

**Dr. Mohamed Adel Ahmed Kamel**

Marketing Lecturer

Ph.D. in Quality Management - Marketing

**Dr. Niveen Mohamed El Saghier**

Lecturer, College of Management

and Technology

Arab Academy for science, Technology and Mari-  
time Transport

## Impact of Prices and Corporate Image on Customer Loyalty A Case Study on an Egyptian Mobile Operator

### Abstract

The objective of keeping current customers loyalty level (attitudinal, behavioral and combinational) has always been the key of success for mobile operators. This could not on-ly be achieved by maintaining cu-rrent customers but also retrieval of lost one.

The main objective of the resear-ch was investigated the effect of the fixed cost (monthly subscription fe-es) as a part of price factor that affecting customer loyalty and was not covered in previous researches especially in the Egyptian telecommunications market.

This research comprised a case study on a mobile operator working in Egypt on whose customers, was offered a package with no fixed cost as a trial to solve current customers leaving problem. Investigating the outcome of such implementation on customers of the mobile operator was done through document review for company's invoices related to mobile operator and corporate customers as well as phone interview with customers.

The research revealed that **Price** and **Corporate Image** were the two major factors behind customers left their mobile operator.

The research also proved that removing the fixed cost from the customer package had a significant positive impact on customer loyalty to mobile operators in Egypt, moreover compensated the negative impact of corporate image as being proven by analysis of both the numbers reported in company's invoices as well as the telephone interview results.

### ملخص البحث:

الهدف الرئيسي من حفظ مستوى ولاء العملاء الحاليين (مواقف العملاء وسلوكهم أو الاثنان معا) تجاه اي شركة محمول هو دائما مفتاح النجاح للشركة. لا يمكن أن يتحقق ذلك فقط من خلال الحفاظ على العملاء الحاليين، ولكن يتحقق باسترجاع العملاء المغادرين لهذه الشركة أيضا.

الهدف الأساسي لهذا البحث هو دراسة تأثير الرسوم الشهرية الثابتة كجزء من السعر باعتباره واحد من العوامل التي تؤثر على ولاء العملاء والتي كانت مهمة ولم يتم دراستها في الأبحاث السابقة وخاصة في أسواق الاتصالات المصرية.

يتضمن هذا البحث، دراسة خاصة على شركة محمول مصرية. تعمل الدراسة على عملاء تم تقديم عرض خاص لهم يتضمن الغاء الرسوم الشهرية الثابتة في محاولة لحل مشكلة الحالية لترك العملاء لشركة المحمول. وقد تم اكتشاف نتائج هذه التجربة من عملاء شركة المحمول من خلال دراسة لتقارير داخلية وخارجية خاصة بالشركة وعمالها وكذلك اجراء مقابلات شخصية تليفونية مع المجموعة البحثية الممثلة لقاعدة العملاء (عملاء الشركات بقطاع البترول بالإسكندرية).

وكشفت الدراسة الحالية أن السعر وصورة الشركة هما الأسباب الرئيسية وراء ترك العملاء لشركة المحمول محل الدراسة.

وأثبتت الدراسة أيضا أن الغاء الرسوم الشهرية الثابتة كان له أثر إيجابي كبير على ولاء العملاء لشركة المحمول بل أيضا قام بتصحيح الأثر السلبي الذي أثر على ولاء العملاء بسبب صورة الشركة. وهذا قد تم اكتشافه من خلال تحليل كل من الأرقام التي وردت بالتقارير الداخلية والخارجية فضلا عن نتائج المقابلات التليفونية.

## 1. Introduction

Mobile operators everywhere are tracking their positions in local and international markets compared to other operators in terms of number of subscribers (market share percent) and end of year revenues.

Being the main objective for mobile operators, keeping existing customers loyalty is the key of their success that will put them on the right track to lower spending of effort, time and money to replace lost customers.

According to the Customer Service Institute (CSI) in their report in 2011, 65% of a company's business comes from existing customers. That's why companies keep spending reasonable amounts of money in customer retention programs to increase their loyalty.

A firm needs to invest much money in advertising, promotion and initial discounts to attract a new consumer to replace the lost one. Therefore, a company should understand that the road to growth through gaining new customers basically passes through holding on existing ones, motivating them to spend more and getting them to recommend products and services to the other people (Keiningham *et al.*, 2008).

On the other hand, the net return on investments in mature markets could be much higher for retention strategies than for strategies focus-

ing on attracting new customers, particularly for companies with an established customer base (Zeitham-I *et al.*, 1996). Sathish *et al.* (2011) alerted the importance that losing a consumer was a serious setback for the firm in terms of its present and future earnings.

Many operators used to have the wrong assumption that when customers are satisfied, that made them loyal. However, on the contrary, Sathish *et al.* (2011) confirmed that customer satisfaction did not necessarily lead to customer loyalty.

Customer loyalty has been studied in both academic field and real business world for many years. Keeping a long-term relationship with customers is now one of the most important goals for many companies in the modern business world (Hao *et al.*, 2009). Mobile operators must build a strong relationship with their customers by exploring or discovering their exact needs and showing the customer how he/she is very important to the firm/company.

Similarly, for mobile operators, customer loyalty is the keyword for keeping using the service. Because of the aggressive competition, when customer loyalty decreases, the customer could immediately decide to move or leave to another operator.

After overviewing the mobile telecommunications sector in Egypt, the current research will investigate

the factors that may affect customer loyalty with corporate users in the Egyptian mobile operating business

### **1.1 An overview of the Mobile Telecommunications Sector in Egypt**

Mobile telecommunications industry in Egypt is growing so fast and even exceeded expectations. Although IE Market Research (IEMR) expected in their report in 2011, that Egypt mobile subscribers forecast will reach 91.5 millions<sup>7</sup> in the year 2015, however, the total number of mobile phone subscribers exceeded 92 million users in October 2012 as announced by the Ministry of Telecommunications (MOT), despite the fact that Egypt's population did not exceed 91 million by the end of August 2012 as announced by the country's official statistics body (Central Authority for Public Mobilization And Statistics, CAPMAS), i.e. to exceed 100% penetration rate (Number of population versus number of subscribers) for mobile subscribers in Egypt.

