

EXPLORING THE IMPACT OF TRUST ON CUSTOMER LOYALTY IN THE TELECOMMUNICATION INDUSTRY

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Abstract

This study explores the impact of brand experience, service quality, customer satisfaction, and trust on customer loyalty within the mobile telecommunications sector in Batam City. The participants of this research were residents of Batam who utilized cellular telecommunications services. Data was collected through an online questionnaire via Google Forms, targeting 300 respondents who were customers of mobile telecommunications services. The data analysis revealed several key findings: 1. A significant positive relationship exists between brand experience and customer loyalty. 2. Service quality is strongly linked to customer satisfaction. 3. There is a notable connection between brand experience and customer trust. 4. Customer satisfaction significantly influences customer loyalty. 5. Service quality indirectly affects customer loyalty through customer satisfaction. 6. Interestingly, the study found no direct significant relationship between trust and loyalty, nor between brand experience and loyalty when mediated by trust. These results suggest that while brand experience, trust, and customer satisfaction are important factors influencing loyalty, trust does not directly contribute to building customer loyalty, nor does brand experience impact loyalty through trust. Moreover, maintaining high service quality is emphasized as a fundamental requirement for telecommunications service providers. This research provides valuable insights into the dynamics of customer loyalty in the mobile telecommunications context, offering practical implications for businesses in this industry aiming to enhance their customer retention strategies.

Keywords: Brand Experiences, Services Quality, Satisfaction, Trust, Loyalty

Introduction

The consumer-brand relationships in the recent years rapidly emergence and become more focused, it caused by new emphasis were given to customer retention instead of customer acquisition in order to create long lasting relationship with customer (Moreira et al., 2017; Rehman et al., 2014).

Customer loyalty has been widely linked to organization financial performance (Reichheld & Sasser, 1990) because it plays a key role in maintaining and increasing sales (Hur et al., 2010). More importantly, loyalty contributes to customer attraction and profits enhancement since the cost of attracting new customers is at least five times higher than the cost of retaining existing ones (Edward and Sahadev, 2011; Reichheld and Schefter, 2000).

In more specific terms, Reichheld & Sasser, (1990) mentioned that increasing customer loyalty by 5% can actually lead to an astounding increase in profitability of anywhere from 25 to 95%. Customer loyalty held commitment to repurchase a preferred product or services consistently in the future and causing a repetitive same brand purchasing, despite situational influences and marketing effort to causing switching behavior (Hilmi & Rachmawati, 2018).

Service providers have realized the importance of customer loyalty as a key determinant of their long-term success and viability. While the benefits of having a loyal customer base are widely recognized and apparent for all service industries (Alrubaiee & Al-Nazer, 2010), there are cases were service providers tend to focus more on creating new customers rather than retaining the existing ones.

Today, the number of Indonesia telecommunication services customer increasing as the services and coverage of the network and equipment getting better. According to APJII (APJII, 2018), the existence of a provider makes it very easy for people to access internet services such as chatting, social media and other search engines. So, the increasing number of internet users will provide great opportunities for the telecommunications industry.

The crucial aspect to develop loyal consumers from company perspective is designed a memorable brand experience by fostering an increased sense of authenticity and individuality (Akin, 2016). Brand experience is the sensation, feeling, understanding and customer response that arises by the brand (Brakus et al., 2009). Brand experiences will occur when customers search for products, buy, get services and use products. When a customer uses a provider, the customer has a brand experience and quality with that provider.

Kotler & Keller, (2016) defined quality as a feature of the totality and character of a product that depends on its advantages to satisfy the needs of customers. Satisfaction of a customer will arise when the product's performance matches their expectations. In the sense that customers will be disappointed and confused if the operator is not used as expected.

Satisfaction, defined by Kotler & Keller, (2014), as customer feeling of pleasure or disappointment which resulted from comparing a product's perceived performance or outcome against his/ her expectations. When performance does not meet expectation, customers will be unsatisfied.

