

**UNIVERSITI TEKNOLOGI MARA**

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

**NOORAIN BINTI IMBUG**

Dissertation submitted in partial fulfillment  
of the requirements for the degree of  
**Doctorate of Business Administration**

**Arshad Ayub Graduate Business School**

**April 2019**

## 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.

## ACKNOWLEDGEMENT

First and foremost, I am grateful and wish to thank God for giving me the opportunity to embark on my DBA and for completing this long and challenging journey successfully.

My sincere gratitude and appreciation go to my supervisor Dr. Nabila Azwa Binti Ambad. Her continuous support, patience and guidance helped me in all the time of research and writing this dissertation. I have been extremely grateful to have a supervisor who cared so much about my work and who responded to my question and queries.

My sincere gratitude extends also to my second supervisor Assoc. Prof Dr. Imbaraine Bin Bujang for the enthusiasm and immense knowledge. I am using this opportunity to express my gratitude to Assoc. Prof Dr. Datuk Worrان Hj. Kabul my former supervisor for his insightful comments and constructive idea during the initial stage of my works.

I am extremely thankful to both my beloved parents for the strong determination and support both physically and spiritually in ensuring that I continued have the best of life throughout my education years. This piece of my victory is especially dedicated to both of you. Thank you also to my all brothers and sisters for their constant support and valuable prayers.

I expressed my thanks to one very special person in my life, my husband, Fredzex Foo for his continued and unfailing love, support and understanding during my pursuit of DBA degree that made the completion. You were always there cheering me up and stood by me through the good times and bad time and helped me to keep thing in perspective. To my two lovely daughters Kendra and Klarissa thank you, mummy made it. . finally!! I consider myself the one of the luckiest in the world to have such a lovely and caring family standing beside me with their love and unconditional support.

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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