**There are basically three highly competing mobile operators in Egypt serving this huge number of subscribers:**

1. Mobinil: Founded in 1997 as or "The Egyptian Company for Mobile Services" and privatized in 1998. The company is majority-owned and fully consolidated by France Télécom (Orange), which owns 94% of the shares, 5% of

the shares owned by an Egyptian business group, and 1% free float. Mobinil was the first telecom company to receive ISO 14001 certificate in Egypt and the Middle East. It has also obtained official renewal of the ISO 14001 for the fifth consecutive year and also obtained the certification of OHSAS 18001. Number of Mobile Subscribers in January 2012 reached 32.7 million connections.

2. Vodafone Egypt: The largest mobile phone company in Egypt in terms of active subscribers. It was launched in 1998 under its former name Click GSM. It covers various voice and data exchange services, as well as 3G, ADSL and broadband Internet services. In 2011, Vodafone became the market leader in terms of revenue share and with the largest customer base. Number of Mobile Subscribers in January 2012 reached 36.9 million connections.
3. Etisalat Misr (EM): is a subordinate of Etisalat UAE and the first 3.5G network operator in Egypt. Etisalat Misr is the first mobile operator in Egypt to offer Downlink speeds up to 7.2 Mbps which is two times faster than 3.5G downlink speeds. The official announcement of the launch was in 2007. Number of Mobile Subscribers in January 2012 reached 21.7 million connections

From the historical viewpoint, not only, Mobinil was the pioneering company in Egypt, but also it was considered the market leader in terms of active number of subscribers from 1998 till Q2/2012 as per the Egyptian National Telecommunications Regulatory Authority (NT-RA) records. However, in Q3/2012, Vodafone started to become number one when its number of subscribers exceeded Mobinil's number of subscribers and become the market leader.

## 1.2 Research Problem

One of the most important sectors that is considered as having the greatest share of mobile lines is the Petroleum sector of Alexandria. In 2010, it was noticed that a large portion of this sector is not using the mobile lines anymore and by that the existing corporate number of lines/customers among Alexandria Petroleum decreased.

Moreover, there are no valid factors justifying this leave. Although during the past years, Alexandria Petroleum companies are still existing corporate accounts for this Egyptian mobile operator in addition to requesting new lines (adding new customers) for their new staff.

Thus, the researcher suggests that prices as well as corporate image are two main reasons of the observed decrease of number of mobile lines used as those two factors were not previously discussed in researches before.

## 1.3 Gap in Knowledge

Eight previous studies measured and investigated the effect of the price parts (Call Rate, Tariff, Value Added Services charges, Internet Charges and SMS charges), either positive or negative impact on customer loyalty to mobile operators at many countries (Hao *et al.*, 2009; Zhang and Feng, 2009; Kim and Le-e, 2010; Santouridis and Trivellas, 2010; John, 2011; Hossain and A-Ullah, 2011; Sathish *et al.*, 2011; Adeleke and Aminu, 2012) but none of these studies investigated the effect of Fixed Cost "monthly subscriptions fee" as a price part on customer loyalty to mobile operators.

## 1.4 Research Objectives

- The main objective of the current research is to investigate the impact of prices factor on customer loyalty to Egyptian mobile operator and its relative importance regarding other factors.
- The second objective is to investigate the success of removing fixed cost on retaining current customers and/or retrieving those who already left.

## 1.5 Research Questions

**The following questions have been formulated, so that answering them would achieve the objectives of the current research:**

1. How does "Monthly subscription fees", have significant impact on customer loyalty to mobile operators in Egypt?

2. How can changing Prices retain existing customers negatively affected by corporate image or help in their return back to the mobile operator? i.e. does Prices compensate or make up for bad corporate image?

## 2. Literature Review

The research objectives are to investigate the effect of fixed cost (as a part of price factor) on customer loyalty to Egyptian mobile operator and if the fixed cost would compensate for affected corporate image customers or not.

### 2.1 Customer Loyalty

Customer loyalty was clarified in many of the previous studies (Kuusik, 2007; Theodoridis and Priporas, 2008; Hao *et al.*, 2009; Ismail, 2009; Kim and Lee, 2010; Boohene and Agyapong, 2011; and Sathish *et al.*, 2011) to fall under at least one of the below perspectives:

- 1- Attitudinal: where the personal feelings/emotions of the customer has an important role in expressing customer's faith or direction toward the company product/service.
- 2- Behavioral: where the customer's orientation toward the company product/service would be explicitly expressed through customer's action toward re-buying/using the product/service.

Combination of both attitude and behaviour While, Kuusik (2007) mixed between behavior and attitude in clarifying the customer loyalty concept, yet Theodoridis and Priporas (2008) used Bowen and Chen's (2001) customer loyalty definition that differentiated between customer behavior and attitude as two individual approaches. In the later research, the authors stated that "*loyalty is proven by the repetitious purchase of a product or service while the attitudinal approach reflects the psychological and emotional attachment to-wards a product or service*".

Zhang and Feng (2009) and Hossain and A-Ullah (2011) used Oliver's (1997) definition "*a deeply held commitment to re-buy or repatronize a preferred product /service consistently in the future, thereby causing repetitive same-brand or same-brandset purchasing, despite situational influences and marketing efforts having the potential to cause switching behavior*".

John (2010) also defined customer loyalty as the "*feelings or attitudes that incline a customer either to return to a company, shop or outlet to purchase there again, or else to re-purchase a particular product, service or brand*".

