An Investigation into the Relationship between Loyalty Program, Customer Satisfaction and Loyalty of Mobile Telecommunication Company of Iran (Case Study: Mobile Telecommunication Company of Iran in Zahedan)

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A B S T R A C T

Most businesses, especially service companies utilize programs to increase customer satisfaction and customer loyalty to prevent their customers from buying from the others. However, the success of these programs has not yet been proven. Therefore we investigate the relationship between loyalty programs, customer satisfaction and customer loyalty for mobile telecommunication company of Iran (MCI), also known under its brand name Hamrah-e-Aval, which makes up our statistical community and its size is infinity. The sample size was calculated 384 people based on Cochran's formula. In this research the sampling method was targeted. The data collection tool was a 26-question survey. In the present study, after collecting surveys, the questions were coded and data analysis was performed with SPSS software which is specific to statistical tests in the social sciences. At the level of descriptive data analysis, frequency distribution tables, percentage tables, extraction of graphical data (circular and columnar data) and descriptive comparisons have been used. In order to investigate the relationship between variables, to examine the hypotheses, to find meaningful relationships and to prove or reject them, and to answer the research questions, statistical methods and different tests were used by using the SPSS and SMARTPLS softwares as will be mentioned later. Findings show that there is a positive and meaningful relationship between loyalty programs, customer satisfaction and customer loyalty. The findings confirmed the main and secondary hypotheses as follow: main hypotheses that there is a positive relationship between loyalty programs and customer satisfaction and also there is a positive relationship between loyalty programs and customer loyalty. Secondary hypotheses that there is a positive relationship between special discounts and customer satisfaction, There is a positive relationship between rewards and customer satisfaction, There is a positive relationship between scores exchanges and customer satisfaction, There is a positive relationship between special discounts and customer loyalty, There is a positive relationship between rewards and customer loyalty and also there is a positive relationship between scores exchanges and customer loyalty.

Keywords: Loyalty Programs, Customer Satisfaction, Satisfied Customer, Unsatisfied Customer, Loyal Customer, Loyalty, Disloyal Customer.

INTRODUCTION

Loyalty programs are often also referred to as rewards or targeted programs which are offered by airline companies, supermarkets, pumps, car rental agencies, coffee shops, bookstores, and more. The success of these programs is summarized on the base of giving special rewards to customers. Rewards mean loyalty. Distinct a good customer with the help of behavioral logging. For the reason following, the loyal customer will gain more profit, increasing purchases, reducing operating costs, and increasing marginal profits.

As the market is slumping, many companies improve or extend their loyalty programs to prevent customers from escaping.

1,2 Problem Scheme
   1.   **Theoretical basis of research:**
Because of increasing use of today's industry by consumers, creating customer satisfaction is one of the most important issues that directly affects people's loyalty. Customer loyalty and customer satisfaction mean permanent customer for industry and guaranteed profit at desired times.

   1.2   Customer satisfaction
Satisfaction is a pleasant or unpleasant personal feeling from the expectation of the customer with the goods. Satisfaction is a pleasurable reaction while dissatisfaction is an unpleasant one. In addition, in other words satisfaction is a positive and effective behavior created by a section and the result of an overall assessment of the other parts that are interconnected. While in the business dimensions, as the organization maintains a positive relationship between its customers, several favorable results are likely to be achieved.

Usually satisfaction is used as a predictor of future purchases by company. Satisfied customers are more likely to repeat their purchases. Customers who are satisfied are less deceptive from competitors. Satisfaction is considered as a prerequisite for loyalty. Although customer satisfaction is an important factor for customer loyalty, research shows that it is not the only factor.

Customer satisfaction is the main result of the visitor's activity, which acts as a link between the various stages of consumer buying behavior. For example, if customers are satisfied with certain services, they are more likely to repeat their purchases. Satisfactory clients also probably speak with others about their experiences, which are therefore engage in positive mouth (oral-verbal) advertising. In contrast, dissatisfied customers are likely to interrupt their relationship with the company and engage in negative mouth advertising. In addition, behaviors such as repetition of shopping and mouth advertising directly affect the survival and profitability of a company.

