

# DETERMINANTS OF CUSTOMER LOYALTY: A STUDY ON THE FACTORS AFFECTING RELIANCE JIO

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## ABSTRACT

The purpose of this study is to investigate and analyse the determinants of customer loyalty towards Reliance Jio – a major Indian telecommunication service provider. It can be unquestionably said that loyal customers are very crucial for a company's success and have a positive impact on its profitability. However, retaining customers might be trickier and more difficult than it seems. To determine the crucial factors that have a significant impact on customer loyalty 176 Jio customers in India were surveyed, who were availing or had previously availed the telecom operator's services. Findings of the study showed that out of the 10 determinants considered for the study, only 4 determinants had a significant impact on customer loyalty. They were Brand experience, Corporate image, Switching cost and Satisfaction. It also suggested that the most dominant factor among them is Jio's Brand experience. The findings suggest Telecom operators like Jio to emphasize more on improving their brand experience and corporate image which have high weightage in developing customer loyalty. This study can act as a model for researchers and marketers to get a much better understanding of the unpredictable customer behaviour and their decision making while making purchases.

**Keywords:** Customer loyalty, Customer buying behaviour, Customer satisfaction, Service quality, Trust, Brand image, Telecommunication, Customer retention

## 1. INTRODUCTION

India, being the largest democracy in the world, has in the last couple of decades grown popular among the different countries and think tanks of the world, not just because it's one of the largest markets of the world, but also because of the unique characteristics its industries have to offer. India has always held high reputation internationally due to its 'Demographic diversity'. Demographic diversity refers to the variations in people's ages, genders, ethnicities, and races (Baugh & Graen, 1997). The unique characteristics of the Indian companies coupled with the diverse demographics makes the Indian market very fascinating, yet many a times also very unpredictable and challenging for the economists, governments and businessmen. Apart from the many well-known industries of India like the IT industry, Tourism industry, etc. there is one particular industry which is still less researched and explored – The Telecom industry.

In 2019, India had surpassed the US to become the second-largest market for app downloads. According to a report prepared by the GSM Association (GSMA) and Boston Consulting Group (BCG) recently, India's mobile economy is expanding quickly and will have quite a significant impact on the country's Gross Domestic Product (GDP). (India Brand Equity Foundation, 2022)

Prior to Jio's introduction into the market, the telecom business in India had a large number of players competing against one another, namely, Idea, Vodafone, Aircel, Tata Docomo, Airtel, Rcom, and also state-managed telecom operators like BSNL and MTNL. But unfortunately, due to the changing market dynamics and appealing schemes, there are currently very few significant players left. For many years now, India's telecom sector has been an oligopoly, a market structure in which a few numbers of companies hold the majority of the market share.

As of August 2022, India's telecom sector had 1.17 billion users (wireless plus wireline subscribers), making it the second largest in the world. With an overall tele-density of 85.15%, of which the rural market, which is mostly untapped, has a tele-density of 58.44%, and the urban market has a tele-density of 134.71% in India. (Invest India, n.d.)

With such a wide user base and huge market potential, Telecom industry genuinely becomes one of the most important industry to be studied and analysed. Among the various important factors used by researchers to determine a customer's attitude, 'Loyalty' is an important criterion which determines whether a person will stick to the services of their existing company or will move over to a different company. One important differentiating factor among the Telecom industry and any other major industry (say for example IT industry) is the switching costs, which is quite low in the case of Telecom. So, through this study we try to estimate and figure out the impact of some of the major variables which can affect a customer's loyalty in context of the Indian Telecom Industry.

