Role of Corporate Image and Brand Promotion in Switching Behavior of Bangladeshi Consumers: An Empirical Study on Telecommunication Industry

Mohammad Rokibul Hossain*

Department of Marketing, Faculty of Business Studies, Premier University, Chittagong.

ABSTRACT

This study aims to investigate the impact of corporate image and promotion on switching behavior of mobile phone users. A structured self-administered questionnaire is used to collect the data from the respondents and a total of 250 responses were collected. A multiple regression analysis was used to analyze data and to test hypotheses. Empirical results indicate that corporate image and promotion have significant impact on customer switching behavior in a mass service industry (i.e., mobile phone). The result implies that when high brand image and lucrative promotional offers are available by other operators customers want to switch to those operators. Mobile phone operators are recommended to formulate operations and marketing strategies that focus on expectations of customers to retain existing customers and attract prospective customers.

Keywords: Telecommunication, Switching Behavior, Corporate Image, Promotion.

1. INTRODUCTION

Mobile phone is a very common way of communication (Uddin, Hossain & Rahman, 2012) which made the communication easier and convenient even for the rural people of the Bangladesh (Rahman, 2012) where land phone is not available and mobile communication has made such an impact on the ways people interact, conduct business and other essential communication that a mobile phone is considered as essential for the daily life because of its mobility, flexibility and convenient connectivity. All over the world, customers are using the mobile phone and other information service of the mobile phone to be connected with the people and world (Das, 2012). The number of mobile subscribers has been increased dramatically where penetration rate to telecommunication service (specially mobile phone service) rose up to 540 percent (Lee, 2000) and over the last two to three years, the number of mobile subscribers in Bangladesh have been more than or close to more than doubling on an annual basis (Islam, 2010). Mobile phone services have been playing an enormous role in the development of people’s life of Bangladesh. Particularly over last few years, the availability of mobile phones which were use in general mass have contributed significantly in the economic livelihood of common people. City cell, the first cellular service provider starting its commercial operation from 1993, Grameen phone from 1996, Robi from 1997, one state owned mobile service provider Teletalk from 2004, Banglalink from 2005 and Airtel from 2007 are providing cellular service and other information services with more diversified value added offers toward the customers operating the business in an intensive competitive environment. Due to privatization and liberalization of policy, telecommunication sector is experiencing phenomenal global change all over the world (Beard & Hartmann, 1999) and Bangladeshi telecommunication industry is not exceptional in this regard. Customers are blessed with different amenities from price cut, more value added offerings and others facilities that can attract the customer to switch from one to another.

* E-mail: mrhpuc@gmail.com
service provider because of the fierce competition over the industry (Yusuf et al. 2010). Due to stiff competition over the industry and market saturation, companies are striving to maximize the market share and to create customer loyalty through providing various services. Various services provided to satisfy the customer’s demand but making the customer loyal is very difficult in such market where competition has escalated among the service providers (Rahman, 2012). Moreover, Switching to another company’s option for lower switching cost offers the customers the convenient in doing so.

Although loyalty is considered as a tool to sustainable competitive advantage but it is very difficult in GSM technology to build loyal customers (Ozer et al. 2005) and interestingly, five of the operators in Bangladesh follow GSM technology. Previous observation explores that every year mobile phone company losses its 20% customers that leads to additional 256 dollar as an expenses to attract new customers (Palmer, 1998). Losing a consumer is a serious setback for the firm in terms of its present and future earnings and the firm needs to invest resources in attracting new consumers to replace the ones it has lost (Gremler & Brown, 1996) and for the intertwined relationship between customer retention and profitability. It can cost five times more to acquire a new consumer than to retain an old one. Consequently, retaining the current consumer base is much more attractive and viable than searching for new consumers (Peters, 1987). When companies can reduce the switching rate from 20% to 10% they can save extra additional expenses (Palmer, 1998). Competitive environment, market stability and diversified offers from the competitors provide the customer options to switch from one to another to satisfy the demands and fulfill their requirements. In this situation the company is always under the threat of buyer switching to another company. Companies need to satisfy their existing customer to make them loyal as the 5% of loyal customer can generate 25% to 125% profit for the company (Reichheld & Sasser, 1990). Increasing customer loyalty and reducing the switching rate in service industry can yield the success to the company.

