

## Impact of Customer Satisfaction on Customer Loyalty towards Sri Lanka Telecom PLC.

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### Abstract

The main objective for the study is to assess how the customer satisfaction influences the customer loyalty. To measure service quality, pricing, and brand image which leads to customer satisfaction were selected as independent variables and their impact on customer loyalty was measured through a sample of 395 customers from Trincomalee District by using stratified disproportionate sampling technique. Regression and Correlation analysis was done to find out the contribution and the relationship of each variable. The correlation analysis showed that the variable of customer satisfaction on Sri Lanka Telecom PLC products and services in Trincomalee district had significant relationship with customer loyalty. According to the regression model, pricing and brand image are of low level contribution to customer loyalty whereas the service quality contributes comparatively more. This study concluded that variables of customer satisfaction significantly influenced customer loyalty.

**Key words:** Service quality, Pricing, Brand image, Customer satisfaction, Customer loyalty.

### 1. Introduction

Success of any business largely depended on loyalty of its customers. Customer loyalty was an attitude of loyalty in committing a relationship between the provider and the customer. When the customers were satisfied with the organizations products and services they became a loyal to the organization. Customer satisfaction is an ambiguous and abstract concept and the actual manifestation of the state of satisfaction will vary from person to person and product/service to product/service.

There were many operators in telecommunication industry at Sri Lanka. As a telecommunication service provider, Sri Lanka Telecom PLC needs to sustain customer loyalty through its customer's satisfaction. Also the recent changes in telecom market have noticeably challenged to Sri Lanka Telecom PLC market leadership. Therefore customer satisfaction was a crucial factor in gaining customer loyalty and in turn company's stability and growth.

The Sri Lanka Telecom PLC serves its customers by the main products/services of fixed wire line (voice only)/PSTN, broad band/ADSL, CDMA and PEO TV. These products were introduced by the Sri Lanka Telecom PLC to satisfy the customer needs. In earlier days Sri Lanka Telecom PLC had only fixed wire line connection/PSTN. That means only voice services served to customers. Due to the development of technology, the customer needs are changed and they expected more from Sri Lanka Telecom PLC. To face challenges in the market, Sri Lanka Telecom PLC introduced other products one by one to satisfy its customers.

This research attempts to identify how the variables of customer satisfaction contribute to Sri Lanka Telecom PLC to maintain customer loyalty amidst growing competition. Therefore, the aim of this study is to evaluate the customer loyalty through three factors, such as, service quality, pricing and brand image which leads to customer satisfaction.

Fornell (1992) defined satisfaction as an overall evaluation dependent on the total purchase and consumption experience of the target product or services performance compared with repurchase expectations overtime.

Zeithmal and Bitner (1996) believed that the extent of satisfaction depends on service quality, product quality, price, image and personal factors. Fornell (1992) examined 27 different businesses and found the loyal customers were not necessarily satisfied customers, but satisfied customers tend to be loyal customers. Highly satisfied customers were much more loyal than satisfied customers and any drop in total satisfaction result in major drop in loyalty (Jones, 1990).

By understanding and identifying the profile of individual customers, the service providers can suggest appropriate products to meet their needs. Since satisfied customer is too loyal to the company, as a competitive company, Sri Lanka Telecom PLC needs to maintain its loyalty in the telecom market for a sustainable position in future. Therefore this study focused on the problem that,

*"Can Sri Lanka Telecom PLC sustain/retain its customer loyalty through the three factors such as, service quality, pricing and brand image which leads to customer satisfaction?"*

Through this study, the shortcomings in Sri Lanka Telecom (SLT) PLC's business can be identified and, with customers' feed back, improvements can be made to meet their expectations in order to retain SLT's market