Similarly, Islam (2010) and Mokhtar *et al.* (2011) expressed customer loyalty as an intended behavior regarding the service or the company, which includes the possibility of future renewal of service contracts.

On the other hand, customer loyalty has also been defined by Oyeniya and Abiodun (2009) as a level of customer satisfaction toward product or service. They suggested that customer loyalty would be highly influenced by customer satisfaction.

Similarly, Sathish *et al.* (2011) clarified customer loyalty as consumer behavior where that behavior of the consumers differs based on their level of satisfaction with the operator or company.

## 2.2 Corporate Image

Several definitions have been devised for the term "Corporate Image", all of them concentrates on the impressions perceived by public customers and kept in their memories.

The first of them was a research by Barich and Kotler (1991) through which they described corporate image as "*The overall impression made on the minds of the public about a firm*".

Similarly, Kim and Lee (2010) defined corporate image as the "*Perception of an organization that customers' hold in their memories*".

Because it works as a filter through which a company's whole operation is perceived, a corporate image reflects a company's overall reputation and prestige Kim and Lee (2010).

All the previous definitions are based on true experience with the company and/or brand. However, Zhang and Feng (2009) introduced another expression about corporate image they cited "customers are likely to form brand image in mind from inexperience ways, as word of mouth from other consumers, a company's reputation in public, marketing communication, and so on".

Although some authors like Ismail (2009) highlighted the word "Brand" to be defined as "*a name, term, sign, symbol, or design or combination of these that identify the maker or seller of a product or service*", yet others as Andreassen and Lindestad, (1998) used the term "*Brand*" as a synonym of "*Corporate Image*" which has been referred to as an accumulated attitude (experience based or not) towards the company.

In fact, consumers view a brand and/or corporate image as an important part of the product. Hence, branding can add value to a product or a company and increase customer

trust as well, as many customers direct their attention first to the company name/brand before selecting exact features of the product/service only because of its image (Kotler and Amstrong, 2005).

A slightly different perspective was introduced in some studies regarding corporate image and its relationship with reputation. Although brand/company reputation has been defined as a perception of quality associated with customer's memory (Aaker and Keller, 1990), yet brand/company image can be differentiated from reputation by the fact that the first is the perceptions about a brand/company as being reflected by its association held in the consumer's memory and precipitated across time (Keller 1993, Chaudhuri and Holbrook 2001 and Parvez 2005).

## 2.3 Price

Hao *et al.* (2009) defined price as *"value of a product/service that is just a number representing how much money you should pay if you want to get the product or service"*.

Zhang and Feng (2009) defined and explained the Price as *"The monetary cost for a customer to buy products or services"*. This price definition focused on customer attitude toward service and product price. In

this research, it was explained how price was the most important factor that can affect the customer while taking the buying decision, especially when price exceeded customer expectation.

So, this research summarized the price as the amount of money, that customer ready to pay it to buy product or service under condition this amount is meets customer expectations and satisfactions toward it. These satisfactions and expectations are different from customer to another. Most of customers are selecting the low and cheaper price than selecting the high brand with better features and not the best.

## 2.4 Price and Telecommunications Sector

Ismail (2009) explained that users not only consider the purchase price and usage charges criteria for acceptance in telecommunications sector, but also they take into consideration from whom the services will be purchased. In addition, Sathish *et al.*, (2011) clarified *"It is abundantly clear that Call rates lead the consumers to switch the service provider"*.

The current research will investigate in a trial to confirm that the contrary is correct, i.e. the fixed cost is the price part that leads customers to switch or select service providers. So, following is an overview of the fixed cost.

## 2.5 Fixed Cost and Telecommunications sector

Fixed cost is the amount of money that will be paid monthly or yearly as a rent to have product or service. Kollmann (2000) defined it as *“a basic fixed cost item which is considered by the subscriber in the decision for using the system.”*

In mobile telecommunications industries, fixed cost used to be defined as monthly/yearly subscription fees paid by customers to get active mobile service or value added services. Every customer can select the suitable package matching his/her usage. Each package has monthly/yearly fees that differ based on the benefits included in it compared to other packages.

## 3.Determinant factors that affecting customer loyalty to mobile operators from previous studies

Having gone throughout different available recent literature in this section of the research, it was concluded that no comprehensive studies covered all factors together to assess interactive proportionate weights. Meanwhile, most of the studies covered small periods of time follow up periods as well as being related to the localized research populations.

It is to be noted that no particular weights and/or prioritization of importance was depicted since each research examined separate sets of different factors aside. So weights shown from the results of those studies were highly variable for each factor. Those were also highly related to the culture and nature of consumer population in the country where the research was done.

Overviewing obtained literature; factors targeted by previous authors and found to have significant impact on customer loyalty to mobile operators have been highlighted. So, the determinant factors affecting customer loyalty to mobile operators could be grouped and summarized as follows:

- Financial Factors:
- Perceived Price (Call/Service Rates)
- Offers
- Perceived switching costs (customer's worries about troubles after changing cell phone number)
- Factors related to Service & Its Quality:
- Perceived Quality of Service Provided (Quality of Network Coverage)
- SMS quality
- Value Added Services
- Operations Performance

- Factors related to Customer Satisfaction:
- Quality of customer Care/Service: quality of service center and hot-line: Convenience reliability of inquiring phone fee system: Responsiveness
- Customer Satisfaction
- Traditions and Ideology
- Factors related to Corporate Image/Profile:
- Corporate Image/Word of Mouth.
- Trustworthiness
- Relationship or Public Relations
- Social Responsibility
- Publicity and advertisement on Brand/Corporate Image/Awareness
- Innovation (Product, Service, Technology, and Marketing)

#### 4. Research Methodology

This research used Qualitative research to investigate the effect of prices on customer loyalty to mobile operators using Case Study on Egyptian Mobile Operator focusing on contemporary events answering “How” research questions with Exploratory Research to find what happens while asking questions about the current events trying to generate idea to solve the current research problem, using document review and telephone interview as data collection tools. Finally, explanation building analysis technique was used to explain and describe the research results.

