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Factors influencing customer loyalty towards mobile phones brands - evidence from the Czech market

Abstract. The concept of customer loyalty has started to become very important in all spheres and attracted lots of attention in the last decades. Building customer loyalty has become a vital element to achieve competitive advantage and long-term profitability. This article aims to examine the proposed factors influencing customer loyalty toward mobile phone brands and analyse the relationship among different factors for customer loyalty at the mobile phone market in the Czech Republic. The quantitative research was done with a sample of 350 customers in 2018, specifically mobile phone users to determine critical factors influencing customer loyalty in the mobile phone market and the relationship between the proposed factors and customer loyalty. The author's research revealed a positive correlation between trust, satisfaction, experience, promotion and perceived quality and loyalty at the confidence level of at least 95%.

Keywords: Consumer Loyalty; Mobile Phone Market; Trust, Customer Experience; Promotion; Customer Satisfaction; Perceived Quality

JEL Classification: M30; M31; M39

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Фактори, що впливають на лояльність клієнтів до брендів мобільних телефонів (на прикладі чеського ринку)

Анотація. За останні десятиліття концепція лояльності клієнтів набула більшої значущості й привернула до себе увагу в усіх сферах діяльності. Підвищення рівня лояльності клієнтів стало життєво важливим фактором, що сприяє набуттю конкурентних переваг і забезпеченню тривалої прибутковості. Метою цієї статті є вивчити фактори, що впливають на лояльність клієнтів до брендів мобільних телефонів, і проаналізувати взаємозв'язок між різними факторами лояльності на ринку мобільних телефонів у Чеській Республіці. Кількісне дослідження з вибіркою з 350-ти осіб було проведено в 2018 році. У вказане число респондентів було включено користувачів мобільних телефонів для того, щоб визначити критичні фактори, що впливають на лояльність клієнтів на ринку мобільних телефонів, а також установити взаємозв'язок між цими факторами та лояльністю клієнтів при рівні довіри не менше 95%.

Ключові слова: лояльність клієнтів; ринок мобільних телефонів; довіра; клієнтський досвід; просування; задоволеність клієнтів; сприйнята якість.

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Факторы, влияющие на лояльность клиентов к брендам мобильных телефонов (на примере чешского рынка)

Аннотация. За последние десятилетия концепция лояльности клиентов приобрела большую значимость и привлекла к себе внимание во всех сферах деятельности. Укрепление лояльности клиентов стало жизненно важным фактором для приобретения конкурентных преимуществ и обеспечения долгосрочной прибыльности. Целью данной статьи является изучить факторы, влияющих на лояльность клиентов к брендам мобильных телефонов, и проанализировать взаимосвязь между различными факторами лояльности на рынке мобильных телефонов в Чешской Республике. Количественное исследование с выборкой из 350-ти лиц было проведено в 2018 году. В указанное число респондентов были включены пользователи мобильных телефонов для того, чтобы определить критические факторы, влияющие на лояльность клиентов на рынке мобильных телефонов, а также установить взаимосвязь между данными факторами и лояльностью клиентов. В ходе проведения исследования была выявлена положительная корреляция между доверием клиентов, их удовлетворенностью, опытом, продвижением бренда на рынке, воспринимаемым качеством и лояльностью клиентов при уровне доверия не менее 95%.

Ключевые слова: лояльность клиентов; рынок мобильных телефонов; доверие; клиентский опыт; продвижение; удовлетворенность клиентов; воспринимаемое качество.

1. Introduction

A strong competitive environment forces companies not only to sell their goods but also to focus on the long-term relationship with their customers and mainly to build a long-term relationship with loyal customers. Loyal customers are the first ones who can spread their positive experience regarding the product. The importance of customer loyalty reflects the rising attention paid to this concept in recent years by researchers, practitioners and businesses. Therefore, many authors consider customer loyalty as one of the most fundamental constructs in marketing and management effort. Customer loyalty positively affects long-term customer relationships, repeat purchases, and profitability (Caruana, 2003). Keeping existing loyal customers is much less demanding than getting new ones (Bravo, Matute, & Pina, 2010). The studies have shown that increasing customer loyalty by 5% can lead to an increase in profitability of up to 25%, depending on the specificities of the individual's business activities. For example, it has been shown that profitability increased by 125% in the credit card sector in the 1990s (Reichheld & Sasser, 1990). Several researchers suggest that customer loyalty routinise the consumers' purchase of the product or brand, and it represents a force that resists the consumers' willingness to shift to other brands. Thus, we can state that the value of any brand increases as much as customer loyalty to the specific brand (Yoo et al., 2000; Travis, 2000).

