

UNIVERSITI TEKNOLOGI MARA

**THE IMPACT OF CUSTOMER
EXPERIENCE AND CUSTOMER EMOTION
TOWARDS CUSTOMER
LOYALTY: THE MEDIATING ROLE
OF CUSTOMER SATISFACTION IN
TELECOMMUNICATION SECTOR**

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ABSTRACT

Business environment nowadays is striving to establish a long-term relationship with their customers. Providing better services to the customers is deemed strengthening and sustaining the existing customer loyalty programme. However, better service alone is insufficient to be acknowledged as a viable differentiation for the industry players to remain competitive. This study primary objective is to examine the relationship between customer experiences mediated by customer satisfaction towards the formation of customer loyalty. Concurrently, this study also examines the influence of customer experience towards customer satisfaction and the influence of customer experience towards customer emotion and also the effects of customer emotion against customer satisfaction towards cementing customer loyalty. A self-administrated questionnaire was distributed to 247 of mobile telecommunication subscribers as a sample for this study. In the second-order model derived from the results, customer experience is depicted through six dimensions: core service, charging, price perception, employee service, brand image, and trust, which are significantly impacting customer loyalty. Partial Least Square (PLS) is used to analyse the data for the results. The findings of this study revealed that all factors contributed towards customer experience (core service, charging, price perception, employee service, brand image, and trust) have significant effects on customer loyalty and customer satisfaction. Collectively, customer experience and customer emotion are significantly found to have positive effects on customer satisfaction. Thus, factors that moulded better customer experience also instigated customer loyalty. Specifically, current research findings offered an empirical evidence of the effects of customer experience on customer loyalty within the telecommunication sector. The results provide significant connections on relationship durability between customers and the service providers; they offered the best practice guideline in building customer loyalty through customer experience and enhanced satisfaction. Generally, designing customer experience would allow the telecommunication industry to accomplish more. The current study also anticipates to augmenting the marketing managers' knowledge and understanding the importance of customer experience towards both customer loyalty and customer satisfaction, and subsequently able to wisely manage the identified determinants that contributes to a greater customer experience.

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CHAPTER ONE

INTRODUCTION

1.1 Research Background

The telecommunication industry in Malaysia has been growing rapidly in parallel with technology. The penetration rate for mobile service subscription in Malaysia has also reached a noteworthy level. According to the Department of Statistics Malaysia, for the past three quarters of 2016, Malaysia's economy has been growing steadily with a total value of MYR 817.5 billion and MYR 901.6 billion at current prices, which represent 4.2% of the total economic growth. The service sector recorded a sound performance by registering a positive growth rate of 6.1%. Meanwhile, the telecommunication sector recorded 7.6% growth rate and continued to remain as one of the key contributors to the country's economy. The Malaysian Communication and Multimedia Commission (MCMC) report in 2015 revealed a total of 44,111,000 million registered mobile subscriptions of both post-paid and prepaid in Malaysia.

The mobile phone penetration rate in Malaysia rose from 142.5% to 143.6% in the fourth quarter in 2013. The increment in the subscription is contributed by customers with multiple subscriptions, which are a popular trend among Malaysian. Whilst mobile phone penetration rate in Sabah (including Labuan) was 88.8% in 2011; the number dropped to 87.6%. The reason behind this nationwide drop is due to MCMC decision in implementing the Mobile Number Portability (MNP) in October 2008 (The Malaysian Communication and Multimedia Commission, 2013). The MNP implementation allows customers to switched operators without the need to change their existing numbers from the service provider. Fierce competition among mobile telecom companies led to challenges in retaining customers and cultivating customers' loyalty (Chen & Cheng, 2012). Attracting new customers and retaining the existing ones are a tough (Agyei & Kilika, 2014) feat under the circumstance of a gradually saturating market. This is inevitable as the economy and industries are experiencing a positive growth. Subsequently, the customer buying power also increases, so does their need for better telecommunication services (data, network, and connectivity), which intensified dramatically. Furthermore, the industry itself is one of a highly competitive industry