

CHAPTER 1

INTRODUCTION

This chapter commences by presenting the overview of global telecommunications industry, telecommunications industry in Malaysia and telecommunication service centres in Malaysia. Subsequently, it follows by reporting of research questions and objectives of the study, purpose and significance of the study, scope of the study and also the organization of the study.

1.1 OVERVIEW

1.1.1 Overview of Global Telecommunications Industry

The telecom industry has grown and evolved rapidly in the last 20 years. In the early days, communication was voice telephone-focused since the first invention of telephone by Alexander Graham Bell in 1875. Today, it has transformed to include application-focused through data and web applications. The much referred to convergence where voice and video are available on any device, anywhere and anytime, is happening in various stages though deemed only emergent currently. The global telecommunications market comprises fixed line, wireless, mobile, voice-over-internet-protocol (VoIP) and broadband connectivity.

Growth in the telecom industry was spurred by liberalization and the introduction of competition; the advancement of technology, and the facilitative policy and regulatory efforts of the government to initiate change and encourage telecommunications investments for greater country competitiveness and economic advancement. Also, renewed interest in the Internet and mobile Internet as well, is stimulating previously distinct industry sectors to change their business models in order to align with the developing Internet economy. In 2010, the number of Internet users surpassed the two billion mark, of which 1.2 billion are in developing countries. With more than 420 million Internet users, China is the largest Internet market in the world (SKMM 2011).

Mobile subscribers surpassing fixed line subscribers in 2002 at the global level has far reaching implications to the communication services industry as a whole. This is from various aspects such as that of expanded markets, cross sector developments and international businesses. As telecommunication industry takes new entrants from other sectors compelling innovative new services, traditional service players are defending their market shares by collaborating with companies or ramping up their existing services (SKMM 2011).

In developed countries, non-voice services contribute an average 20% of total revenue while Japan commands 30%. In addition to the rollout of 3G technology which platforms web-based applications, estimated revenue of USD45 billion is expected from data services (SKMM 2011). Broadband has opened avenues for new or incremental revenues for the telecoms market. Broadband through Digital Subscriber Line (DSL) is most widely available in the world so far. The

expansions of DSL and fibre initiatives are underway in most countries, albeit at slow pace, as deployments involve high levels of financial collateral. Offerings of attractive packages in fixed line and broadband services by telecommunications companies (telcos) have particularly made consumers happy especially when they introduced low rate charges for having both services. Furthermore, WiFi and WiMAX are both potential revenue churners for the wireless market particularly for portable services, allowing telcos to offer triple and quad play services.

Content and consumer demands are inseparable in this industry. Specific targeted markets or personalization or consumer oriented services would provide incremental or new revenue sources. With portable devices, services convergence is fast becoming a possibility to allow viewing of content on the go. Telcos are racing to strengthen branding, provide high speed applications, increase efficiency and create personalized services for customers. The trends towards convergence are shaping consumer behaviour as well, facilitating the tech savvy and educating the technology dinosaurs. Yet, amidst all these variety and choice, simplicity and reasonable price is the topmost in the mind of the masses.

1.1.2 Overview of Telecommunications Industry in Malaysia

The telecommunication industry in Malaysia has experienced significant growth in recent years. For example, the use of broadband services was only at 0.85 percent in 2004 but its usage was targeted to increase to 10 percent by 2008

(Lim, 2004). The mobile market has been more spectacular, jumping from three million subscribers in 1999 to over 33 million by the end of 2010, reaching a penetration rate of 119.2% (SKMM, 2011). On the other hand, the number of Malaysians accessing the Internet hit 41 percent in 2010, a 15 percent increase over the previous year. The highest usage was recorded among people aged 20-24: almost six in ten (57%) regularly use the Internet, spending an average of 22.3 hours online per week. Once online, Malaysians primarily use social networking sites. Almost three-quarters (71%) are keeping in touch with friends and family via these sites, a 24 percent increase from 2009. Instant messaging and reading local news rounded out the top three online activities (Nielsenwire, 2011).