#### 4.1 Research Population and Sample

The target population included all companies working in the petroleum sector in Alexandria (The biggest corporate sector at Alexandria governorate in terms of number of customers) which were corporate customers with the Egyptian mobile operator under current investigation during the two years before the start of the research (2009-2011). The number of the targeted companies was found to be 13 (corporate accounts) out of all other petroleum sector companies.

Thus, the target population is 13 companies, where the researcher will consider them all in the current study. Accordingly, the sample size is considered as  $n=13$ . The researcher will depend on the secondary data obtained from the operator regarding such companies, which means that there is no need to make construct tests of reliability and/or validity. According to Hair et al. (2005) and Fornell & Larcker (1981), validity and reliability analysis allow for the assessment of whether the individuals responding to question-statements understood and answered the question - statements reasonably carefully. Thus, whenever perception-based variables are used in inferential studies, measurement errors can bias the results and this is the main reason of using validity and reliability analysis.

This means that validity and reliability analysis are not useful in the current research as there is no several measurements for one specific variable.

It was found that those 13 companies own 4,673 total lines (customers) at the time of start of the current research (2011) as described in table 5.1. The researcher will start describing the actual behaviour of customers on these lines in the period of the study.

## 5. Empirical Study

The main objective of the current empirical study was to investigate the impact of prices on customer loyalty as a standalone as well as a corrective factor against negative corporate image among customers in the telecommunication market in Egypt. So, in other words, investigating success of lowering/removing fixed cost on retaining current customers and/or retrieving those who already left as well as acquiring new customers.

**Company's Invoices Analysis** indicated the pattern of increase/decrease in number of customers/lines among the selected case study that is the Egyptian mobile operator and its customers from Alexandria Petroleum sector dealing with this operator.

**Telephone interview** was used to ask SPOCs from companies dealing with the selected mobile operator to expose the factors for customers initially leaving their mobile operator and factors for returning back after the employing the experimented approach of removing the fixed cost part. The impact of the proposed fixed-cost elimination on retaining/retrieving customers was investigated also through company's invoices.

So, at the end of the current chapter, results of the applied part of the research would be presented, analysed and explained as well as being matched with previous literature in the same field.

### 5.1 Customers leaving their current mobile operator

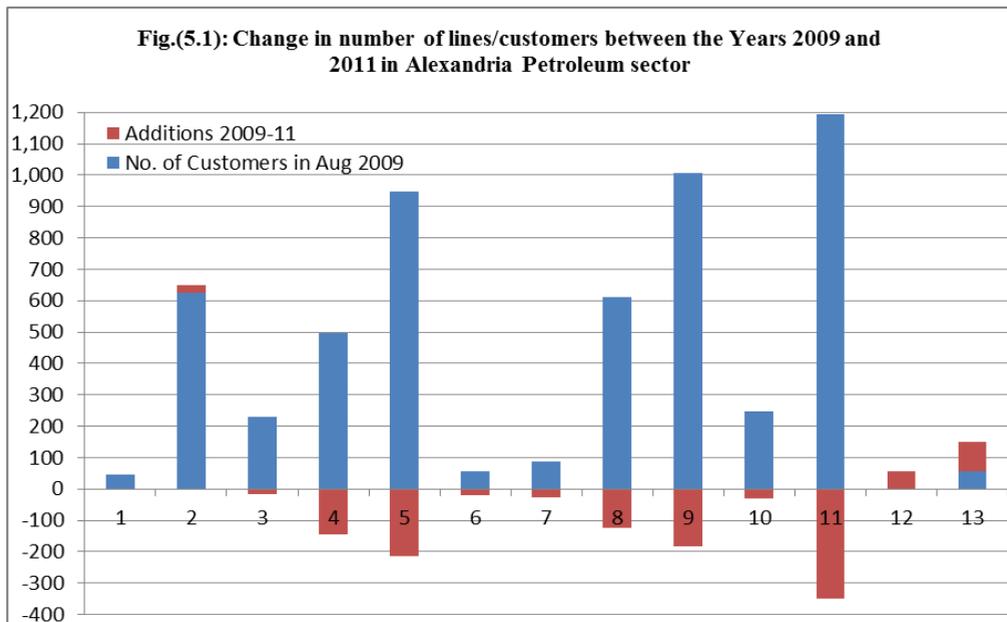
The magnitude of the problem of the current research was mainly represented in the sudden sharp decrease in number of lines among customers of the mobile operator under current research.

Table (5.1) and Fig. (5.1) describe each of Alexandria petroleum companies' share in the overall capacity of customers dealing with the mobile operator under the current research in the three years period just before the start of the current research (August 2009 till August 2011, i.e. three company's invoices inclusive two years).

**Table (5.1) Trend of Change in the Number of Lines Subscribed to one of the Egyptian Mobile Operator among Alexandria Petroleum sector**

Comp No.	No. of Lines in August			No. of Lines Added(+)/Left(-)			% Change in No. of Lines		
	2009	2010	2011	2009-10	2010-11	2009-11	2009-10	2010-11	2009-11
1	47	46	45	-1	-1	-2	-2.13%	-2.17%	-4.26%
2	625	657	649	32	-8	24	5.12%	-1.22%	3.84%
3	231	212	216	-19	4	-15	-8.23%	1.89%	-6.49%
4	497	417	353	-80	-64	-144	-16.10%	-15.35%	-28.97%
5	948	808	734	-140	-74	-214	-14.77%	-9.16%	-22.57%
6	58	43	38	-15	-5	-20	-25.86%	-11.63%	-34.48%
7	88	71	61	-17	-10	-27	-19.32%	-14.08%	-30.68%
8	611	555	486	-56	-69	-125	-9.17%	-12.43%	-20.46%
9	1,008	844	826	-164	-18	-182	-16.27%	-2.13%	-18.06%
10	246	216	216	-30	0	-30	-12.20%	0.00%	-12.20%
11	1,194	990	843	-204	-147	-351	-17.09%	-14.85%	-29.40%
12	0	27	56	27	29	56	0	107.41%	0
13	58	122	150	64	28	92	110.34%	22.95%	158.62%
<b>Total</b>	<b>5,611</b>	<b>5,008</b>	<b>4,673</b>	<b>-603</b>	<b>-335</b>	<b>-938</b>	<b>-10.75%</b>	<b>-6.69%</b>	<b>-16.72%</b>