Customer satisfaction can be seen as the ultimate basis for marketing, so that the success of the company depends on identifying the need of customers and satisfying them much better than competitors. Customer satisfaction can lead to behaviors such as loyalty and positive mouth advertising.

Customer satisfaction is the main key to success in many organizations and in a numerous studies, the relationship between customer satisfaction, mouth communication, loyalty, repeat purchase and profitability of organizations has been mentioned.
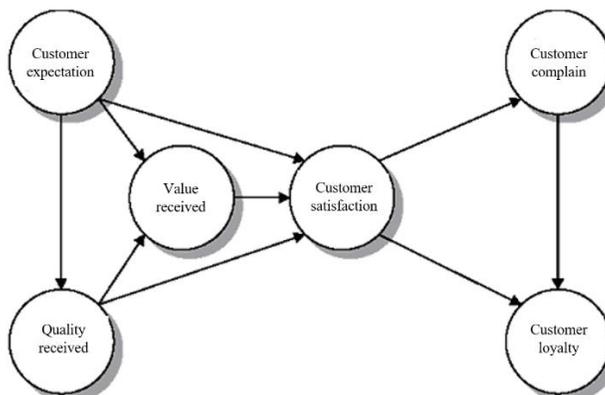

Figure 1. ACSI model

   Factors Affecting Customer Satisfaction
1)   Product price
2)   Product packaging
3)   Product quality
4)   Brand and trade mark
5)   Distribution manner
6)   Sellers
7)   After-sales support and warranty
8)   Advertising

Marketing is an evolution stage that marketers are not just thinking about finding new customers. Today, the goal of loyalty programs is to manage demand by expanding and pushing the customer to maturity in a loyalty ladder of organizations. Today customer satisfaction is not enough, and companies should not be satisfied with their customers' satisfaction. They must be confident that their happy customers are also loyal.

Loyal customer:

The customer is resistant to the supplier's change and opposes it and has a significant and very positive attitude towards your company. That is, even in some cases, our company does not have the goods and services for a while, the customer will wait to meet the needs from our company. It also influences the creation of financial resources and attracting more customers. A loyal customer is the one who repeatedly buy from a seller, product, and service and has a positive attitude towards that and therefore, he or she strongly recommends buying from the company to all his or her acquaintances. Therefore, the 5% increase in customer loyalty will increase the company's profit up to the range of 25% to 85% which is said to be the cost of loyalty.

Satisfied customers only express their satisfaction. Among customers, lovers are the ones who say: "I love shopping from the A company." Loyal customers are advocates of amazing communication and never get tired of doing it. In this way, Pareto's law can be mentioned which indicates the importance of the loyalty of the customers to the organizations. The message of this law in a customer-oriented system is that 20% of our customers provide 80% of our profit and the remaining 80% of the customers buy only 20% of our goods and services. Thus, knowing this group who are called loyal customers among the mass of customers is very important. They are very important and vital to us and we have to meet the needs of those customers at a higher level than currently exist and the necessary of it is to conquer the heart of the customer to stay loyal to our company. According to Professor Kaohu, one of the major theorists of the customer centric system, all customers are not equal. And so, knowing and choosing a permanent and loyal customer is the only condition for the stable survival of any organization.

Relationship between satisfaction and loyal customers

There is a positive and strong relationship between customer loyalty and satisfaction and in other words, satisfaction is a prerequisite for loyalty. But said earlier, there are a number of customers in spite of emphasizing their satisfaction, still tend to use competitors' services and dissatisfied customers will continue to use the services. Recently, however, research has shown that customers who are very pleased have a very small tendency to use other market products. Saderland showed in its research that the increase in customer satisfaction is not the same as the increase in loyalty level. That is the relationship between customer satisfaction and loyalty is not linear and simple. Satisfaction only means 37% of loyalty.

