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Factors influencing customer retention: case study of Lithuanian mobile operators

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Abstract

Factors influencing customer retention are important in the study of consumer relationship conception witch has implications for organizational business strategy and regulatory policies. Much research has already examined the consumers' repeated purchase intentions, however there is no united point of view concerning the factors conditioning customer retention, and means of its assessment and determination. The aim of the paper - to create a theoretical model of customer retention and to prove it in Lithuania Mobile Operators practice. The empirical research results showed that there is a statistically significant positive correlation between factors identified in the theoretical model: customer satisfaction, relationship quality, switching costs and customer retention

Keywords: customer retention; relationship marketing; mobile operators

1. Introduction

Customer retention is one of the main relationship marketing objectives. Currently the perception and application of customer retention is significantly valuable for companies. Thus, in order to perceive and apply marketing principles in practice relevantly, it is important to ground theoretically and assess empirically customer retention.

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According to Berry (2002) the concept of relationship marketing was first mentioned in the year 1983 and since then the interpretation of the following concept has been changing and nobody has come to the united point of view concerning relationship marketing and its factors.

The review of works carried out by (Berry, 2002; Gummesson, 2002; Juščius, Navickas, and Jonikas, 2006; Lee and Jun, 2007; Bivainis, Daukševičiūtė, and Vilkaitė, 2011; Kaur, Sharma, and Mahajan, 2012) and other scientists revealed that creation, nurturance and fostering of long-term relationship is an underlying and broadly discussed issue; however, it should be highlighted that there has not been reached any united point of view concerning the customer retention.

Nevertheless, the authors: (Sheth and Parvatiyar, 2002; Žvirelienė and Bučiūnienė, 2008; Manoj and Sunil, 2011; Jeng and Bailey, 2012) name customer retention as the benefit of relationship marketing. Much research has already examined the consumers' repeated purchase intentions, however there is no united point of view concerning the factors conditioning customer retention.

Henning (2000) analyzed customer retention by creating a linear model. This model indicates that between customer satisfaction and customer retention there is a very important factor - the relationship quality. Clearly linear model layout shows that these factors are equally important.

Customer retention is also analyzed by Jing-Bo, Zhe, and Xuan-Xuan (2008). The author's model assumes that customer retention affects customer satisfaction, customer perceived value, trust relationships and switching costs. It must be concluded, that these factors are equally important for customer retention.

However, none of the authors specify the sequence of factors. There are also no studies which factors are important for mobile operators; such studies have not found any case of Lithuania. The research problem - find the factors that affect customer retention of the mobile communications sector in Lithuania.

Article aim – to define and assess the factors which impact customer retention of Lithuanian Mobile Operators in the context of relationship marketing.

According to Henning, Gwinner, and Gremler (2002) and the analysis of scientific literature and completed empirical research Jing-Bo et al. (2008), there was created a theoretical model of customer retention. The newly created model combines the previously mentioned authors thought and shows that customer retention is influenced by three factors customer satisfaction, relationship quality and switching costs. The new model is the fact that indicates two factors influencing the switching Costs. Furthermore to customer satisfaction and relationship quality can have a direct impact on customer retention and their interrelationship is presented in the theoretical model. (See figure 1):
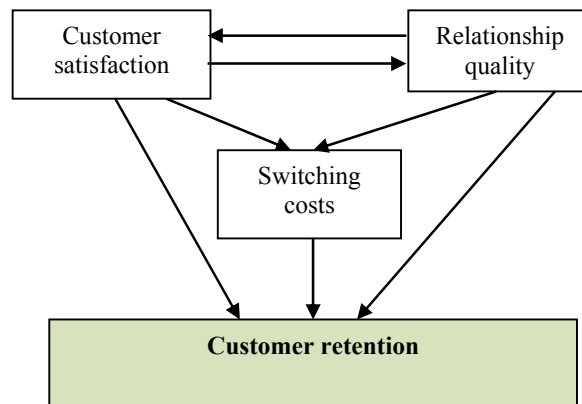

Figure 1. Theoretical customer retention model

The most important thing is customer satisfaction, which affects the relationship quality and switching costs. If the customer is satisfied with overall company's products / services and he/she has the already existing strong relationship with the company, the customer would be inclined to ignore a single small frustration. Therefore it can be said that there is the mutual relationship between customer satisfaction and relationship quality. Monetary costs are also affected, but when the customer is satisfied relationship with the company, he/she is willing to pay more, but not to change the company. Consequently customer satisfaction and relationship quality affects switching costs. In case a customer more values two variables: customer satisfaction and relationship quality, and he/she finds the switching cost being higher for him/her, then, it is more important for the customer to maintain relationship with the company, and thus there is increasing customer retention. The validation of this theoretical customer retention model must be carried out by empirical research.