Source: Company's Invoices Analysis, (2011)



The table shows that thirteen companies from the Petroleum field in Alexandria were-and still are- corporate customers with the mobile operator under current research. The total capacity of lines reported in August 2009 was 5,611. Almost 87 % of that total capacity was shared by only six companies (highlighted ones) with numbers 11, 9, 5, 2,8 and 4 in descending order of percent shares (21.3%, 17.9%, 16.9%, 11.1%, 10.9% and 8.9%) respectively.

The same ranks sustained throughout the three years reported. However, the total share for those six companies in the total capacity decreased from 87% in August 2009 to reach 85% in August 2010 and then 83% in August 2011. Other companies had too few numbers of lines to be included.

Although company No.2 (one of the six selected companies) had more than 7.5% of the total share, yet had not faced the churn problem as it had an overall increase in number of lines (August 2009 till August 2011), despite the little drop between 2010 and 2011. So, removing this company from the list (in order to fulfil the criteria for inclusion), the remaining **five companies totalled 75.9%** of the total capacity in August 2009 which decreased in

August 2010 to reach 72.2% and then further down to 69.4% in August 2011.

So, after exclusion of the eight companies with too low number of customers and that with increasing number of customers, the remaining five companies showed varying degrees of churn rates (loss of customers) between the years 2009 and 2011 companies (29.40%, 28.97%, 22.57%, 20.46% and -18.06% for companies numbers 11, 4, 5, 8 and 9) respectively ranked from largest to lowest churn rate. Those were the five companies selected to choose the sample of the research.

This kind of sharp churn rate that totalled of **-23.86%** pulled the attention to the existence of a true problem and was the motive behind the formulation of this research in its current form.

## 5.2 Factors for leaving customers

Answering the question of “**Do price, have significant impact on customer loyalty to mobile operators in Egypt?**” has been the target of the analysis of the collected and registered factors behind users who left from the five affected petroleum companies as detailed in table (5.2).

**Table (5.2): Company's Analysis for factors of Loyalty Affection in the Five Affected Companies**

Year	Percentage of Customers Left (Loyalty Affected)		
	Price	Corporate Image	Other Factors
2009	86.8%	0%	13.2%
2010	60.1%	0%	39.9%
2011	27.3%	46.9%	25.8%
<b>Total</b>	<b>67%</b>	<b>11%</b>	<b>22%</b>

Source: Company's reasons behind the user termination requests files

From the table, it was noticed that price represented the most common factor behind customers leaving the mobile operator under current research in both the years 2009 and 2010 (86.8% and 60.1% respectively). All other factors combined counted only for 13.2% for the year 2009 which increased to 39.9% during the year 2011. However, in 2011, corporate image evolved with a sudden sharp rise (46.9%) reducing the percentage of the price factor to only 27.3% and leaving the remaining 25.8% for all the other factors.

As an overall, the two major factors behind customers leaving their mobile operator were concluded for the three-year study period to be **"Price" (67%)** and Corporate Image (11%) compared to 22% collective for all other regular factors.

Other regular factors were grouped into one category as they were

very few in frequency. Examples of those other regular factors included: no need for line, no coverage at a specific area, replaced with another line from the same mobile operator, travelling and not mentioned reason for leaving, which are not recorded or exposed by company's invoices analysis.

The expansion of price as a leave-factor in both the years 2009 and 2010 (86.8% and 60.1% respectively) could be easily attributed to the nature of the Egyptian mobile users which has always been directly impacted by cost due to the kind of general socio-economic environment in Egypt. However, proportion of the price factor decreases across time when mobile operators try to propose offers that best suit and hence re-attract customers based on price factors.

On the other hand, sudden evolution of corporate image in 2011 (46.9%) was not expected to be of such significant effect on customer loyalty in Egypt. This surprising sudden pop-up in 2011 was invoked by a situation that occurred when one of operator board member on his social media page, posted a joke in the form of an illustrated comic that offended a wide group of another religion's followers which perceived it as contempt to their religion. By then, a campaign to boycott the mobile operator related to him was developed (Reuters, 2011).

### **5.3 Effect of Fixed Cost Removal**

In order to examine the effect of fixed cost on customer loyalty to mobile operators in Egypt, and meanwhile check whether it would compensate for the tragic negative effect of image on customer loyalty, a designed package based on fixed cost was offered for a period and its effect on retaining current customers and/or retrieving those who already left was studied.

The package included removal of the fixed cost portion of price (Monthly Subscription Fees) and adjusting price accordingly. Approval was obtained from the responsible authorities just prior to the actual implementation in Jan 2012 on customers of the five selected client companies.

**Company's invoices analysis** and **telephone interview** were used as tools to analyse the results of this investigation and examine its outcome after implementation of the proposed package/offer and whether it's retain and recover for corporate image deficit or not.

#### **5.3.1 Company's Invoices Analysis**

Company's invoices analysis was used as a source of information about the changes in the number of lines, tables (5.3, 5.4) and Fig. (5.2) describe the follow up for the status covering the entire one year period after the implementation of the proposed solution (February 2012 to February 2013) and comparing them to the previous invoices of August 2009, 2010 and 2011. Those results were used to explain the pattern of outcome of the solution in terms of number of customers (whether retained current ones, those who were retrieved or newly gained customers).