Garbarino & Johnson (2014) in their study also mention that trust in service marketing can arise when customers believe in the quality and reliability of the services received. Trust will occur when we can make customers trust and cooperate with us more. If customers believe, it will bring up other factors that can benefit the company (Moreira et al., 2017).

Loyal consumers will help companies by buying goods at premium prices and will get new consumers with positive word-of-mouth (Moreira et al., 2017). They describe loyalty as from what customers have shown, over the past few years, they will only repeat purchases with certain companies; that the importance of spending on certain types of services.

The purpose of this study is to examines the effect of brand experience, services quality, trust, and customer satisfaction to customer loyalty, directly or indirectly. The study also examines the effect of trust and customer satisfaction as mediaton between brand experience, services qualilty and loyalty.

Literature Review

Brand Experience, Trust, and loyalty

Some of the research results prove that there is a positive influence between brand experience and loyalty. Study by Hussein, (2018) and (Pabla & Soch, 2023) found brand experience have positive direct and indirect effects on both customers' satisfaction and brand loyalty (Rehman et al., 2014). Specifically, Pabla found brand experiences has significant correlation to satisfaction mediated by brand love.

The study confirmed the indirect effect of brand experience on brand loyalty through customer satisfaction. However, multigroup analyzis did not find the moderating effect in brand of origin. This study highlights the direct effect of brand experience on brand loyalty.

Şahin et al., (2011) found that brand experiences has positive relationship to satisfaction, trust and loyalty (Devia et al., 2018). Study by (Devia et al., 2018) confirmed the indirect effect of brand experience on loyalty through satisfaction. Study by (Brilliant & Achyar, 2014) and (Rizomyliotis, 2018) indicate the positive effect between trust and loyalty.

Service Quality, Sastisfaction, and Loyalty

Many researcher conducted study to find the relationship between service quality on satisfaction and loyalty, especially in telecommunication sector. On of them, (Agarwal & Boora, 2018) indicates that the five dimensions of SERVQUAL (tangible, reliability, responsibility, assurance, empathy) service quality of Saudi telecom company have a constructiveffect on customer satisfaction.

The similar study by (Lekobane & Selelo, 2017) dan (Loke et al., 2011) indicates the positive relationship between five dimension of services quality to satisfaction and loyalty of telecommunication customer in Bostwana and Malaysia.

Meanwhile, The empirical study results by Zhang et al., (2023) and Saputra & Natalia, (2021) show that customers' loyalty is determined by satisfaction and Hossain & Suchy, (2013) research focused on six factors that develope satisfaction such as communication, price structure, value-added service, convenience, sales-promotions and customer service. The result shows that five factors have positive correlations with customer loyalty. The similar study also conducted by (Saputra, 2019; Sattar & Sattar, 2012) and (Hafez & Akther, 2017).

Methods

This type of this study is quantitative research. The population in this study were the customers registered as GSM subscriber per December 2022. Hair et al. (2018) suggest that if the number of samples whose exact population is unknown, it should be at least five times the variable or indicator. The researcher will use fifteen times the number of indicators. This study has 16 indicators, so a minimum of 240 samples is required. However, to avoid the risk of irregularities, the researchers added the number of samples to 300 questionnaires.

Operational Definition of Variables

There are two independent variables, two intervening variables, and one dependent variable. Brand experience and service quality as independent variables, trust and satisfaction as intervening variables, and loyalty as dependent variable with total 16 questions. The study using a Likert scale from scale 1 (strongly disagree) to scale 5 (strongly agree).

The operational definition of the variable contains the conceptual definitions and indicators used in this study.

The technique of collecting data was through distributing questionnaires and analyzed using the partial least square (PLS) method through the SmartPLS ver. 3.0. The stages of data analysis techniques are descriptive analysis of respondents and model evaluation test consisting of the outer model test, namely the validity and reliability of the model) and the inner model test, including direct and indirect path coefficient.

Result and Discussion

Model Evaluation Result

Evaluation of the Measurement Model (Outer Model)

The requirement of variables validity, outer loading must be greater than $> 0,5$. The results of this study indicate the outer loading value of 16 indicators on 5 variables has a value greater than 0.5.