The Malaysian government has been heavily engaged in the industrial policy for telecom and information technology sectors. For example, Malaysian Commission for Multimedia Communications (MCMC) was established as an independent regulator by the Communications and Multimedia Commission Act of 1998. The functions of the body include promoting access to communications and multimedia services, ensuring consumers enjoy choice and a satisfactory level of services at affordable prices, providing transparent regulatory processes to facilitate fair competition and efficiency in the industry, ensuring best use of spectrum and number resources and consulting regularly with consumers and service providers and facilitating industry collaboration. There are several telecommunication providers in Malaysia and the major ones include Telekom Malaysia, Maxis, Celcom, Digi and Packet One (P1).

1.1.3 Overview of Telco Service Centres in Malaysia

In the telecommunication business, running telco service centres is very important and central to the business operations. Telco service centre mainly serves as the “human element” of the telco service provider for customers to interact with. It is also a gateway to exert a pull on prospective customers as well as to tend to inquiries and services requested by its existing customers. The telco service centres are set up to allow customers to have an interactive experience with an array of solutions by expanding customer’s experience by having more space to showcase solutions and provide hands-on demonstrations of technologies.

A number of factors are driving increased complexity, centred on the changing profile of the service centres. As recently as the mid-1990s, most service centres were also call centres and their operations tended to be swamped with telephone calls and visits from consumers and business customers, and their primary goal was to deal with volume at the most acceptable cost. Today, in order to increase efficiency, call centres are run separately from its service centres. Web-based self-service and email interactions account for a growing number of low-level queries (such as store operating hours), while outsourcing provide viable options for coping with volume issues. As a result, the retained service centres function is left dealing with queries, which by their very nature are more difficult to resolve, often carry greater expectations (particularly where priority customers expect a high level of personal service) and concern information that may not be easily available elsewhere.

In Malaysia, telco service centres are ubiquitous and can be easily located. For example, as of December 2010, Celcom has 80 service centres and more than 400 exclusive partner outlets, which offer limited services, while Maxis runs 31 service centres and has 208 exclusive partner outlets around Malaysia. Table 1.1 lists the major telcos in Malaysia and their service centres.

Table 1.1: Major Telco Service Centres in Malaysia (Company Websites, 2011)

Telco	Number of Service Centre	Number of Exclusive Partner
Celcom	80	410
Digi	48	155
Maxis	31	208
Telekom Malaysia	105	26
P1	23	103

Customers pay a visit to telco service centre and telco's exclusive partner outlets to obtain services such as register and terminate services, inquire about existing and new product offerings, pay their bills, transfer ownership, replace faulty telco devices, file complaints and many more; basically almost everything under one roof. For example, a few of Maxis Service Centres are even equipped with WiFi-enabled Internet cafe and electronics retail store.

1.2 RESEARCH PROBLEMS

Traditional notion of quality, which is based on standards compliance and conformance defined by operation managers are being replaced by the new imperative of letting the customer define quality, which has enormous strategic implications for the importance of services marketing and the role of customer service research. This is particularly true in Malaysian telecommunications industry, where delivering high services quality is a possible means of achieving a competitive advantage through the employment of well-trained customer service staffs and the reduction of customer dissatisfaction. The focus of service quality has shifted to quantifying customers' assessment of services and products and then translating these measurements into specific internal standards. Failure to undertake these service quality initiatives will result in a loss of competitive advantage and the market share ultimately.

Accordingly, part of the foundation for future prosperity in Malaysia's telecommunications business is possible when the services rendered by its telco service centre, are effective and successful. As discussed in the previous section, telco service centres play a very important role in the telecommunications service industry as they serve as the primary connector between the telcos and their customers. A key managerial challenge, of interest to academics and practitioners, therefore, is the assessment of service quality and customer satisfaction with services received at the telco service centres in Malaysia. It is imperative for telcos in Malaysia to continue to address core needs of existing and prospective customers in order to drive growth and build

an outstanding reputation in the industry within the region. Customer satisfaction plays an important role in the retention of existing customers in the telecommunications industry, whereby to attain higher user satisfaction, telcos would have to compete aggressively in giving superior and quality services.