## 2. LITERATURE REVIEW

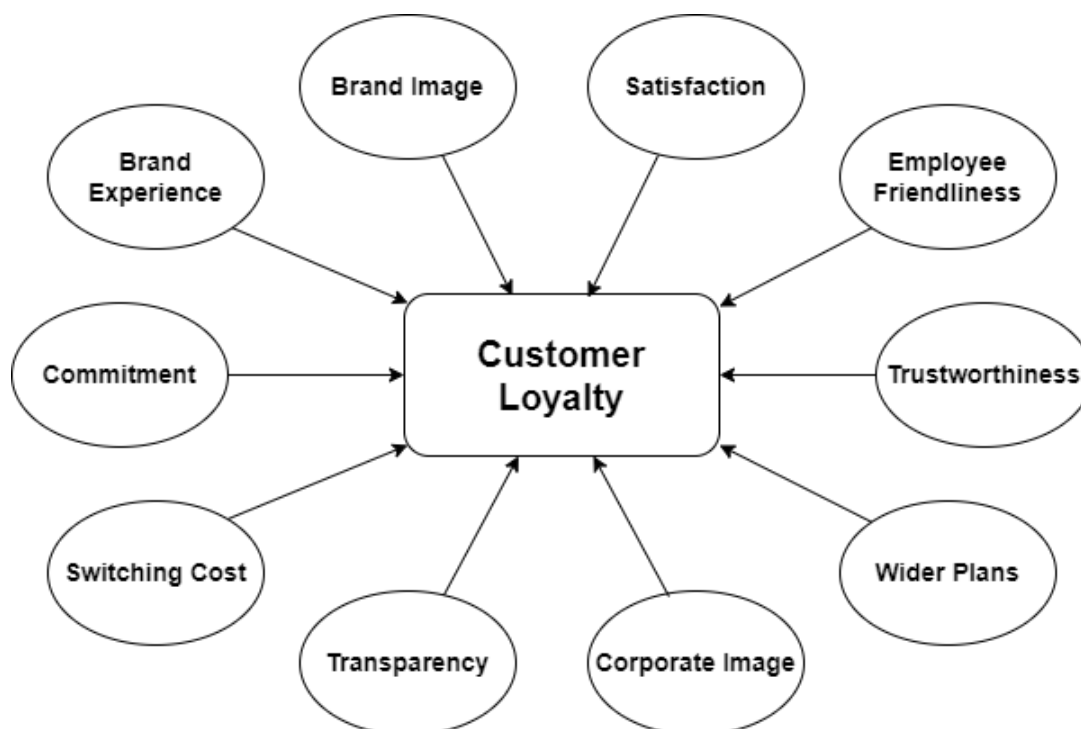
There have been a couple of studies done previously to determine customer loyalty by researchers in different countries but not many have been conducted to determine the factors affecting customer loyalty specifically in the Telecom sector. This gives me an opportunity to study this aspect of Telecom business in India, which in itself is very vast and diverse. For doing this study, many studies were considered specifically to identify those independent variables which are proven to have an impact in customer's loyalty.

Customer loyalty is influenced by four dimensions when deciding which telecommunications service providers to choose. These dimensions are switching cost, trust, corporate image and perceived service quality. (Aydin & Özer, 2005)

Companies are aware of the value of retaining and delighting customers. According to authors Kotler and Keller in their book Marketing Management, the following facts about customer retention are eye-catching: acquiring new customers can cost five times as much as satisfying and retaining existing ones, the average business loses 10% of its customers annually, and the customer profit rate tends to rise over the life of retained customers. (Kotler & Keller, 2006)

Customer loyalty is a firmly held commitment by the customer to continually use a favoured product or service in the future in the form of repeated patronage. Customer loyalty has been identified as the major mediating factor in explaining client retention, which refers to a customer's propensity to stay with a firm, recommending company's products to others, spread positive word of mouth, and provide references and exposure to the company. (Oliver, 1997)

In the current available literature, there are several different definitions of loyalty and/or consumer loyalty. Customer loyalty can be understood as customer's intention to repeat the purchase of some particular products or services in the future. (Eshghi & et al., 2007) (Heskett & Sasser, 2010)



**Figure 1:** Customer Loyalty and its Determinants - A conceptual framework

### 3. OBJECTIVES

The main objective of the study is to analyse and understand what impact do certain variables have on customer loyalty of Reliance Jio. In this study, customer loyalty will be tested through various independent variables (also called determinants) to figure out the extent these determinants have on customer loyalty. This study also intends to find out the relationship between Customer satisfaction and Customer loyalty. The final aim of this study is also to understand the relation between a factor known as Switching cost and Customer loyalty.