In this discussion, it is pointed out that only if a customer is very satisfied, in this case his loyalty will be meaningful. Other studies have also shown that those who choose the option show I am satisfied have repurchased and are 42% more loyal than others. The next diagram shows the relationship of satisfaction and loyalty in a transparent manner. It tells us why we need loyal customers and how much we need to improve our customers' satisfaction
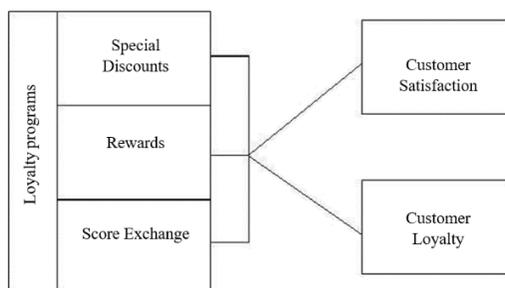
hypotheses
Main hypotheses:
1) There is a positive relationship between loyalty programs and customer satisfaction.
2) There is a positive relationship between loyalty programs and customer loyalty.

Secondary hypotheses:
1) There is a positive relationship between special discounts and customer satisfaction.
2) There is a positive relationship between rewards and customer satisfaction.
3) There is a positive relationship between scores exchanges and customer satisfaction.
4) There is a positive relationship between special discounts and customer loyalty.
5) There is a positive relationship between rewards and customer loyalty.
6) There is a positive relationship between scores exchanges and customer loyalty.

conceptual model

Research methodology:

This research, in terms of the type of target is applied, in terms of nature is correlated and in terms of data type is quantitative. From the point of view of location and time of execution is library and field research, from the point of methodology is survey.

Statistical population, sample size, sampling method

In this research we investigate the relationship between loyalty programs, customer satisfaction and customer loyalty for mobile telecommunication company of Iran (MCI), also known under its brand name Hamrah-e-Aval, which makes up our statistical community and its size is infinity. The sample size was calculated 384 people based on Cochran's formula. In this research the sampling method was targeted. The data collection tool was a 26-question survey. In the present study, after collecting surveys, the questions were coded and data analysis was performed with SPSS software which is specific to statistical tests in the social sciences. At the level of descriptive data analysis, frequency distribution tables, percentage tables, extraction of graphical data (circular and columnar data) and descriptive comparisons have been used. In order to investigate the relationship between variables, to examine the hypotheses, to find meaningful relationships and to prove or reject them, and to answer the research questions, statistical methods and different tests were used by using the SPSS and SMARTPLS softwares as follow.

Data collection tools (questionnaire, reliability validity)

In order to investigate the validity of the questionnaire, and whether the questions covered the desired objectives and also that there is no impediment in writing and ambiguity in the sentences, the researcher gave it to the supervising professor, thesis advisor and other professors. They reviewed the merits of it carefully and confirmed it has the desired feature.

The completed questionnaire was given to a sample of 384 people from the target population, randomly and experimentally. In calculations for special discounts, the Cronbach's alpha coefficient was obtained 87%; for rewards, Cronbach's alpha coefficient was obtained 74%; for scores exchange Cronbach's alpha coefficient was obtained 74%; for customer satisfaction Cronbach's alpha coefficients was obtained 86% and for customer loyalty Cronbach's Alpha coefficient was obtained 89% which show the suitable reliability of the questionnaire.

Results and discussion
Statistical information of respondents
In order to get acquainted with the respondents, their demographic variables such as gender, age, education are presented in tables one to three.