The tables and figure show the great progress in number of customers/lines from the studied Petroleum companies that are customers to the mobile operator under the current research across time since Feb 2012, just one month after implementation of the proposed solution of eliminating the fixed cost part, lowering the per minute cost while keeping number of inter-company minutes fixed.

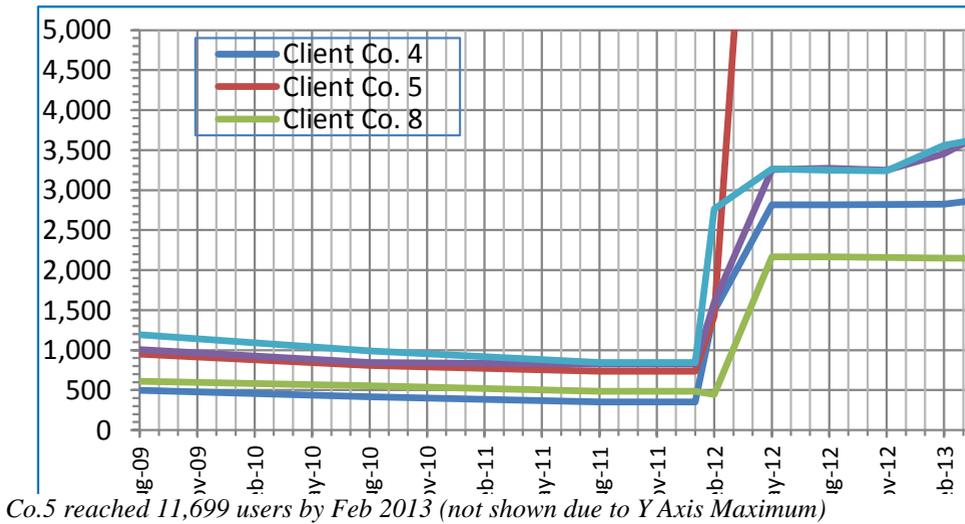
**Table (5.3): Company's Invoices Analysis describing the progress in number of customers/lines from the studied petroleum companies across time**

Company No.	Number of Customers/Lines before the solution			Number of Customers/Lines after the solution					
	Aug 2009	Aug 2010	Aug 2011	Feb 2012	May 2012	Aug 2012	Nov 2012	Feb 2013	Aug 2013
4	497	417	353	1,492	2,818	2,817	2,820	2,826	2,999
5	948	808	734	1,427	11,683	11,681	11,677	11,669	11,657
8	611	555	486	444	2,166	2,166	2,160	2,149	2,141
9	1,008	844	826	1,598	3,256	3,272	3,248	3,455	4,215
11	1,194	990	843	2,764	3,265	3,248	3,243	3,560	3,825
<b>Total</b>	4,258	3,614	3,242	7,725	23,188	23,184	23,148	23,659	24,837

Source: Company's invoices analysis (2013)

**Table (5.4): Progress in number of customers/lines from the studied petroleum companies across time**

Company No.	% of lines lost by Aug 2011		% Gain in number of customers/lines from August 2011					
	Aug 2009	Aug 2010	Feb 2012	May 2012	Aug 2012	Nov 2012	Feb 2013	Aug 2013
4	-29%	-15%	323%	698%	698%	699%	701%	750%
5	-23%	-9%	94%	1,492%	1,491%	1,491%	1,490%	1,488%
8	-20%	-12%	-9%	346%	346%	344%	342%	341%
9	-18%	-2%	93%	294%	296%	293%	318%	410%
11	-29%	-15%	228%	287%	285%	285%	322%	354%
<b>Total</b>	<b>-24%</b>	<b>-10%</b>	<b>138%</b>	<b>615%</b>	<b>615%</b>	<b>614%</b>	<b>630%</b>	<b>666%</b>



**Fig. (5.2): Company’s Invoices Analysis describing the progress in number of customers/lines from the studied petroleum companies across time (Source: Company’s Invoices, 2013)**

The minimum of (2%) for company 9 and maximum of (15%) for companies 4 and 11 decrease in the number of customers/lines between August 2010 and August 2011 that was mainly attributed to the corporate image (Affected on July 2011 as mentioned before) were opposed by (410%) for company 9, (750%) for company 4 and (354%) for company 11, corresponding increase in the number of lines between August 2011 and August 2013 for the same companies respectively. In general, the minimum increase in the same period of time between August 2011 and August 2013 was (354%) for company 11 while the maximum increase was (1,488%) for company 5, and total increase (666%).

It is to be noted from the figure that the total number of customers/lines started to increase drastically immediately after the implementation of the new package (in January 2012) to peak at maximum between February 2012 and May 2012 then started to become a more steady with little increase or decrease in number of customer/lines since then until the last invoices received in August 2013.

Customers started to subscribe for new lines through the period of the offer. However, number of customers/lines started to reflect on invoices later as the next invoice obtained by the researcher was for May 1<sup>st</sup> 2012. This could explain the sharp rise in curves during that period between January 2012 and May

2012. After that, all invoices showed no significant increase or decrease in the number of customers/lines and that lasted up till the last invoices received by the researcher in August 2013.

The loyalty –in the current research viewpoint, that is to retain the customer or keeping customer using the service — continued with almost the same number of customers/lines for periods that lasted for about 19 months between Feb 2012 and Aug 2013.

### 5.3.2 Results from Telephone Interview

Due to the previous mentioned factors in the methodology that made it practically impossible to reach the thousands of customers existing in those five companies directly, only five target respondents from each of the five companies totalling twenty-five respondents, or otherwise called “**Single Point of Contact**” (**SPOCs**) which are the authorized persons to represent their companies in front of the mobile operator constituted the research sample.