The aim of this paper is to answer the following questions firstly, to what extent Corporate Image impact on switching Behavior of Mobile phone users? Secondly, to what extent Promotion of different service provider impact on switching behavior of Mobile phone users? The objective of this study is to reveal the switching behavior of the customer toward the cellular service provider in Bangladesh. The switching may be for several reasons or different factors associated with the service and service provider. This study is carried out to explore impact of corporate image of service provider and promotion provided by different service provider impact on consumer switching behavior and to reveal the relationship between switching behavior and those factors. The goal of the research is to help the managers and decision makers to understand the switching behavior from the customer perspective.

2. LITERATURE REVIEW

An inherent tendency of customer to stop the service experience from existing provider or relinquishment of continuing trade with that provider terminating all relationship is known as customer switching (Chandar et al. 2006). A customer who switch, is reluctant to maintain the relationship with service provider, buys less than average (Buckinx &Van, 2005) or his life time value decreases gradually (Glady et al. 2009). Switching behavior in service industry refers to one that loyal to one service provider terminating the relationship with current provider (Mouri, 2005). Although switching is a common phenomenon in most service industries (Griffin & Lowenstein, 2001) but it is more prevalent in telecommunication services (Lee & Murphy, 2005) and telecommunication switching is more than walking to another store (Ranaweera & Prabhu, 2003). Switching in telecommunication service industry has been revealed by the different studies (Keaveney, 1995, Rust et al.2004). Mobile telecommunications sector has been frequently analyzed from the marketing perspective (Aydin et al 2005). Due to, intertwined relationship among customer retention and profitability, the matters of customer loyalty,
customer retention and switching tendency of customers gain considerable attention in most of the marketing literature (Keaveney, 1995, Jones & Sasser, 1995). However, it is more difficult to explore the mechanism of switching although in service industry it is also pointed out that the mechanisms of customer switching are not completely understood (Sirdeshmukh et al., 2002).

A variety of potential and conflicting reasons for a customer might choose to switch service (Keaveney, 1995). Customers change service provider due to time limitation, money constraints, and unavailable access to information, or habit among parties (Bitner, 1990). According to Keaveney (1995) “Eight critical factors will cause switch behavior, such as attraction by competitors, inappropriate employee response to service failures, pricing problems, core service failures, service encounter failures, inconvenience, ethical problems, and situation changes.”

2.1 Theoretical Background and Development of Hypotheses

2.1.1 Relationship between Promotion and Switching Behavior

Promotion is the process of informing, persuading, or reminding customers (actual or potential) and the general public about their services (Kotler & Armstrong, 2003). Organizations use promotion to inform the customers regarding their product and services that reinforce purchasing a specific brand. Promotions impact consumers’ purchasing behavior and decisions towards that particular brand. Promotion and communication from different channels make the customers worried at choosing the product and services (Robertson, 1994). Promotion effects on consumer behavior and persuades the customer to buy more and more. The plethora of promotional activities by the different service provider (mobile phone operators) with alluring offers toward the customers lead to the weaker relationship between customer and marketer (Bitner et al., 1990; Gustafsson et al., 2005) that provide more opportunities and chances of switching to other service provider. Promotion quality and quantity have influence on customer patronage (Ogwo & Igwe, 2012). During the sales promotion period, a sustainable sales growth can be ensured through the influential promotional activities and offers (Freo, 2005). Brand image or brand reputation can be gained to the positive promotional activities that ultimately increase brand loyalty, repeat purchasing and work as switching resistant in the service industry because it is a perpetual assets in the mind of stakeholders (Aaker, 2004). Promotion includes different activities that are executed by the companies to incite the customer to buy their products and services that lead the company to reach to the ultimate objectives (more sales) (Alvarez & Casielles, 2005). McAlister & Pessemier, (1982) stated that several factors in influencing brand switching: “marketing variables such as price, product design, promotion and distribution and situational variables”. Deighton et al. (1994) stated that “advertising impacts more on new customers or potentials than it does on those who already bought the product, the basis of their argument was that potentials are more responsive to an advertisement than the current users of a product who already have their service encounters and had already formed an opinion based on their interaction with the provider.” Previous literature on explores that there is a positive relationship between promotion (advertising) and switching (Deighton et al., 1994). The intensive competition over the industry has thrown up intense rivalry among the service providers and necessitated to be involved with promotional activities to retain the customers or to create barriers to switching within the industry. Bangladeshi mobile phone service providers offer different promotional services through different media and tools to persuade the customer to buy their services that attract the customers and make them worried to choose the specific brand and sometimes motivate to switch from the existing provider. Therefore, we can draw the following hypothesis.

