

The influence of relationship marketing on customer loyalty in the telecommunication industry in Dar es Salaam, Tanzania: lessons for entrepreneurial leadership

Wende Robert Mhidze,¹* James Ngugi Njuguna¹

¹Strathmore University Business School, Nairobi, Kenya

* wendemhidze@gmail.com

Abstract

Relationship marketing (RM) refers to the process of establishing, developing, and maintaining mutually beneficial relations with consumers at a profit. The main objective of this MCOM study was to analyze the relationship between marketing and customer loyalty in the telecommunication industry in Dar es salaam, Tanzania. The study adopted a descriptive survey design and primary data was collected using semi structured questionnaires. A sample size of 400 was derived comprising mobile subscribers from Vodacom, Tigo and Airtel living in Dar es Salaam. The results of the study established that there is a significant positive influence between relationship marketing and customer loyalty. The study has made contribution to theory, policy and practice in relation to RM and customer loyalty, highlighting challenges and opportunities on how entrepreneurial leadership can leverage on these two variables to transform this technology sector.

Background

Relationship marketing has been in existence for decades but there is no universal agreement on its definition. Most of the existing definitions revolve around the notion that relationship marketing (RM) is mainly about maintaining and enhancing customer relationships (Pressey & Mathews, 2000) even if it means terminating relationships with unprofitable customers so as to enhance other stakeholder relationships (Christopher et al., 1991; Jean Donio, Paola Massari & Giuseppina Passiante, 2006).

Many theories including the commitment trust theory (Morgan & Hunt, 1994) and the knowledge-based theory have backed up the RM concept. The two theories emphasize that for any RM efforts to be of success, there must be mutual commitment, trust and knowledge sharing for better decision making.

RM is deemed as effective when an organization is able to maintain its customers even when it provides less favorable conditions (Beerli et al. 2004; Essays, UK., 2013, & Oliver, 1999) while undesirable circumstances such as low switching costs prevail at the same time.

A review of the Tanzanian telecommunication industry indicates that there has been a fast-paced growth with many developments coming up every year (Rumanyika, 2016). Despite the industry's huge potential, the existing telecommunication companies are still contending with the existence of a large rural population, low switching costs, low per capita income,

stiff price competition, labor turnover (Kweka & Sedoyeka, 2014) and excessive poaching to name a few.

For them to stay relevant there is a serious need for these companies to maintain a large base of loyal customers. It was with this in mind that this research sought to establish the influence of relationship marketing on customer loyalty with the expectation that the results of the study will help determine effective RM strategies or practices for the telecommunication companies.

Literature review

The connection between relationship marketing and consumer loyalty has been well established in previous research (Palmatier et al, 2009; Pesämaa & Hair Jr., 2008; Louis & Lombart, 2010) as a broad phenomenon, though only a handful of constructs are measured per study making it difficult to conclusively rule out the significance or insignificance of RM on customer loyalty.

Moreover the social status of customers can influence the way customers respond to RM practices as demonstrated in the case of the affluent customers in the banking industry in Asia where customers are mostly interested in diversifying their investments and not on the privileged services that the banks have to offer (Mohamad Rizan, Warokka, & Listyawati, 2014). On the other hand some studies have also shown RM practices to have an insignificant effect on customer loyalty (Chakiso, 2015a).

In addition, macro-environmental factors such as sound regulatory frameworks can deem some of these RM practices as insignificant or irrelevant (Koi-Akrof et al., 2013).

Methodologies that have been used in these studies also seem to vary and this may have had an impact on the results.

For instance, it is not always the case that the significance of the Spearman's correlation coefficient translates to the significance of the Pearson's correlation coefficient even for large data sets (Hauke & Kossowski, 2011). Last but not least, RM studies have been widely undertaken in the developed countries compared to the developing countries (Soimo, Wagoki, & Okello, 2015). Tanzania alone has very little documented concerning RM in the telecommunication industry.

The apparent inconsistencies in the studies relating to this topic inspired the need to undertake this research in order to find out or clarify the role that RM plays in the Tanzanian telecommunication industry. The results will not only add on to the body of knowledge but also guide decision makers within the industry.

