteurs de la valeur fonctionnelle, valeur des prix, valeur émotionnelle et de la valeur du service client sous différents angles.

Mots clés: Fidélité du client, valeur client, télécom, Ouganda

Background

Understanding what buyers value within a given offering, creating value for them, and managing it over time have long been recognized as essential elements of every market oriented firm's core business strategy (Drucker, 1985; Porter, 1998; Desarbo *et al.*, 2001). Companies and institutions are searching for new and better ways to create value and differentiate their market offerings to attract and keep customers as a principle to ensure business profitability (Bendapudi and Leone, 2003). This is pronounced in today's highly globalized, industrialized and competitive market place where customer loyalty is critical to a company's continued existence. Loyalty as a concept has its root from the consumer behavior theory and is something that consumers may ascribe to brands, services and activities (Boohene and Agyapong, 2011). According to Beerli *et al.* (2002) there has been a growing interest in recent years in analyzing the factors influencing customer loyalty especially in marketing of services. Among such variables that influence customer loyalty are customer satisfaction, quality, customer value and switching costs (Bloemer and Lemmink, 1992; Anderson and Sullivan, 1993; Boulding *et al.*, 1993; Bloemer and Kasper, 1995; Berne, 1997; Oliver, 1999).

Literature summary

Customer value, as a key tenet of customer loyalty is described by Zeithaml (1988) as the customer's overall assessment of the utility of a product based on the perception of what is received and what is given. Furthermore, Lemon *et al.* (2001) conceptualized that value includes three factors: quality, price and convenience. Other researchers state that value is a tradeoff between benefit received and sacrifice made (Cronin *et al.*, 2000; Moliner *et al.*, 2007). The works of Zeithaml (1998) and Huber *et al.* (2001) provide a concrete description of customer value. They stress that; the value of customers to an organization concerns the

direct benefits that an organization experiences as a result of customers' loyalty and continued patronage; customer values reflect the personal values of individual consumers; and the customer perceived-value approach centres upon the utility a consumer receives after purchasing a product. In light of these descriptions, Hallowell (1996) states that loyalty behavior such as relationship continuance, increased market share and recommendation, results from customers' beliefs that the quantity of value received from one supplier is greater than that available from other suppliers. Research however indicates that the relationship between customer value and loyalty is still unclear (Cronin, *et al.*, 2000; Sirdeshmukh *et al.*, 2002). The objective of this study was to provide a deeper understanding of customer value and its factors as a key determinant for customer loyalty using Airtel-Uganda, a communications company, as the case study.

Study description

This study focused on determination of the factors of customer value that respondent's perceive as contributing to customer value as a key driver for customer loyalty while using Airtel's products and services. The research was limited by the geographical scope in which the questionnaire was administered to 384 respondents. Data were collected from respondents around Wampewo Avenue, Kampala - Uganda. Questionnaires and key respondent Face-to-face interview were used during the data collection process. A total of 267 usable questionnaires were used in the data collection exercise. Pre-test re-test method was used to ascertain the consistence of research tools across all variables. Charles (1995) adheres to the notions that consistency with which questionnaire test items are answered or individual's scores remain relatively the same can be determined through the test-retest method at two different times. A Multinomial Logistic Regression was used to analyze predictors for an unordered group classification, such as the relationship between the respondent categories interviewed and the perception of the factors of customer value such as functional value, price value, emotional value and customer service value. The reference category for the outcome variable was 'Disagree'; each of the other two categories was compared to this reference group. The main interest of the analysis was focused on the relationship between respondent categories and the perception of key factors of customer value which contribute to customer loyalty.

Results and discussion

The findings presented in Table 1 revealed that the key variables of customer value deemed as most important among respondents were functional value (70%) and price value (64%). This could be attributed to the fact that functional value customer value is paramount to would-be users of technologies, products, services or new varieties yet often overlooked. The extent to which functional value embedded in products and services can be easily deciphered by end-users determining whether or not a customer switches to other products or services in search of better functional value to satisfy his/her needs. This has important ramifications especially in sub-Saharan Africa where overwhelmingly high numbers of technologies, services and products of varying quality are continually being pushed to farmers, students, and various end-users in the hope that they will adopt and be retained as loyal