### 4. METHODOLOGY

- This research is basically descriptive in nature. A descriptive research is basically aimed at accurately & systematically describing a population by validating a developed hypothesis which presents the current situation. The data for this study was collected through a well-prepared and continuously monitored questionnaire which was shared by the researcher to respondents in the form of a 'Google form'.
- The target population for this research were the customers who are using or were previously using Reliance Jio and have a first-hand experience towards its services. The sampling frame are the customers using Reliance Jio throughout India.
- The sample size taken for analysis was of 176 respondents.
- Variables used in the study:

The **dependent variable** for this research is '*Customer Loyalty*'.

The **independent variables** chosen for this research are 10 (based on extensive Literature review) and are as following: *Brand experience, Brand image, Satisfaction level, Employee behaviour, Trust, Wide range, Corporate image, Transparency, Switching cost, Commitment.*

- The respondent's data was collected in MS Excel and analysed through IBM SPSS 20.
- The hypothesis for analysis is as follows:

H0: The Independent variables have no effect on customer loyalty

H1: The Independent variables have effect on customer loyalty

## 5. DATA ANALYSIS AND INTERPRETATION

### a) Reliability of Data

The degree to which a measure is free from random error and produces consistent findings is indicated by its reliability. According to Nunnally (1978), 0.7 is acceptable reliability coefficient. (Zikmund & et al., 2015)

Reliability Statistics		
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of items
.791	.811	11

**Table 1:** Reliability Statistics - Cronbach's Alpha

From Table 1, it can be observed that Cronbach's Alpha is .791 which indicates a high level of internal consistency among the selected 11 variables. Through this reliability analysis, we ensure that our data is fit for application of further statistical tools.

### b) Correlation Analysis

	Jio_Brand_Exp	Brand_Imag e	Satisfaction_Ji o	Emp_Friendl iness	Trustworthine ss
Pearson Correlation	-.322	-.125	-.278	-.073	-.180
Sig. (2-tailed)	.000	.099	.000	.337	.017
N	176	176	176	176	176

Wider_Plans	Corporate_I mage	Transparen cy	Switching_Co st	Commitment	Loyalty
.032	.139	-.145	.228	-.137	1
.673	.065	.054	.002	.069	
176	176	176	176	176	176

**Table 2:** Correlation Analysis

From Table 2, based on the above analysis, it can be observed that there are positive as well as some negative correlations between the variables. This gives us the ground to conduct Regression analysis.

### c) Regression Analysis

Variables Entered/Removed <sup>a</sup>			
Model	Variables Entered	Variables Removed	Method
1	Jio_Brand_Exp	.	Stepwise (Criteria: Probability-of-F-to-enter <= .050, Probability-of-F-to-remove >= .100)
2	Corporate_Image	.	Stepwise (Criteria: Probability-of-F-to-enter <= .050, Probability-of-F-to-remove >= .100)
3	Switching_Cost	.	Stepwise (Criteria: Probability-of-F-to-enter <= .050, Probability-of-F-to-remove >= .100)
4	Satisfaction_Jio	.	Stepwise (Criteria: Probability-of-F-to-enter <= .050, Probability-of-F-to-remove >= .100)

a. Dependent Variable: Loyalty

**Table 3:** Variables Entered/Removed from analysis

The method used to enter variables in the regression analysis through SPSS was 'Stepwise' method. The reason for using stepwise method is because it includes only the most significant variables in the model and helps in the elimination of variables which create multi-collinearity in the model. Here we can see that only 4 independent variables out of 10 were selected in our model.

Model Summary <sup>c</sup>				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.322 <sup>a</sup>	.110	.105	1.12363
2	.416 <sup>b</sup>	.173	.163	1.08638
3	.454 <sup>c</sup>	.207	.193	1.06704
4	.477 <sup>d</sup>	.227	.209	1.05600
a. Predictors: (Constant), Jio_Brand_Exp				
b. Predictors: (Constant), Jio_Brand_Exp, Corporate_Image				
c. Predictors: (Constant), Jio_Brand_Exp, Corporate_Image, Switching_Cost				
d. Predictors: (Constant), Jio_Brand_Exp, Corporate_Image, Switching_Cost, Satisfaction_Jio				
e. Dependent Variable: Loyalty				

**Table 4:** Model summary - R Square & Adjusted R Square

Moving ahead, we got the table of Model summary denoting the R Square and the Adjusted R Square. In the Table 4, based on the R Square and Adj. R Square, we can interpret that the specified percentage of change in dependent variable is explained by the independent variable.