As stated by Athanasopoulou (2009), achieving customer loyalty is only possible through the development of long-term and mutually beneficial relationships between a company and its customers. Acquiring customer loyalty and long-term success of the company is based on the perfect knowledge and ability to quickly respond to the changing customer needs and factors that influence customer loyalty. Bayraktar et al. (2012, p. 99) claim that «A key motivation for the fast-growing emphasis on customer satisfaction and loyalty can be attributed to the fact that higher customer satisfaction and loyalty can lead to the stronger competitive position resulting in larger market share and profitability».

The mobile phone market has become incredibly competitive due to this continuous growth as well as rapid technology development. Mobile phones are part of people's daily life and an essential tool of marketing communication. Therefore, researches focusing on the mobile phone market have begun to emerge in recent years. There were 4.15 billion mobile phone users worldwide in 2015. In 2021, the number of mobile phone users is going to exceed 7 billion users (Statista, 2019). There were 5.1 billion unique mobile subscribers in 2018, and the penetration rate reaches 67% of the population, the number of mobile internet users is growing, too (GSMA, 2019). There were 3.6 billion mobile internet users in 2018. The number of smartphone users is growing worldwide. The developed countries have the highest smartphone adoption (80% in North America and 72% in Europe) (GSMA, 2019). These facts bring lots of new business opportunities for all companies worldwide. The situation in the Czech Republic is similar. There are 14 million SIM cards, and 58% of the population use smartphones, and 98% of households have access to some mobile phone (Czech Statistical Office, 2017).

Based on the facts mentioned above, the author decided to focus on the mobile phone market, the purchasing behaviour of customers on the mobile phone market and the factors that influence the customer behaviour in this market. This article builds on the previous author's research on consumer behaviour in the mobile phone market. The methodology of prior research was based on selected factors of the Theory of Planned Behaviour and further explores the customer loyalty that is critical to the success of today's business.

2. Brief Literature Review

Since this article deals with customer loyalty, it is crucial to define what customer loyalty is. F. Reichheld and K. Aspinall (1993) emphasise that any customer who regularly and frequently purchases a specific product over a long period generates highly more revenues to a company and is relatively much cheaper for a company to serve than any other customer.

The concept of customer loyalty has been an essential part of researches for many decades. Customer loyalty is a critical factor for all business entities that have to take it into account during every strategic decision (Auka, Bosire, & Matern, 2013). The customer can be loyal to different objects (e.g. company, brand, store), and this loyalty is shown by positive tendencies and propensities (behavioural or attitudinal) towards these objects. Customer loyalty literature contains many definitions, e.g., J. Jacoby and R. Chestnut (1978) cited 53 definitions in their review concerning customer loyalty. The concept of customer loyalty is not a new phenomenon. J. Sheth (1968) dealt with customer and brand loyalty already in the 1960s. J. Sheth (1968, p. 397) defines brand loyalty as «a positively biased emotive, evaluative and/or behavioural response tendency toward a branded, labelled or graded alternative or choice by an individual in his capacity as the user, the choice maker, and/or the purchasing agent». A. Eisingerich and S. Bell (2006, p. 89) define customer loyalty as an «as consumers' intent to stay with an organization and customer commitment that deepens the breadth and depth of a customer's relationship with a company». We can state that customer loyalty is the customer's intention to remain a regular customer of the company. D. Gremler and S. Brown (1996, p. 175) define customer loyalty as «the degree to which any customer exhibits repeat purchasing consumer behaviour from a goods or service provider, possesses an important positive attitudinal disposition toward the concrete provider, and considers using this concrete provider when a need for this goods or service arises».