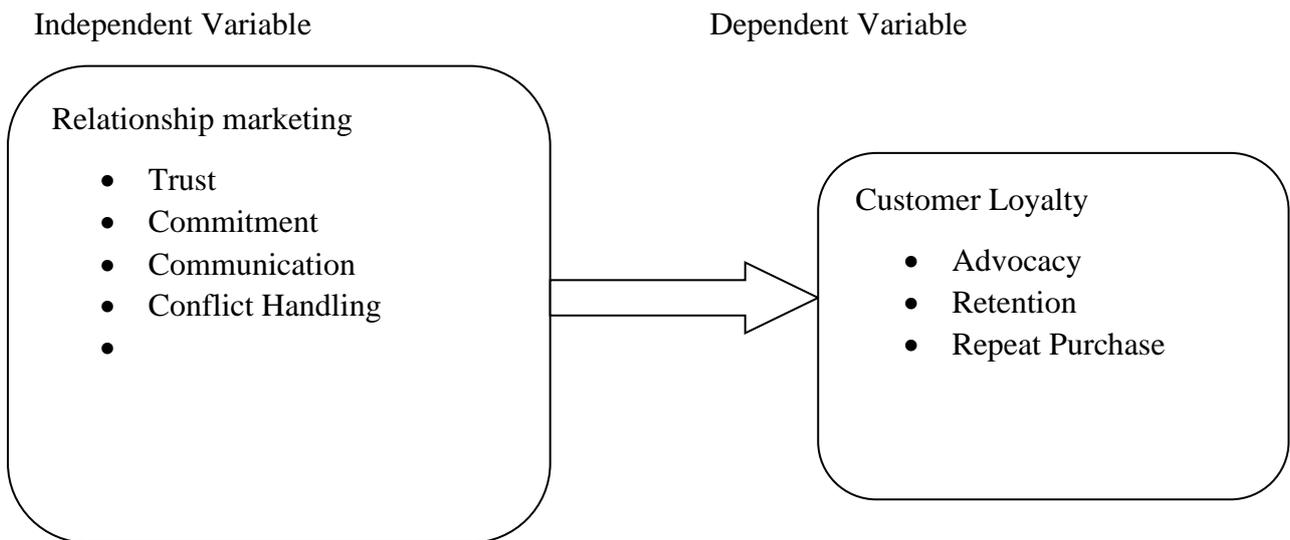
Research focus

The research sought to address the question: What is the influence of relationship marketing on customer loyalty? The conceptual model for this study was represented in terms of the effect of relationship marketing on customer loyalty (see Figure 2.1). This conceptual framework was designed to address the main objective of the study, that is; to establish the

relationship between relation marketing and customer loyalty in the Tanzania telecommunication industry in Dar es salaam, Tanzania. Based on the literature review, the derived hypothesis for the study states as follows;

H1: There is significant relationship between relationship marketing and customer loyalty in the telecommunication industry in Dar es Salaam, Tanzania

Figure 2.1 Conceptual Framework



Source: Researcher (2018)

Methodology

The population mainly comprised of mobile subscribers from Vodacom, Tigo and Airtel living in Dar es Salaam. The sampling frame consisted of male and female mobile phone users (whether feature phone or smartphone) aged 18 years and above; walking in or out of the Vodacom, Airtel and Tigo shops.

Fixed line users (land line users) were not included in the study. A sample of 400 respondents was drawn, Vodacom (120 respondents), Tigo (183 respondents) and Airtel (97 respondents) based on the market share of each company in Dar es salaam. Sampling techniques used were stratified random sampling, because it allows for homogeneous subgroups to be formed (Alvi, 2016) and simple random sampling to ensure randomness within each subgroup.

Data collection points were mainly at the Vodacom, Airtel and Tigo shops, located inside malls and along busy street areas. The semi-structured questionnaires were administered with the help of two assistants and ethical measures were taken during data collection as per the ethical considerations according to Kumar (2005).

Results

There was a 100% response rate and the success is attributed to the fact that the respondents were handed the questionnaires by the researcher with the help of two assistants and any clarification or assistance required was made.

There were 202 male respondents (50.5%) and 198 women respondents (49.5%). Demographic data showed that only 10.5% of the population was above 48 years of age and a majority of the customers indicated that they had been with their telecommunication companies between 1-10 years.

A reliability test was conducted on the dependent and independent variables, RM and Customer Loyalty respectively. From the analysis, the reliability coefficient of the study variables exceeded the minimum acceptable level of 0.60 (Nunnally, 1978) which implied that the reliability of the questionnaire was of a good level.

The results revealed that indeed RM has a significant influence on customer loyalty in the Tanzanian telecommunication industry based on the results from the Spearman's correlation coefficient analysis and regression analysis.

Correlation analysis

Spearman's Correlation test was used due to the ordinal nature of the data. The results are shown in Table 2. There was a significant positive correlation between all the independent RM variables and customer loyalty with a significant value of 0.000 lower than 0.05. Hence RM and customer loyalty were established to be related with a relatively strong positive relationship (r_s (average) = 0.704).