2. Method

To achieve the aim of this paper, data were collected from 223 respondents from Lithuanian largest mobile operators (Omnitel, Bite Lietuva, Tele2 and etc.). The data was analyzed by a quantitative questionnaire survey method and correlation and linear regression anglysis. In order to test all the relationships between variables in the modelį there were set 7 hypotheses: H1: There exists direct impact between customer satisfaction and customer retention; H2: There exists direct impact between switching costs and customer retention; H3: There exists direct impact between relationship quality and customer retention; H4: There exists direct impact between relationship quality and switching costs; H5: There exists direct impact between customer satisfaction and switching costs; H6: There exists direct impact between customer satisfaction and relationship quality; H7: There exists direct impact between relationship quality and customer satisfaction. For the data analysis there was applied statistical package 'IBM SPSS Statistics' (19.0 version). Applying the following statistical package there was assessed the credibility of data applying the coefficient of Cronbach alpha; there was estimated the correlation coefficient of Spearman and executed regressive analysis.

3. Results

Results of correlative analysis. All variables correlate interdependently as in all cases p = 0,000 and it is lower than the indicated level of significance (α = 0,01) and that means that there is present statistically significant relationship among variables. Due to the fact that all coefficients are positive, thus the correlation among variables is positive too. Correlation coefficients among variables vary from 0,675 to 0,831, i.e. there is mean or strong relationship. In the following case the strongest correlation (r = 0,831) is between switching costs and customer retention. Following correlation coefficients it can be seen there is present quite strong correlation between relationship quality and switching costs (r = 0,8), relationship quality and customer retention (r = 0,761), relationship quality and customer satisfaction (r = 0,751). There is also medium strength inter-correlation between customer satisfaction and customer retention (r = 0,682), customer satisfaction and switching costs (r = 0,675).

Summarizing it can be claimed that there exists positive and statistically significant linear relationship among the factors, identified in the theoretical part: customer satisfaction, relationship quality, switching costs and customer retention.

Results of linear regression analysis. Linear regression analysis enabled the decision concerning the impact of variables and its significance. The obtained data are provided in Table 1 in summary.

Table 1. Impact of variables

Independent variable	R^2	B	p	Dependent variable
Customer satisfaction	0,610	0,848	0,000	Relationship quality
Customer satisfaction	0,384	0,617	0,000	Switching costs
Customer satisfaction	0,460	0,692	0,000	Customer retention
Relationship quality	0,476	0,719	0,000	Customer satisfaction
Relationship quality	0,594	0,707	0,000	Switching costs
Relationship quality	0,476	0,707	0,000	Customer retention
Switching costs	0,703	0,858	0,000	Customer retention

As it can be seen under the data provided in Table 1, all coefficient signs are positive as well as correlation coefficients are, thus regression analysis is relevant. The determination coefficient is quite high in all cases ($R2 > 0,20$), consequently that means that the model describes the data quite well the simple linear regression model can not be rejected as one not relevant for data. In all cases p meaning of the criterion of ANOVA is less than 0,05 (p = 0,000), and as a result it can be stated that there is present dependence among variables, i.e. in case of the customer satisfaction increase there respectively increases relationship quality, switching costs, customer retention, etc. The very estimates of coefficients: Unstandardized Coefficients B are presented in the column B.

Thus simple linear regression analysis is relevant for data, and the obtained coefficients are statistically significant. Consequently, following coefficients of regression analysis there were verified hypotheses. All hypotheses were confirmed, accordingly all relationship indicated during the theoretical analysis among the identified factors verified. The relationship among variables is statistically significant and there is present direct impact among them. Similarly, as it can be seen Figure 1, the model has been completed relevantly.

The empirical research results showed that there is a statistically significant positive correlation between factors identified in the theoretical part: customer satisfaction, relationship quality, switching costs and customer retention. It was identified that there is statistically significant linear regression which shows strong relation between the factors.

4. Conclusions

Switching costs have the greatest impact on the customer retention. The impact of relationship quality is also very significant. Due to the fact that relationship quality is very significant for switching costs as bettering relationship increases emotional loss, as result the mobile connection suppliers should follow good relationship with customers as the key factor in order to retain customers. It can be claimed that relationship quality has direct and indirect impact on customer retention.

The research demonstrates the impact of customer satisfaction, relationship quality and switching costs on customers' retention intentions. Mobile operators are recommended to strengthen and improve relationships with customers. The study revealed that a good relationship with the client is important because the quality of relationships has a direct impact on customer retention and customer satisfaction. Improving relations increases the emotional damages, so the customers are reluctant to change the mobile operator.

According to empirical results, there is a statistically significant positive correlation between factors identified in the theoretical model: customer satisfaction, relationship quality, switching costs and customer retention that affect customer retention of the mobile communications sector in Lithuania.

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