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	4.639	.324		14.298	.000
	Jio_Brand_Exp	-.408	.088	-.332	-4.635	.000
2	(Constant)	3.978	.363		10.962	.000
	Jio_Brand_Exp	-.505	.089	-.411	-5.662	.000
	Corporate_Image	.313	.086	.263	3.624	.000
3	(Constant)	3.380	.419		8.057	.000
	Jio_Brand_Exp	-.491	.088	-.399	-5.599	.000
	Corporate_Image	.268	.086	.225	3.104	.002
	Switching_Cost	.201	.074	.187	2.708	.007
4	(Constant)	3.484	.418		8.336	.000
	Jio_Brand_Exp	-.303	.123	-.247	-2.466	.015
	Corporate_Image	.295	.086	.247	3.409	.001
	Switching_Cost	.236	.075	.220	3.134	.002
	Satisfaction_Jio	-.277	.129	-.219	-2.148	.033
a. Dependent Variable: Loyalty						

**Table 5:** Coefficients

After doing the regression analysis using Stepwise method, only 4 independent variables were selected into our model. Based on the coefficient table, the level of significance (i.e. p-value) for all

the selected variables is less than 0.05. Based on the above results, since variables have values less than 0.05, so we reject our 'NULL Hypothesis'.

The 'Regression model' thus created based on the analysis is as following:

$$\text{Customer Loyalty} = 3.484 - 0.303 * \text{Jio Brand Experience} + 0.295 * \text{Corporate Image} + 0.236 * \text{Switching Cost} - 0.277 * \text{Satisfaction Jio}$$

## 6. CONCLUSION

Through this study it is clearly visible that apart from the variety of determinants available to us in previous literatures and out of our ten chosen determinants, only four determinants had significant impact. This would also generally be true for all other competitors of Jio in the Indian market because the population they are catering to mostly have the same characteristics. Based on this research, these four factors can be acknowledged as 'influential' factors of customer loyalty and the results of this study can also be used by marketers in future as key factors while formulating business and branding strategies. It is also observed that switching cost and customer satisfaction have some impact on shaping customer loyalty yet they are not highly significant determinants in developing Jio's customer loyalty in telecom industry. The findings of the study also indicate that brand experience provided by Jio is the most significant determinant of customer loyalty.

## 7. RECOMMENDATIONS

Due to the increased rivalry, the telecom sector in India urgently needs to develop consumer loyalty. Based on the findings, a few recommendations are made for telecom operators.

- 'Trust' is a very important factor in any business. The same is true for Telecom businesses also. Trust needs to be built by Telecom companies by creating a relationship of transparency wherein the customers are not fooled by unnecessary services. If there is trust between the two parties, small fluctuations in price by competitors might not shake a customer's loyalty toward the brand.
- Bad 'service quality' is a very big issue faced by most of the Indian citizens. The same can be proved through TRAI's annual reports and various other reports published by private research companies. India might have the cheapest internet and call rates in the world, yet it also has one of the worst service quality offered anywhere in the world. Service quality includes many components like frequency of call drop, speed of internet, latency, uninterrupted benefits, no phishing and spam calls and messages, hidden charges, etc.
- The Telecom companies should now transition to 'new modes of connectivity' starting with 5G and moving to highly sophisticated technologies like satellite telecom connectivity. India is still lacking in deployment of these services at large scale even when smaller countries have been using them for years now.
- There have been instances in the recent past wherein confidential data of many customers have got leaked and 'data breaches' have taken place. This again is an important factor which makes or breaks a committed relationship between the two parties, apart from affecting trust.
- Telecom companies, specifically Reliance Jio should work on improving its 'Brand image' by promoting social cause and CSR activities. It should also increase its involvement in rural areas and should advertise more in order to boost the reinforcement in customers' mind.

These all findings and recommendations would surely assist the company identify its lacunae and adopt ways to overcome them.

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