Basing on literature search, we can find plenty of researches, studies, articles, etc. which review the determinants of customer loyalty and the factors influencing customer loyalty with different focus (e.g. Mao, 2010; Yang & Peterson, 2004; Haghighi, Dorosti, Rahnama, & Hoseinpour, 2012; Kuusik, 2007, etc.). C. Ong and S. Salleh (2015) deal with customer loyalty of SMEs. Some research papers focus on customer loyalty programs (e.g., Evanschitzky, et al., 2011; Nastasoiu & Vandenbosch, 2019; Lacey & Sneath, 2006; Ou, Shih, Chen, & Wang, 2011). M. Ismail and N. Safa (2014) try to reveal the factors influencing customer loyalty in electronic commerce. B. Yap, T. Ramayah and W. Shahidan (2012) explore satisfaction, trust and customer loyalty of financial institutions. Based on the literature search, the following factors can be considered as the most important factors affecting customer loyalty at the general level: perceived quality, perceived value, brand equity, satisfaction, trust, switching costs, and experience, quality of services, recommendation, expectation and price sensitivity.

In recent decades, more and more researches and articles have been focused directly on customer loyalty in the mobile phone and mobile operator markets (e.g. Bayraktar, et al., 2012; Khundyz, 2018; Dehestani, Zadeh & Noori, 2013; Rasheed & Anser, 2017 and many others). H. Said (2014), S. Donighi and S. Davarpanah (2013); E. Bayraktar, et al. (2012); H. Rasheed and M. Anser (2017) propose to consider the following factors influencing customer loyalty in the mobile phone market: customer expectations, perceived quality, customer satisfaction, perceived and expected value, brand image, trust, price tolerance, repurchase likelihood, brand awareness, promotion, product and services quality.

Besides, each business area has certain specific factors that affect customer loyalty in this area. Researches focusing on customer loyalty in banking services revealed as particular factors for customer loyalty, for instance, bank fees or switching costs (e.g. Auka, Bosire, & Matern, 2013; Gecti & Zengin, 2013; Ali, Fu, & Rehman, 2014). Specific factors affecting customer loyalty in the mobile phone market include: brand name, model of mobile phone; usability; interactivity, mobile applications, service quality and style (Azad & Shamser, 2014; Dehestani, Zadeh, & Noori, 2013; Doostdar, Rad, & Mahboobeh, 2013; Lee, et al., 2015; Aydin & Özer, 2005, etc.). The most critical factors that affect customer loyalty in the mobile phone market are as follows: customer satisfaction, trust, expectation, perceived quality, experience and promotion. These factors become part of the author's research.

Although customer satisfaction is seen as one of the most critical factors in customer loyalty and a statistically significant relationship between customer satisfaction and customer loyalty has been demonstrated, it is not always possible to say with confidence that a satisfied customer

is a loyal customer (Srinivasan, Anderson, & Ponnaolu, 2007). H. Said (2014) revealed that there is a significant positive relationship between customer satisfaction and loyalty in the mobile phone market. A satisfied customer should not be a loyal one, even though there is a correlation between satisfaction and loyalty, for example, if the customer lacks the trust toward the company, or if the price does not meet the needs of the customer. On the other hand, any unsatisfied customers should be a loyal one due to the commitment and attachment with the company (Megdadi, Aljaber, & Alajmi, 2013; Srinivasan, Anderson, & Ponnaolu, 2007).

Since the 1990s, many types of research show that trust is another crucial determinant of the customer loyalty (Rasheed & Anser, 2017; Chaudhuri & Holbrook, 2001; Reicheld & Schefter, 2000; Khundyz, 2018). Either a brand name or a trademark causes a very significant competitive advantage. Customer trust in a brand is always based on the customer positive beliefs regarding customer expectation in the product (Rasheed & Anser, 2017) that results in customer loyalty. R. Singh (2016) claims that customer or brand loyalty is nothing more but the provision satisfaction to any customer, and this customer satisfaction derives from the trust of the customer towards a particular product, service or brand. A. Kuusik (2007) found that trust is the most critical determinant to establish loyalty and is directly related to purchasing. Upaman-yu, Bhakar and Gupta (2015) state that brand trust represents a feeling of safety during any interaction with concrete product or brand and is based on commitment, expectations, and promises in the context of reliability and sense of responsibility toward customer and community welfare.