Hypothesis1: There is positive relationship between promotion and switching behavior of customer.
2.1.2 Relationship between Corporate Image and switching behavior

Corporate image can be enunciated as the overall judgment or impression toward a specific brand or firm in the mind of customer (Barich & Kotler, 1991) and corporate image is closely associated with the psychological and behavioral activities of a company toward the customer and society (Nguyen & Leblanc, 2001). According to Nguyen and Leblanc (2001) “In three business sectors (telecommunication, retailing and education), corporate image and customer loyalty are positively related” and Positive corporate image contributes to the successful continuous relationship (Markus, 1977). Corporate image has a psychological effect on customer mind that ultimately influences behavior and attitude of customer like customer loyalty (Johnson et al., 2001). The effect of corporate image on customer may be direct (Nguyes & Leblanc, 2001) and indirect (Ball et al., 2006) but long lasting relationship gaining positive corporate image influences buying more of current services, encourage using complimentary services and make people reluctant to switch (Lopez et al., 2006). Corporate image is one of the important factors which influences customers opinion about the services offered (Anderson & Lindested, 1988), and the minds of the public about firm’s overall impression (Nguyen & Leblanc, 2001) and gaining customer confidence about the service (Haque et al., 2006). Sales and market share is directly affected by corporate image and building up loyal customers (Soudien et al., 2006). Corporate image is significantly associated with customer loyalty in the context of mobile phone operators in Bangladesh and Corporate image positively relates intention to buy and behavioral patronage (Yi et al., 2009), create value through customer intentional and behavioral patronages (Nguyen & Leblanc, 2001) and maintain a loyal relationship with customer patronage (Dick & Basu, 1994). Corporate image is an association of company’s offer, service quality, can affect the customer’s attitude and behavior toward the company and its overall activities that help customer to decide in maintaining relationship or switch to another. As the customer behavior related with the corporate image we can draw the following hypothesis.

Hypothesis 2: There is a positive relationship between corporate image and switching behavior of customer.

3. RESEARCH METHODOLOGY

3.1 Sample Selection

The convenience sampling technique was used in this study. Primary data was collected for revealing the switching behavior in mobile phone industry. The population of the study was the students of the University in Bangladesh from which 250 respondents were selected. For exploring the switching behavior and its influential factors, researcher identified two independent variables named brand promotion and corporate image. Under each of these factors 3-4 variables were mentioned to know the customer opinion.

3.2 Questionnaire Design and Data Collection

We used a self-administered questionnaire method for collecting the primary data. The questionnaire is based on previous literature from which we take the variables that influence switching behavior and add some others questions to get the better response. 375 questionnaires were distributed to the university students. Out of 375 questionnaires we collected 280 questionnaires and 30 are not usable. Five point Likert scale had been used from 1=Strongly Disagree to 5=Strongly Agree for all variables. The first section of the questionnaire used to gather the demographic profile of the respondents and the second part of the questionnaire used to explore the switching behavior and its determinants.
3.3 Reliability of the Scale

For the measurement of the reliability of the scale, all items were checked

<table>
<thead>
<tr>
<th>Items</th>
<th>Item deleted</th>
<th>Cronbach’s Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Switching Behavior</td>
<td>4</td>
<td>No</td>
</tr>
<tr>
<td>Corporate Image</td>
<td>4</td>
<td>No</td>
</tr>
<tr>
<td>Promotion</td>
<td>3</td>
<td>No</td>
</tr>
</tbody>
</table>

Table 1 shows different Cronbach’s Alpha for the 3 constructs of the questionnaire. Switching behavior has the Alpha of 0.754, corporate image 0.634 and promotion has 0.789. Overall, all the items in each variable in the questionnaire have a good reliability. This is because all Cronbach’s alpha values are in excess of minimum value of the 0.60 recommended by Nunnally (1978).

4. ANALYSIS AND DISCUSSION

Survey result shows that 58% of the respondents are male and 42% are female, 84% of the respondents are single and only 16% are married. 72% are under graduate and 28% is studying at postgraduate level. The data collected through questionnaire survey was tested by multivariate statistical analysis. To test the above mentioned hypotheses multiple regression model was applied. The general regression model is:

\[ Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \ldots + \beta_n X_n + \mu \]

Where

\( Y \) = Dependent Variable (Switching behavior of customers)  
\( X_1, X_2, \ldots, X_n \) = Independent variables (e.g. service quality, price, and promotion)  
\( \alpha \) = Intercept value  
\( \beta \)'s = Regression coefficients  
\( \mu \) = Error term