Those SPOCs were considered the actual target respondents (research population). Those SPOCs’ closely knowledge with the customers they are responsible for makes them the best representative who can express those customers’ actual statu-

ses. In addition they are, collecting and archiving formal requests from their colleagues regarding the mobile lines activation or factors behind lines request for termination.

**Telephone interview** tool was used to verify results of this sub-study in **January 2013** (one year after implementation of the proposed solution model). A set of six questions were closely prepared according to traditional scientific basis to be used to do telephone interviews with the sample respondents (SPOCs).

SPOCs telephone numbers was collected from petroleum companies public relation departments after took SPOCs permission and acceptance by providing them a brief about the reason of this interview. In addition to, prepare the suitable date and time for call.

The telephone interview tool was used to collect the research data from respondents’ sample. **Reasons for selection of the telephone interview** in this research rather than face-to-face interview was:

1. To avoid the difficulty or almost impossibility of obtaining permissions to access the premises where those SPOCs reside.

2. Making SPOCs feel more comfortable and free in their answers as being imposed by their work regulations/restrictions on doing such interviews and disclosing such kinds of sensitive information.
3. Telephone calls provide more flexible times for interviewing that suit SPOCs who would prefer beyond working hours to be freer from supervisory control, more focused, no wasting of business time as well as avoiding disturbances and interruptions.
4. Avoiding conflicts/bias and/or repetition of the same answers resulting from being affected by neighbouring SPOCs who all share the same work space or offices.

Five **SPOCs** selected from each of the five selected companies totaling twenty-five SPOCs represented the sample of the current research.

Table (5.5) showing all SPOCs answers to all telephone interview questions and results are being described in the following sections. Table (5.6) summarizes the simple overall results.

**Table (5.5) Telephone Interview answers**

SPOC No.	Q1- Factor for Leaving Operator	Q2- Factor for Returning Back to the Current Operator	Q3- Re-leaving factor	Q4- Preferred Package	Q5- Opinion about the Operator now	Q6- Reaction to Better Offers from Other operators
1	Image	-No Fixed Cost -low Price	Adding Fixed Cost	No Fixed Cost	No Problems	Tell “ <b>Company X</b> ” to match the offer will switch to another operator
2	-Image -Price	-No Fixed Cost -Free Inter Company Minutes	Adding Fixed Cost	No Fixed Cost	No Problems	Switch to better offer
3	-Price -Image	-No Fixed Cost -Better service	Increasing PMR	Fixed Cost including Free Minutes	No Problems	Nothing “ <b>Company X</b> ” is better in customer service.
4	Image	-No Fixed Cost -Best Network Coverage	Adding Fixed Cost	No Fixed Cost	No Problems	Nothing and Continue with “ <b>Company X</b> ” because of trust and best Network coverage.
5	Price	No Fixed Cost	Adding Fixed Cost	No Fixed Cost	Network Complaint	Switch to better offer
6	Image	-No Fixed Cost -Best Offers and unique.	Adding Fixed Cost	No Fixed Cost	No Problems	Using the three operators.
7	Image	No fixed cost is the most important	Adding Fixed Cost	No Fixed Cost	No Problems	Switch to better offer
8	Image	No Fixed Cost	Increasing PMR	Fixed Cost including Free Minutes	No Problems	Using the three operators.
9	-Image -Price	No Fixed Cost	Increasing PMR	No Fixed Cost	Network Complain	Nothing Already using Etisalat line
10	Image	No Fixed Cost	Increasing PMR	No Fixed Cost	Network Complain	Switch to better offer
11	Image	No Fixed Cost	Adding Fixed Cost	No Fixed Cost	Network Complain	Nothing Best customer service

12	-Image -Price	-No Fixed Cost -Lowest PMR -Best International PMR	Adding Fixed Cost	No Fixed Cost	Network Complain	Switch to better offer
13	Price	No Fixed Cost	Internet Prices	Fixed Cost including Free Minutes	No Problems	Nothing Already using other mobile operator
14	Image	No Fixed Cost	-Decrease in free minutes - Increasing PMR	Fixed Cost including Free Minutes	No Problems	"Company X" is best network coverage in my home and already Using other mobile Line
15	-Price -Image	No Fixed Cost	Adding Fixed Cost	No Fixed Cost	No Problems	Nothing, Continue with "Company X" and it will match.
16	-Price -Image	No Fixed Cost	Increasing PMR	Fixed Cost including Free Minutes	No Problems	Don't care from competitors offers, using "Company X" and comfort.
17	Price	-No Fixed Cost - Best PMR	Adding Fixed Cost	No Fixed Cost	No Problems	Tell "Company X"
18	Price	-No Fixed Cost -lower PMR	Adding Fixed Cost	No Fixed Cost	Network Complaint	Tell "Company X"
19	-Image -Price	-No Fixed Cost -Internet Offers	Adding Fixed Cost	No Fixed Cost	No Problems	Switch to better offer
20	Price	No Fixed Cost	-Decrease Free Minutes - Increasing PMR	No Fixed Cost	Network Complaint	Switch to better offer
21	Price	No Fixed Cost	Increase PMR	Fixed Cost including Free Minutes	Price Complaint	Switch to better offer
22	Price	-No Fixed Cost -Control service	Adding Fixed Cost	No Fixed Cost	Price Complaint	Switch to better offer
23	Image	No Fixed Cost	Adding Fixed Cost	No Fixed Cost	Network Complaint	Already using all current mobile operators.
24	Price	Free Minutes	Adding Fixed Cost	No Fixed Cost	No Problems	Switch to better offer
25	Image	No Fixed Cost	Increase PMR	Fixed Cost including Free Minutes	No Problems	Switch to better offer