For variable reliability, the average variance extracted (AVE) value is used to measure the accuracy and precision of a research question. If the AVE value is more than 0.5, the research question is declared valid and meets the convergent validity requirements. Based on the test results, all questions used are valid because they are greater than 0.5 (Hair et al., 2018).

Table 1. AVE Test Result

Variables	AVE	Result
Brand Experience	0,695	Valid
Loyalty	0,683	Valid
Service Quality	0,651	Valid
Satisfaction	0,712	Valid
Trust	0,682	Valid

Sources: Primary Data, (2022)

Evaluation of the Structural Model (Inner Model)

The path coefficient on the table 2 shows that the relationship between variables which is using mediating variables and direct effect has different result. The relationship or path-coefficient would have a significant effect if the t-statistics value > 1.96 and the p-value < 0.05 .

Table 2. Path Coefficient

X→Y / Direct	T-statistic ($>1,96$)	P-value ($<0,05$)	Result
Brand Experience → Loyalty	3,295	0,001	H1: Significant
Service Quality → Satisfaction	9,524	0,000	H2: Significant
Brand Experience → Trust	13,990	0,000	H3: Significant
Trust → Loyalty	1,317	0,189	H4: Not Significant
Satisfaction → Loyalty	9,560	0,000	H5: Significant
Brand Experience → Trust → Loyalty	1,304	0,193	H6: Not Significant
Service Quality → Satisfaction → Loyalty	5,646	0,000	H7: Significant

Sources: Primary Data (2022)

Discussion

Five hypothesis shows positive result in this study, and only two hypothesis indicates no significant effect. The test results of hypothesis 1 shows that brand experience has a significant effect on loyalty. This result supported the previous research conducted by (Moreira et al., 2017); (Devia et al., 2018).

The study also found the same results for hypothesis 2 where service quality has a significant effect on satisfaction. This result supported the previous research by (Agarwal & Boora, 2018); (Lekobane & Selelo, 2017) and (Loke et al., 2011).

The same result of hypothesis 3 indicates that brand experience has a significant effect on trust. This fact has similar result with the previous researchers (Şahin et al., 2011); (Moreira et al., 2017); (El Naggat & Bendary, 2017).

The test results of hypothesis 4 proved that trust has no significant effect on loyalty. This result supported the previous researchers by (Asiati et al., 2019) but different with study by (Brilliant & Achyar, 2014; Rizomyliotis, 2018). Asiati et al., (2019) proved there's no significant effect between trust and loyalty.

The test of hypothesis 5 indicates customer satisfaction has a significant and positive effect on loyalty. This result supported the previous research by (Hossain & Suchy, 2013); (Sattar & Sattar, 2012); (Hafez & Akther, 2017).

The test results of hypothesis 6 indicates that brand experience has no significant effect on loyalty through trust as mediation. This fact is different and did not supported previous researchers by (Moreira et al., 2017)

The results of hypothesis 7 shows service quality has a significant and positive effect on loyalty through satisfaction, and supported the previous researchers by (Agarwal & Boora, 2018; Lekobane & Selelo, 2017; Loke et al., 2011).

Conclusion

The aims of this study are to find the direct effect of brand experience to loyalty and indirect effect through trust, direct effect of service quality to satisfaction, brand experience to trust, customer satisfaction to loyalty and trust to loyalty in the telecommunication sector in Batam city. This study proved a significant relationship between brand experience and loyalty, service quality to satisfaction, brand experience to trust, customer satisfaction with loyalty, and service quality to loyalty through satisfaction as an intervening. Two hypothesis has no significant effect between trust on loyalty and brand experience on loyalty through trust as an intervening variable. The result concluded that in order to increase customer loyalty, GSM service providers need to organize brand experience activities through programs that can improve the customer experience when consuming or using certain GSM brands. Brand experience also has an impact on increasing customer trust. But on the other side, customer trust doesn't have implications to build customer loyalty. This means, that customers have other preferences to stay loyal to using GSM services in Batam City such as brand experience and satisfaction.

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