Customer satisfaction and loyalty usually depend on other factors like previous experience, customer expectation, and perceived quality (Megdadi, Aljaber, & Alajmi, 2013). Perceived quality is closely related to customer loyalty. Perceived quality is defined as a result of the comparison that customers make between expectations about service and perception of the way the service has been performed (Chumpitaz & Paparoidamis, 2004). D. A. Aaker (1991) defined perceived quality as customer perception of the quality of the product compared to products of competitors. S. Aydin, G. Özer and Ö. Arasil (2005) argue that product quality represents the overall judgment about superiority and excellence of the product and one of the vital marketing positioning tools. G. Lodorfos, K. Mulvana and J. Temperley (2006) proved that previous experience is another important determinant of customer loyalty. As F. Reichheld and P. Schefter (2000) stated, customer loyalty is won through the delivery of customer experience. Negative previous experience with any brand or product or accompanying services can lead in switching between products (Brakus, Schmitt, & Zarantonello, 2009). D. Lee et al. (2015) suggest that customer expectation have the potential to influence customer loyalty toward a mobile phone. In several studies, customer expectation is linked to perceived quality (Azad & Shamsar, 2014). J. Dotchin and J. Oakland (1994) refer to perceived quality as the extent to which a product or service meets customer expectations or needs. Continuous good promotion is another crucial factor which leads to brand loyalty, since promotion and advertisement build brand awareness and help customers to identify different brands. Promotion helps to establish ideas or perception and positioning in the customer's mind and represents an essential tool for differentiation (Tabish, Hussain, & Afshan 2017). J. K. Mise and K. Chandrasekar (2013) examined the relationship between promotion and customer loyalty and concluded that well-targeted promotion leads to customer loyalty. A. Azad and R. Shamsar (2014) emphasise that any promotional campaign not only attracts a potential customer but builds up an image in the customer's mind. D. Agrawal (1996) sees optimal promotion and advertising as a defensive tool to build customer loyalty, too. Agrawal's research (1996) indicates that stronger customer loyalty requires less advertising and promotional activities than weaker customer loyalty. A more significant loyal segment, on the other hand, requires more promotional activities than a smaller one (Agrawal, 1996).

3. The purpose of the paper is to investigate and analyse key elements and factors of customer loyalty toward mobile phones in the Czech market. The author deals with the key determinants of customer loyalty - satisfaction, trust, perceived quality, customer experience and promotion. The author tries to reveal the contribution of these factors to customer loyalty. The core aim of this paper is to verify the developed hypotheses that reflect the impact of the proposed factors and answer the main research questions. What are the crucial factors influencing loyalty in the Czech mobile phone market? Is there any statistically significant correlation between proposed factors and customer loyalty in the Czech mobile phone market?

4. Material and methods

Based on the extensive literature search of prior researches, studies and academic papers described above, the author generated the first initial version of the determinants of customer loyalty in the mobile phone market. Most authors focus on satisfaction, trust, perceived quality, customer experience and promotion. Less effort is devoted to customer expectations, and the perceived price and price sensitivity of the customer, which is in negative relationship to customer loyalty and satisfaction, as demonstrated by H. Said (2014). Therefore, the author chose these factors for detailed investigation and research of customer loyalty in the mobile phone market in the Czech Republic.

The stated research hypothesis will be empirically tested against primary data collected using a questionnaire survey. The questionnaire involved a standardised set of questions and statements and was anonymous. The questionnaire was divided into two sections. The first part involved the collection of statements for evaluation, and the second part included demographic information of respondents. The author used a five-point Likert scale in the assessment of proposed statements ranging from strongly disagree with scale point 1 to strongly agree with scale point 5. Statements were divided into five groups related to the factors as mentioned above - satisfaction, trust, perceived quality, customer experience and promotion. The last group of statements was devoted to customer loyalty. Data were collected based on simple random sampling.

The methodology of this article is based on the previous research by the author, which is based mainly on the study of G. Lodorfos, K. Mulvana and J. Temperley (2006) and also on specific papers and analysis that have been applied to the mobile phone markets on international markets (e.g. Bayraktar, et al. 2012; Caruana, 2003; Khundyz, 2018; Donighi & Davarpanah, 2013; Dehestani, Zadeh, & Noori, 2013; Rasheed & Anser, 2017; Azad & Shamser, 2014; Doostdar, Rad, & Mahboobeh, 2013; Lee, et al., 2015; Aydin & Özer, 2005). Based on these researches, the statements regarding the chosen factors were identified. Four statements were selected for each factor, which was evaluated by the respondents on a five-point Likert scale (for details see Table 1).