**Table (5.6): Analysis of Telephone Interview answers**

<b>Question</b>	<b>Answers</b>	<b>Number of SPOCs</b>	<b>Percent</b>
Factor for Leaving Operator	Price	15	60%
	Corporate Image	17	68%
Factor for Returning Back to the Current Operator	Removing Monthly Fees	25	100%
	Lower Price	4	16%
	Best Customer Service	2	8%
	Best Network Coverage	1	4%
	Better Internet Rate	1	4%
Re-leaving factor	Adding Fixed Cost	15	60%
	Increasing PMR	9	36%
	Increasing Internet Prices	1	4%
Preferred Package	No Fixed Cost	17	68%
	Fixed Cost + Free Minutes	8	32%
Opinion about the Operator now	No problem	15	60%
	Network Coverage Problems	8	32%
	Price Problems (still high)	2	8%
Reaction to Better Offers from Other operators	Comfortable with Operator and will continue	6	24%
	Tell Operator to match the offer	3	12%
	Switch to the Better Offer Directly	16	64%

## Telephone Interview results conclusions

1. Factors of loyalty affection in the five affected companies showed that **corporate image being the main factor for leaving customers** the current mobile operator and also higher than price factor.
2. **Factors for returning back** to the selected mobile operator in general were found to be 100% primarily and mainly due to **removal of the monthly subscription fees** or in other words the "Fixed Cost".
3. **Factors for re-leaving** customers from the current mobile operator, almost two thirds indicated **adding fixed cost** being the first and major trigger.
4. More than two thirds **preferred the no fixed cost package** compared to less than one third chose having a fixed cost in addition to free minutes with extra per minute charge.
5. One third of the customers complaining network coverage while enjoying removing of fixed cost packages.
6. The "customer loyalty behavior toward the current operator", current research considered three levels of loyalty based on the three responses:

- **Loyalty:** Comfortable with operator and will continue (24%)
- **Dubious Loyalty:** Tell operator and ask to negotiate to find a match to the offer (12%)
- **Disloyalty:** Switch to the better offer directly (64%)

## 6. Answers for Research Questions

**Q1-** How does Fixed Cost "Monthly subscription fees" have significant impact on customer loyalty to mobile operators in Egypt?

Research results found that **removing fixed cost** resulted in a big progress in number of lines/customers just one month after implementation of the plan. Moreover, **adding fixed cost** was the first and major possible factor that could lead to re-leaving of the customers from the current mobile operator, followed by lower per minute rate then good customer service.

**Q2-** How can changing Fixed Cost retain customers negatively affected by corporate image or help in their return back to the mobile operator? i.e. does Fixed Cost compensate or make up for bad corporate image?

Customers' invoice and interview results clarified that **removal of the fixed cost** hide the effect of affected customers by corporate image and retrieve them all back to the current operator.

## **7. Factors that affecting customer loyalty to mobile operators**

### **Financial Factors**

- **Fixed Cost (Monthly subscription fees)**
- Perceived Price (Call/Service Rates)
- Offers
- Perceived switching costs (customer's worries about troubles after changing cell phone number)

### **Factors related to Service & Its Quality**

- Perceived Quality of Service Provided (Quality of Network Coverage)
- SMS quality
- Value Added Services
- Operations Performance

### **Factors related to Customer Satisfaction**

- Quality of customer Care/Service: quality of service center and hotline: Convenience reliability of inquiring phone fee system: Responsiveness
- Customer Satisfaction
- Traditions and Ideology

### **Factors related to Corporate Image/Profile**

- Corporate Image/Word of Mouth.
- Trustworthiness
- Relationship or Public Relations
- Social Responsibility

- Publicity and advertisement on Brand/Corporate Image/Awareness
- Innovation (Product, Service, Technology, and Marketing)

## **8. Recommendations**

The following set of recommendations was formulated based on the research conclusions and current research results, mobile operators' marketers may consider the following advices while considering their marketing plans:

1. Apply market segmentation after a perfect study of current customers behaviours to be able to classify them into categories each of which should be targeted by specific marketing plans that play on the kind of interest of those customers. For example, those interested in price should be targeted by tariff plans that provide more variation in fixed cost, while those interested in comfort and corporate image should be targeted by other programs that promote corporate image like corporate social responsibility activities.
2. It was proved that removal of fixed cost has a great impact on customer loyalty. Thus, an optimum point of the lowest accepted/attractive fixed cost (monthly subscription fees) has to be calculated to be able to provide to customers.

3. Achieve a competitive advantage through continuous calculation of the optimum subscription fees level that will retain customers to the mobile operator under study.
4. Building a statistically reliable and loyal measuring scales to always test customer's level of loyalty and comfortable degree to avoid attacking by competitors through better offers.
5. Offer long term relationship solution to customer such as: long instalment program, attractive points system, rewards in customers special events (Birthday, anniversary), and finally special reward yearly to customers with gradually increase as incentive to stay and see.

## 9. Future Work

In light of the current results, conclusions and research limitations, further future research are recommended as follows:

1. Include all Egyptian mobile operators.
2. The current research needs to extend to cover a larger sample covering more kind of customers including all corporate sectors and individual users.
3. Have permissions in better time to reach more research sample.
4. Investigate the effect of fixed cost to customer loyalty in mobile operators in different countries than Egypt to see if can confirm the same research results.

## 10. Research Limitations

**Research Limitations summarize in the below points:**

1. The research case study on one of the Egyptian mobile operator and not including all the other existing operators. This research used a case study in Egypt, so the results may not be applicable for other environments than Egypt. The selected area for the research is on corporate users and not including individual users. Research results acquired during unstable Egyptian economics situation time, and results might be changed in better situation.
2. Despite the fact that the number of customers in the companies representing the population of the research was very huge, yet it was almost impossible to reach out to a good sample of those users due to security measures, co-mpany regulations, and finally the mobile operator customers' privacy policy.

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