Table 1. Frequency distribution of respondents by the degree of education

Education	Frequency	percentage	Valid percent	percentage cumulative frequency
Middle school	203	52.9	52.9	52.9
Diploma	133	34.6	34.6	87.5
Associate degree	44	11.5	11.5	99
BSc	2	0.5	0.5	99.5
MSc and higher education	2	0.5	0.5	100
Total	384	100	100	
Without answer	0			

Table 2. Frequency distribution of respondents by gender

Gender	Frequency	percentage	Valid percent	percentage cumulative frequency
Male	134	34.9	34.9	34.9
Female	250	65.1	65.1	100
Total	384	100	100	
Without answer	0			

Table 3. Frequency distribution of respondents by age

Age (year)	Frequency	percentage	Valid percent	percentage cumulative frequency
<20	57	14.8	14.8	14.8
20-25	27	7	7	21.9
26-30	4	1	1	22.9
31-35	24	6.3	6.3	29.2
36-40	134	34.9	34.9	64.1
>40	138	35.9	35.9	100
Total	384	100	100	
Without answer	0			

Data analysis
To evaluate the divergent validity of the model, we used the Fornell and Larcker Matrix. In this method, the correlation coefficient of a structure with its indexes is compared with the correlation of that structure with other structures. In the main diameter of this matrix, the root of AVE of the variables is entered and to confirm the divergent validity, this value is should be more than the correlation between that variable and the other variables (Davoodi and Reza zadeh 1392).

According to the results of Table 17, the square root of AVE in the main diameter of the following matrix is greater than the correlation of each structure with other variables, which indicates the proper divergent validity and proper fit of the measurement models.

Hypotheses study

The findings confirmed the main and secondary hypotheses as follow: main hypotheses that there is a positive relationship between loyalty programs and customer satisfaction and also there is a positive relationship between loyalty programs and customer loyalty. Secondary hypotheses that there is a positive relationship between special discounts and customer satisfaction, There is a positive relationship between rewards and customer satisfaction, There is a positive relationship between scores exchanges and customer satisfaction, There is a positive relationship between special discounts and customer loyalty, There is a positive relationship between rewards and customer loyalty and also there is a positive relationship between scores exchanges and customer loyalty.

Discussion
Main hypotheses:
1) There is a positive relationship between loyalty programs and customer satisfaction. This finding is similar to the research results by Zakaria and his colleagues in 2013. They found loyalty programs could increase stores customer satisfaction in Malaysia. Schumacher and Lewis also found in 1999 that loyalty programs would increase customer satisfaction and in the case of the appearance of a conflict between the client and the provider of these programs, it reduces dissatisfaction. Yi and Geon also achieved similar results by conducting research in 2003. They found that the value gained from loyalty programs would lead to customer satisfaction. In other words, loyalty programs affect customer satisfaction. Therefore, the results of this hypothesis and the first to third of secondary hypotheses are consistent with previous research.
2) There is a positive relationship between loyalty programs and customer loyalty. This finding was similar to the results by Goshki, Selgi and Bahramzadeh in 2013. They found that loyalty programs have a positive and significant impact on customer loyalty. Gomez et al. found in their 2006 study that loyalty programs lead to the behavioral and emotional loyalty of customers. Smith et al. also achieved similar results in 2004. They conducted studies aimed at demonstrating the long-term impact of loyalty programs on consumers and also they wanted to investigate the different attitudes, behavior, and understanding of members and non-members of loyalty programs and found that there was a positive relationship between loyalty and customer loyalty programs. Magi et al. achieved similar results in 2003 and 2011. So this hypothesis was in support of previous findings.