Based on the literature search, the author stated 5 hypothesis (Table 2). In order to test the stated hypotheses, the regression analysis will be used.

5. Results

The questionnaire was randomly distributed among 400 mobile phone users. Out of those, 50 questionnaires were excluded from the final evaluation. The final size for this paper is 350 questionnaires. The demographic profile of respondents is summarised in the Table 3.

Out of 350 respondents, 58% were female, and the rest 42% - male. Among respondents, the most represented age groups fell below the age group of 25-24 and 35-44 years. The majority

Table 1:
Analysed statements

Factor	Statement
Satisfaction	S1: I am satisfied with my decision to purchase my mobile phone.
	S2: I am satisfied with my previous experience with this mobile phone.
	S3: I am satisfied with the services provided by this mobile phone brand.
	S4: I am satisfied with the price/quality ratio of this mobile phone.
Trust	T1: I will only purchase a brand of mobile phone that is trustworthy and safe.
	T2: I am loyal to the brands of mobile phones I trust.
	T3: I do not trust new brands of mobile phones.
	T4: I trust to a specific brand of mobile phone.
Perceived Quality	Q1: My mobile phone is of very high quality.
	Q2: My mobile phone offers brilliant features.
	Q3: My mobile phone is very reliable.
	Q4: My mobile phone offers excellent innovation and technologies.
Customer experience	E1: If I had a very good experience with a brand of the mobile phone, I would recommend this brand or this mobile phone to my friends.
	E2: I prefer to purchase a brand of mobile phone that I have previously purchased.
	E3: I am prepared to pay more money for a brand of mobile phone that I have had a very good experience with.
	E4: I am loyal to brands of mobile phones I have had an excellent previous experience with.
Promotion	P1: I feel positive towards promotion of this mobile phone.
	P2: I like advertising campaigns for this mobile phone.
	P3: The promotion of this mobile phone is seen frequently.
	P4: This mobile phone is intensively advertised compared to competing mobile phones.
Loyalty	L1: I always buy the same brand of the mobile phone, it is my first choice.
	L2: I would only recommend to my friends a brand of mobile phone that I am loyal to.
	L3: I feel to be loyal to the specific brand of mobile phone.
	L4: I would not switch to another mobile phone if the same brand is available in the market.

Source: Own processing

Table 2:
Hypotheses

H1	There is a significant relationship between customer satisfaction and loyalty
H2	There is a significant relationship between trust and loyalty
H3	There is a significant relationship between perceived quality and loyalty
H4	There is a significant relationship between customer experience and loyalty
H5	There is a significant relationship between promotion and loyalty

Source: Own processing

Table 3:
Demographic profile of respondents

Age	Absolute frequency	Average income per month	Absolute frequency
16-24	52	less than 10,000 CZK	32
25-34	95	10,001 - 20,000 CZK	95
35-44	74	20,001 - 30,000 CZK	133
45-54	56	30,001 - 40,000 CZK	53
55-64	48	40,000 CZK and more	39
64+	25		

Note: 1 EUR = 24 CZK

Source: Compiled by the author

of respondents belong to the income group CZK 20,001-30,000 (38%). Most of the respondents own a Samsung mobile phone (20%), Huawei (16%), Xiaomi (12%) and Apple (11%), followed by Nokia (9%), Lenovo (8%), HTC (6%) and LG (4%). Compared to the research published by Statista.com, Nokia and Lenovo are represented more in the Czech market in comparison to worldwide.

First of all, respondents were asked if they were using a mobile phone, since this research focused only on the mobile phone user. All of the respondents, as expected, were mobile phone users. Before the evaluation of statements, the respondents were asked if they were loyal to the brand of mobile phone that they used (the five-point Likert scale was used). The overall customer loyalty toward the mobile phone brand is summarised in Table 4. As we can see, the research proved a high level of customer loyalty toward owned mobile phone brand, as stated in the investigation by A. Azad and R. Shamsar (2014).