<table>
<thead>
<tr>
<th>Unstandardized Coefficients (( \beta ))</th>
<th>Standardized Coefficients (( \beta ))</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td></td>
<td>6.473</td>
<td>4.624</td>
</tr>
<tr>
<td>Promotion</td>
<td>0.781</td>
<td>0.402</td>
<td>2.987</td>
</tr>
<tr>
<td>Corporate image</td>
<td>0.247</td>
<td>0.092</td>
<td>0.683</td>
</tr>
</tbody>
</table>

\( F=5.345, P=0.00, R=0.941, R \text{ square}=0.886, \text{Adjusted } R \text{ square}=0.881 \)

a. Predictors: (Constant), Promotion, Corporate Image  
b. Dependent Variable: Switching Behavior

Applying multiple regression analysis models of the study and hypotheses has been tested. The empirical results supported the above mentioned theoretically supported two hypotheses (i.e. H1, H2). The results of this study established significant relationship between promotion and switching behavior of mobile phone users; corporate image and switching behavior of mobile phone users. The values of t are significant at \( p < 0.01 \) level and \( p < 0.05 \) level. F ratio is found significant at \( p < 0.01 \) level. Overall, it can be said that the multiple regression model is
significant at p< 0.01 level. Durbin-Watson test statistics value is more than 1.5 that means the model has no autocorrelation problem. Table-3 presents the results of multiple regression analysis.

Table 2 shows the model summary of the regression. As the R² value is 0.886 which is closer to 1, it indicates there is significant relationship between dependent variable (switching behavior) and the independent (Corporate Image and promotion) variables considered at the model. Here the value of adjusted R² (0.881) is closer to the R² value and both are closer to 1. Table 2 shows that F=5.345 with degree of freedom 2 and 49 which is larger than the critical value of 4.056. So, we can say that all null hypothesis are rejected and our regression model is quite fit.

It could be framed two hypotheses based on the literature where the positive relationship between switching behavior and its influencing factors was explored. The summary of the regression result is summarized at Table 2. The table indicates that there is positive relationship between dependent and independent variables. We find (H1, ß=0.781, t=2.987) which indicates that there is a positive relationship between promotion and switching behavior. At 1% significance level or p<.01 the H1 is accepted rejecting the null hypothesis. The study also explores that there is positive relationship between corporate image and switching behavior as we find from table 2 (H2, ß=0.247, t=0.683). At 1% significance level or p<.01 the H2 is accepted rejecting the null hypothesis. H1 is in line with the result of Turel & Serenko, 2006, H2 result is in line with the result of Jones et al., 2002.

5. CONCLUSION AND MANAGERIAL IMPLICATION

This research is carried out to explore the switching behavior in telecommunication industry with reference to mobile phone users in Bangladesh. The study shows that the customer switching behavior in this country is closely related to corporate image and promotion of the service provider. This study reveals some implications for the cellular service provider. Customer switching is an attitudinal factor that effect on customer behavior. The corporate image and promotion incite the customers to be loyal and it resists the customers to switch and alternatively we can say that high corporate image and heavy promotion from other service provider incite customer to churn. Promotion is an influential factor in switching behavior in mobile phone operation. As the market is highly competitive, all of the operators are using the same media vehicle to promote their product and offers to the prospective and potential customers. Operators have to ensure that their promotion have maximum reach and frequency to the targeted customers. Marketers can use some promotional tools describing their market share, service quality (like network coverage) to incite the customers to be with existing providers. Overall, better service quality, formation of positive attitude toward the customers' mind through different promotional activities (involving with corporate social responsibility, cause related marketing) can retain the existing customer and resist from switching which ultimately bring high sales growth and profitability of the organization. Corporate image is also an another contributing factor in switching behavior which means that high corporate image, high brand equity can retain a customer with existing company and can also incite to switch to other provider that has high corporate image. Corporate image should be increased to retain the customers. Corporate image can be increased in different forms like involving with the CSR and other cause related marketing. Providing the basic services matching the customer perceived value can also increase the corporate image. Our research reveals that the young customers are more churner. So, the service provider can use such promotional tools which help the customers not to switch.
6. LIMITATIONS AND DIRECTION FOR FURTHER RESEARCH

There are some limitations of this research. From a methodological point of view, data in this research were obtained from university students. It would be useful to obtain a broader sample of respondents in the future studies. This would minimize any potential bias in the data resulting from the level of the informants. Due to the exploratory nature of the study, it includes only two influential factors of customer switching behavior but there is other factors that should be addressed in the future study. This study is limited to only telecommunication industry that is one of the fast growing service sectors. The study can be extended to other service sectors.

REFERENCES