Secondary hypotheses:

By conducting a wide search inside and outside of the country, we did not find any investigations about the relationship between loyalty Program such as special discounts, scores exchange and rewards, customer satisfaction and loyalty of Hamrah-e-Aval. But studies conducted by Zakaria in 2013 studied loyalty programs of Malaysian store and customer satisfaction which included buy-participatory, gift cards, free insurance coverage, special prices, discount cards, magazine and membership day. The nature of the gift card program in the study was similar to rewards of Hamrah-e-Aval loyalty programs and the nature of special discounts was similar to scores exchange of Hamrah-e-Aval loyalty programs and in the end, the nature of special prices in that research was similar to special discounts of Hamrah-e-Aval loyalty programs.
1) There is a positive relationship between special discounts and customer satisfaction. This finding is similar to the results by Zakaria in 2013. He found that the special price had a direct relationship with customer satisfaction. As mentioned above, the special price is one of the loyalty programs which is very similar to special discounts of Hamrah-e-Aval loyalty programs. Therefore, the findings of this hypothesis are similar to previous studies.
2) There is a positive relationship between rewards and customer satisfaction. This finding is similar to the Zakaria findings in 2013. He found that the gift card had a direct relationship with customer satisfaction. As mentioned earlier, the gift card is one of the loyalty programs that is very similar to rewards of Hamrah-e-Aval loyalty programs. Therefore, the findings of this hypothesis are similar to previous studies.
3) There is a positive relationship between scores exchange and customer satisfaction. This finding is not consistent with the findings by Zakaria in 2013. He found that the discount card did not directly relate to customer satisfaction. As noted earlier, the discount card is one of the loyalty programs that is very similar to scores exchange of Hamrah-e-Aval loyalty programs. Perhaps one of the reasons for this unmatching is that scores exchange in the telecommunications industry is more sensible comparing with retailers and stores. Customers can easily use this item by collecting points in Hamrah-e-Aval loyalty programs but using this item is not enough sensible in store and retail which their statistical community investigated by Zakaria. Therefore, the findings of this hypothesis are not consistent with previous studies.

4) There is a positive relationship between special discounts and customer loyalty. This finding is similar to the studies by Zakaria findings in 2013. He found that the special price had a direct relationship with customer loyalty. As noted earlier, the special prices is one of the loyalty programs which is very similar to special discounts of Hamrah-e-Aval loyalty programs. Therefore, the findings of this hypothesis are similar to previous studies.

5) There is a positive relationship between awards and customer loyalty. This finding is not consistent with the findings by Zakaria in 2013. He found that the gift card is not directly related to customer loyalty. As noted above, the gift card is one of the loyalty programs that is very similar to rewards of Hamrah-e-Aval loyalty programs. Perhaps the cause of this conflict is that people in Iran believe in awards and are very optimistic about the lottery and the prizes. Therefore, the findings of this hypothesis are not consistent with previous studies.

6) There is a positive relationship between scores exchange and customer loyalty. This finding is consistent with Zakaria's findings in 2013. He found that the discount card had a direct relationship with customer satisfaction. As noted above, the discount card is one of the loyalty programs that is very similar to scores exchange of Hamrah-e-Aval loyalty programs. Therefore, the findings of this hypothesis are similar to previous studies.

Discussion:

Implementing and performing loyalty programs for today's modern customers poses many challenges for marketers in this area. Markets are becoming more competitive every day. Changes happened with stunning speed and the time for customers to search and buy become less and less. Perhaps, apparently the demand for investment in modern loyalty programs has increased but all businesses are still loyal to their old marketing manners. Despite all these issues, the question is that whether there is any hope for change of customer behavior?

Loyalty programs are among the management tools that could help you reach your goals. Designing and implementing proper loyalty programs involves a series of do's and don'ts.

To perform loyalty programs you do not need to choose the most cost effective way. Always the most expensive are not the best ones.

Make your scoring, rewards and suggestions clear and simple for your customers. Do not make your loyalty program complicated. You may think that showing a complicated loyalty program reflects your intelligence and your amazing business but you should know that intelligence is in choosing simple ways. Do not force them to calculate their scores. They may make a mistake counting their scores. And it could appear conflicts between you and your customers that you are expecting long time to come. Give all your information to them.

Train your employees to deal with every customer and teach them how to encourage customers to use loyalty programs. Encourage your employees to participate in a healthy competition for attracting more customers in loyalty programs.

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