Table 1. Customer value assessment among respondents of airtel users

Customer value	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
Subscriber responses					
Airtel operating hours are convenient (customer service value)	14(7%)	15(7%)	16(8%)	70(34%)	89(44%)
Airtel has products that meet my needs as a customer (emotional value)	23(11%)	35(17%)	9(4%)	67(33%)	70(34%)
Airtel is a reliable service provider (functional value)	26(13%)	15(7%)	20(10%)	88(43%)	55(27%)
Airtel has fair prices (price value)	44(22%)	15(7%)	15(7%)	104(51%)	26(13%)
Average ratings	26.8(13%)	20(10%)	15(7%)	82.3(40%)	60(29%)
Employee responses					
Our printed materials associated with the service visually appealing.(emotional value)	3(4.8%)	3(4.8%)	8(12.7%)	24(38%)	25(39.7%)
Our operating ours are convenient (customer service value)	3(4.8%)	3(4.8%)	8(12.7%)	24(38%)	25(39.7%)
Our prices are fair and affordable for customers.(price value)	14(22.2%)	32(50.7%)	8(12.6%)	4(6.3%)	5(7.9%)
Airtel is a reliable service provider. (functional value)	4(6.3%)	3(4.8%)	10(16%)	22(35%)	24(38%)
Average ratings	6(10%)	10(16%)	9(13%)	19(29%)	20(31%)

customers. Further, with regard to the question whether “Airtel has products that meet my needs” (Odds Ratio=3.457) results in Table 2 suggest that employees of Airtel compared to subscribers of Airtel are more likely to agree with the perception that the company’s products and services meet consumer’s needs than to disagree. This seems to infer that the company’s design of products and services for its customers is approached more from a producer perspective than an end-user perspective. The results in the second row ‘Airtel is a reliable service provider’ (Odds Ratio=0.056) suggest that employees of Airtel compared to subscribers of Airtel are less likely to agree with the perception that the company is a reliable service provider. This result is important as it may infer that the company’s recent past where it underwent several takeovers (Network World, 2008) affected the way employees perceived the stability of the telecom provider.

The results in the third row ‘Airtel has fair prices’ (Odds Ratio=2.982) suggest that employees of Airtel compared to subscribers of Airtel are more likely to agree with the perception that the company fairly prices its products. This perception agrees with the stance taken by employees in the results taken from the first row ‘Airtel has products that meet my needs’ showing that the company feels its product offering is appropriate and therefore prices it that way and yet subscribers feel that the product offering is not tailored for them and therefore end up viewing the price as not appropriate. In the fourth row, the results for ‘Airtel operating hours are convenient’ (Odds Ratio=1.490) suggest that employees of Airtel compared to subscribers of Airtel are more likely to agree with the perception that the company’s operating hours are convenient. This result infers that contrary to what Airtel employees think, subscribers of the telecom provider require continued support from the

Table 2. Airtel sampled customer value parameter estimates

Airtel has products that meet my needs (a)			B	Sig.	Exp (B)
Agree	[Respondent=e]	[Respondent=s]	1.2410b	.007	3.457
Neutral	[Respondent=e]	[Respondent=s]	2.1510b	.001	8.593
Airtel is a reliable service provider (a)					
Agree	[Respondent=e]	Respondent=s]	-2.8810b	.000	.056
Neutral	[Respondent=e]	[Respondent=s]	-1.0310b	.028	.357
Airtel has fair prices (a)					
Agree	[Respondent=e]	[Respondent=s]	1.0930b	.012	2.982
Neutral	[Respondent=e]	[Respondent=s]	1.7260b	.003	5.619
Airtel operating hours convenient (a)					
Agree	[Respondent=e]	[Respondent=s]	0.398	.404	1.490
Neutral	[Respondent=e]	[Respondent=s]	0.882	.157	

a. The reference category is: Disagree. b. This parameter is set to zero because it is redundant

telecom provider beyond the official working hours. This result also links to the fact that subscribers feel that the products are not tailored for them and could be having challenges using the products. It further asserts the need for innovative platforms that enables subscribers to interface with the telecom provider at their own convenience.

Conclusion

This study dissects customer value as a key driver of customer loyalty, and shows the customer value factors of Functional value and Price value as the most important among other factors examined. The study further shows that telecom employees and telecom subscribers view the factors of functional value, price value, emotional value and customer service value through different lenses. The varying perceptions of the state of customer value by both subscribers and employees at Airtel underscores the fact that sometimes what the company believes about its products and services is different from what its subscribers perceive of the same. This has implications on the loyalty of subscribers. It is important that companies view customer value through the eyes of their consumers. This is in agreement with Hallowell (1996), who stated that loyalty behaviors such as relationship continuance results from customers' beliefs that the quantity of value received from one supplier is greater than that available from another supplier.

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