Table 4:
Mobile phone customer loyalty

Number of respondents	Mean	Standard deviation
350	4.43267	0.98672

Source: Author's research

Standard regression analyses were performed between all proposed factors and customer loyalty. The results of the regression analysis show a very significant positive relationship between customer satisfaction and customer loyalty. Since the p -value in the ANOVA table is less than 0.01 of ($p = 0.00011$), we can state that there is a statistically very significant relationship between customer satisfaction and loyalty at the 99% confidence level. The correlation coefficient and R -squared statistics support the result. The R -squared statistic indicates that the model, as fitted, explains nearly 97.57% of the variability in customer satisfaction. The value of correlation coefficient (0.98767) indicates a strong relationship between variables. In his research, H. Said (2014), revealed similar findings - a significant positive relationship between customer satisfaction and loyalty at the confidence level of 99% ($p = 0.0001$). The results support K. Lanza (2008), who proves the positive and significant correlation between customer satisfaction and loyalty in his study of automotive brands.

The regression results of the research confirm the significant positive relationship between perceived quality and customer loyalty at the confidence level 95%, since the p -value of test performed is less than 0.05. R -squared statistics supported that the model explains nearly 90% of the variability in perceived quality. Similarly, there is a statistically significant positive relationship between trust and loyalty and promotion and loyalty at the confidence level of 99%. The result of a testing relationship between trust and loyalty and promotion and loyalty is supported by the correlation coefficient, as well as by the R -squared statistics. The value of the correlation coefficient for promotion (0.8879) indicates a relatively strong relationship between variables, and the R -squared statistics demonstrates that the model, as fitted, explains nearly

85.57% of the variability in customer satisfaction. The correlation coefficient for trust is much higher (0.9253), as well as the R -squared statistics that demonstrates 90.5% of the variability. The research by H. Rasheed and M. Anser (2017) proved a positive relationship between trust and loyalty at the 95% confidence level (p -value < 0.05) and the strong positive correlation between satisfaction and loyalty and perceived quality and loyalty at the 99% confidence level (p -value < 0.01). M. Tabish, S. Hussain and S. Afshan (2017) examined the impact of individual factors on customer loyalty and concluded that customer satisfaction, trust, and promotion have a significant effect on customer loyalty.

The strong positive relationship was approved between customer experience and loyalty at the 95% confidence level. 91.4% of the variance in customer experience to customer loyalty was explained by the model (R -square 0.915, correlation coefficient 0.9476).

6. Conclusions

Investigating loyalty is a fundamental research issue, as loyalty plays an essential role in achieving success in very competitive markets and gaining a competitive advantage in practice. Loyalty is a critical determinant that affects customers, particularly when deciding on switching between different brands and repeated purchases (Inman & Zeelenberg, 2002). Therefore, it is essential to build long-term relationships with customers and support all of the proposed factors. These factors contribute to creating positive customer loyalty, as demonstrated by the author's research.

Results of the author's research cannot be generalised, since the study was based on a sample of specific mobile phone users. However, the used methodology can be applied to any other area, particular brand or company. All hypotheses stated by the author were approved by the author's research. The results of the conducted regression analysis demonstrate a statistically significant relationship between all proposed variables (trust, satisfaction, perceived quality, experience, promotion) and customer satisfaction at the confidence level 95% and 99%. As stated in the literature review, there are several specific factors positively affecting customer loyalty in the mobile phone market (brand name, usability, interactivity, the model of the mobile phone, mobile applications or style). This must be taken into account if a company operating in the mobile phone market wants to create a loyal customer base. Furthermore, it should be noted that there are also factors that can negatively affect customer loyalty. H. Said (2014) revealed that customer loyalty has a negative statistically significant correlation with perceived price. Surprisingly sometimes, even though the price is increasing, consumers are going to buy the brand. In this case, the increasing price supports customer loyalty. H. Said (2014) claims that a specific group of customers who are loyal to the brand of a product are willing to buy the product regardless of the increasing price of the product. Therefore, the investigation of the price in a specific market is another essential factor influencing negatively or positively customer loyalty.

This article focuses only on the relationship between the proposed factors and customer loyalty. Therefore, further author's research will focus on other factors (specific factors of the mobile phone market, the impact of the price).

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