Table 2. Summary of Spearman's rho correlation coefficients and t-test of variables

Independent Variable	Dependent Variables	N	Spearman's Rho Correlation (r_s)	Level of Significance
Trust	Customer Loyalty	400	0.720	0.000
Commitment		400	0.686	0.000
Communication		400	0.720	0.000
Conflict Handling		400	0.690	0.000

** . Correlation is significant at the 0.01 level (2-tailed).

Source: Primary data

Regression analysis

The regression equation derived from the analysis was as follows;

$$Y = 0.586 + 0.232T + 0.134C + 0.244M + 0.160H$$

Where; Y= Customer Loyalty, β_0 = Constant Term, β_1 - β_4 (Coefficients), T-Trust, C-Commitment, M- Communication, H-Conflict Handling

The regression analysis conducted was used to examine whether each relationship marketing practice or dimension affects customer loyalty. The regression model was significant at the 0.01 level. The regression analysis summarized in Table 3 below shows that trust, commitment, communication and conflict handling contributed significantly to customer loyalty.

The results also indicated that the regression model explained 63.7% of the variation in customer loyalty. Based on these results it can be concluded that the telecommunication companies' customers tend to be loyal when the telecom companies are trustworthy, committed to service, communicate effectively and also when they handle conflicts well.

Table 3.1 Regression analysis of Relationship Marketing and Customer loyalty

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
	B	Std. Error	Beta			Lower Bound	Upper Bound
(Constant)	.586	.091		6.466	.000	.408	.764
Influence of trust on Customer Loyalty	.232	.057	.261	4.074	.000	.120	.345
Influence of commitment on customer loyalty	.134	.058	.142	2.292	.022	.019	.248
Influence of Communication on customer loyalty	.244	.050	.281	4.842	.000	.145	.344
Influence of conflict handling on customer loyalty	.160	.047	.185	3.413	.001	.068	.252
a. Dependent Variable: Customer-Loyalty							

Source: Primary data

Proposal and summary

These research findings have crucial implications towards enabling entrepreneurial leadership in Tanzania's telecommunication industry and in particular the management of Vodacom,

Tigo and Airtel. The results of the study showed that there is a strong positive relationship between relationship marketing and customer loyalty.

The hypothesis was also supported by the Spearman's Rho Correlation (r_s) which found that the relationship between relationship marketing and customer loyalty in the telecommunication industry in Dar es Salaam, Tanzania was statistically significant (r_s (average) = 0.704); (p-value=000).

The regression model chosen was able to explain this relationship up to 63.7%. In ranking each independent variable construct according to their importance based on the results, trust and communication both ranked at the top ($r_s = 0.720$) followed by conflict handling ($r_s = 0.690$) and lastly commitment ($r_s=0.680$).

This is an indication that the customers within the telecommunication companies value most the trustworthiness of the telecom company and its ability to communicate in a timely manner, the way the company handles its conflicts and lastly how committed the leadership, management and staff are to providing value to the customers.

These findings are crucial towards addressing important challenges and opportunities related to transforming Tanzania's telecommunication sector through sensitizing its leadership in order to enhance their entrepreneurial and entrepreneurial capacity.

In particular the leadership should invest time, effort and resources in the relationship marketing aspects of enhancing trust, communication, conflict handling and commitment in their service provision, in that order of importance.

To achieve a competitive advantage the leadership should integrate relationship marketing strategies into their overall strategic planning geared towards building long term customer loyalty and growing their market share and profitability among other key performance indicators.

Moreover, these findings also imply that the top management of telecommunication companies should work on improving their staff retention rate particularly those handling customer service and marketing. Entrepreneurial leadership through innovation and excellent performance requires such calibre of staff to be motivated, committed and well trained.

In terms of limitations, the study only focused on the two study variables and their constructs, implying there is room for other studies to explore other variables. The regression model only explained the relationship by 63.7% which leaves the possibility of additional independent variables to further explain this association.

There are other related players in Tanzania's telecommunication industry as well as different regions that were not covered where such studies would provide a broader understanding to this concept of the influence of relationship marketing on customer loyalty.

Of particular interest among other interrelated players in Tanzania's telecommunication sector are the agents, big and small, who interface directly with the customers of the main mobile service providers Vodacom, Tigo and Airtel. Reports show that there are roughly 495,586 mobile agents in Tanzania as of 2016 (Guardian, 2017).

Not all the agents are dedicated agents. Many of them are involved in small scale trading, chain stores, microfinance services and even some are bank branches (GSMA report, 2014). Basic agent operations include new user registration, m-wallet cash in and m-wallet cash out as well as mobile money service and supporting the subscribers. It is important to note that there is a little overlap between mobile money agents and mobile money merchants (Saxena, 2016).

In particular it would be of interest to conduct a similar research to this one based on RM and customer loyalty, to establish the challenges and opportunities and how entrepreneurial leadership can transform the businesses of these agents who offer direct services to the clientele of the main mobile service providers.

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