However, many of the research done previously, regarding service quality, perceived value, customer satisfaction and loyalty in the telecommunications industry, had concentrated only on the overall service quality of the telephony services or the network aspect of the telcos. Very little research could be found, which had associated the service quality and customer perceived value of services at telco service centre with customer satisfaction and loyalty in their research.

Therefore, this research has aimed to investigate the factors and dimensions of service quality and customer perceived value with regards to the telco service centres only, and not on the network quality aspect.

1.3 RESEARCH QUESTIONS

Based on the discussions outlined in the previous section, the following research questions were developed. This study attempts to answer these research questions:

1. What are the factors and dimensions of service quality at the telco service centre?

2. What factors determine customer perceived value at the telco service centre?
3. How does each of the service quality dimensions and customer perceived value relate to customer satisfaction?
4. What is the relationship between customer's satisfaction and customer loyalty?
5. How does customer satisfaction mediate the relationship between service quality and loyalty?
6. How does customer satisfaction mediate the relationship between perceived value and loyalty?

1.4 OBJECTIVES OF THE STUDY

The objectives of this study are as follows:

1. To investigate the factors and dimensions of service quality and customer perceived value of the telco service centre
2. To explore how service quality dimensions and customer perceived value relate to customer satisfaction
3. To examine the relationship between customer satisfaction and customer loyalty
4. To investigate whether satisfaction serves as the mediating effect in the relationship between service quality and loyalty
5. To investigate whether satisfaction serves as the mediating effect in the relationship between perceived value and loyalty

1.5 PURPOSE AND SIGNIFICANCE OF THE STUDY

This study will contribute to the growing body of service quality research by fellow academic practitioners by examining whether high service quality ratings lead to positive satisfaction and loyalty, signalling a willingness to continue a business relationship. Consequently, this study will help telecommunication companies and also customers in understanding the underlying factors and dimensions of service quality at the telco service centres. Further, this study will enable telcos to identify key service quality indicators and whether ratings of these indicators lead to strong future behaviour intentions. In return, customers could benefit from the positive effect following telcos' strategies formulation to enhance its customers' satisfaction by improving the quality of services at the telco service centres.

1.6 SCOPE OF THE STUDY

This study covers Malaysia customers residing or working in Klang Valley. This urban area was chosen because many telco service centres are located within the area. This study covers all customers who have visited any telco service centre in Klang Valley at least once.

1.7 ORGANIZATION OF THE STUDY

This research paper consists of five chapters, and they are outlined as follows:

Chapter 1 outlines the introduction of this study, which covers the overview of the telecommunications industry in the world as well as in Malaysia, the overview of the telco service centres in Malaysia, research problems, research questions, research objectives, purpose and significance of study, scope of the study and lastly the organization of the study.

Chapter 2 discusses the literature review of constructs investigated in this study, which are service quality, perceived value, satisfaction as the mediating variable and customer loyalty in the context of the services at telco service centres. It follows by prior studies on satisfaction and loyalty model.

Chapter 3 covers the research methodology of the study, which outlines the proposed model framework, discusses the hypotheses development, selection of measures, questionnaire design, sampling design, data collection procedure, pilot-testing and data analysis techniques.

Chapter 4 presents the results of this study, which consists of instrument validity and reliability analyses, as well as testing of the hypotheses.

Finally, Chapter 5 concludes the study by summarizing the findings and comparing the research results with earlier research. It also discusses

managerial implications as well as limitations and suggestions for future research.

1.8 CONCLUSION

This chapter has outlined the fundamental structure of the study, with the details of relevant literature and issues that leads to the research problems, research questions and objectives of the study. This study aims to explore how service quality dimensions and customer perceived value relate to customer satisfaction, to examine the relationship between customer satisfaction and customer loyalty, to investigate whether satisfaction serves as the mediating effect in the relationship between service quality and loyalty, and also to investigate whether satisfaction serves as the mediating effect in the relationship between perceived value and loyalty.