

## CHAPTER 1

### INTRODUCTION

#### 1.1 Introduction

Intensive competition and rapid globalization have led many services and retail businesses to seek profitable ways to differentiate themselves. One strategy is to deliver high service quality (Rudie and Wansley 1985, Thompson, De Souza and Gale 1985). Delivering superior service quality appears to be a prerequisite for success, if not survival, of such business. (Parasuraman, Zeithaml and Berry 1988).

Quality , is an indistinct construct often mistaken for vague adjectives like "goodness, or luxury, or shininess, or weight" (Crosby 1979). Quality is not expressed explicitly by consumers (Takeuchi and Quelch 1983). Few academic researchers have attempted to define and model quality because of the difficulties involved in developing and measuring the construct.

Delivering quality service means conforming to customer's expectation on a consistent basis (Lewis and Boons 1983).

Along this line, Parasuraman, Zeithaml and Berry (1985) developed a model in which they contended that customers compare the service they expected with perception of the service they received in the evaluation of service quality. The model is known as SERVQUAL.

In the cellular phone sector, the market size has been registering rapid growth. With 8 cellular service providers for a population of 18 million, Malaysia's cellular industry is among the world's most competitive. By the year 2000, teledensity is forecasted to increase to 65 phones per 100 residents which can be translated to

9.5 million subscribers. In the year 1997 alone there were 1.521 million subscribers with 0.746 million in central Malaysia itself. Table 1 below briefly illustrates the estimated number of cellular subscribers between Sept. 30, 1997 and Dec. 31<sup>st</sup>. 1997. (source Ministry of Energy, Post and Telecommunications).

<b>SERVICE NAME</b>	<b>As at Sept. 30,1997</b>	<b>As at Dec.31<sup>st</sup>. 1997</b>	<b>Increase/ Decrease</b>
ATUR 450	72,990	72,000	- 990
ART900	1,393,470	1405,000	+11,530
MOBIFON 800	251,990	315,000	+63,010
MAXIS MOBILE	266,910	345,000	+78,090
CELCOM	248,450	290,000	+41,550
DIGI 1800	160,000	220,000	+60,000
ADAM	139,770	170,000	+30,230
TMTOUCH	55,950	107,000	+51,050

**Table 1: Cellular Subscribers in Malaysia**

With 8 service providers, the competition is intense and requires that marketers to have the ability to provide superior customer service which serve as a differential advantage over competitors. Therefore, to provide superior customer service, the marketers need to understand how to improve service quality demand.

This study will attempt to provide an insight into the cellular phone service providers in Malaysia and determine the consumer's satisfaction towards the service provided. The SERVQUAL model along with the GAP Model developed by Parasuraman et al. shall be adopted to determine whether the model may be applicable for the cellular service providers of Malaysia. The various dimensions of service quality to be identified in this study and their relative importance shall be compared against the dimensions identified in the SERVQUAL and GAP

ANALYSIS model. A series of questionnaires developed by the Automobile Association in USA shall also be used to determine Customer Satisfaction Index.

## 1.2 The Cellular phone sector in Malaysia

The services sector in Malaysia has been described as a potential growth sector (Sieh, 1992). It is being increasingly recognized as an important contribution to economic growth in developed and developing countries alike. Among the most promising is telecommunications, and in this case cellular phone service providers. With the launch of the MEASAT-1 and MEASAT-2 in 13<sup>th</sup>. of January and 14<sup>th</sup>. of November 1996, 8 companies have participated in the digital network licensing and other basic services. Apart from the cellular phone, various other basic networks and related services have also joined in the competition. These include: -

1. International Network (Gateway) and Service.
2. Paging Services.
3. Cellular Service/Personal Communication Service.
4. Public Land Mobile Radio Service (PLMRS).
5. Value Added Service.
6. Power Line Carrier.
7. Radio Maritime Service.
8. Payphone Service.
9. Radio Leased Channel Service.
10. Mobile Satellite Service.
11. Satellite Services.
12. Vsat Service.
13. Radiolocation Services.
14. Satellite Broadcasting Services.

Because of the wide magnitude of telecommunications, The National Center of Telecommunications Service Quality (Ministry of Energy, Post and Telecommunications Malaysia) was formed in 17<sup>th</sup> of March 1997 to monitor six quality sub-indicators from the customer point of view. One of these indicators is Customer Satisfaction.

In 1996, the services sector of Malaysia constituted RM57 Billion or 8.5% of total Gross Domestic Product (GDP) as compared to RM53 Billion in 1989(Economic Overview – Price Waterhouse1995).

The services sector has emerged consistently to be a performing sector from 1991 till today registering the highest growth in terms of operating and net profit compared with eight other sectors reviewed by Malaysian Corporate Performance (MCP). (The Star Publication, 29<sup>th</sup> December 1992).

1989/90 period, the growth nevertheless overtook that charted by the previous top performers – the insurance and finance sectors. In 1995 it registered 8.9% growth with many new private investments to come, one major one being the Multimedia Supercorridor at Cyberjaya.

MCP analysis has identified that almost all the sub-industries in the services sector have benefited from the increasing consumer spending. It added that 14 of the 23 sub-industries recorded double-digit growth in turnover for the 1990/91 period.

The increase in consumer spending was brought about by an increase in wages and new employment.

In 1996 alone, out of the total RM131 Billion domestic production, Services accounted for RM53.5 or 18.7 %, which far exceeds manufacturing, construction, mining or agriculture.

It is undoubtedly recognized that services sector play a far more vital role in Gross Domestic Product (GDP) (Tay, 1988). Service industries not only facilitate extractive and manufacturing but also create value-added activities as a result of the services provided. Services are the major purchasers of equipment and suppliers and are driving forces for economic growth primary (Riddle 1986).

### 1.3 Purpose of Study

This study is of exploratory nature using nonprobability sampling to determine the consumers' perception of the quality of service provided by the 8 service providers in Malaysia. The main purpose of the study is to measure the satisfaction towards service provided by the major networks, mainly Maxis provided by Binariang, Adam provided by Sapura Telecommunications, TM Touch provided by Time Telekom and Mobifon 800 provided Mobikom, Art 900/GSM provided by Celcom and Digi 1800 provided by Mutiara Telekom

The study is intended to answer the following questions: -

- a. Are there Service Gaps or differences in the services provided by these organizations and if so what are they? Is there a difference in perception of these services between male and female?
- b. Are there significant differences in the attitude scores of the respondents based on demographic profiles such as age, sex, race, etc.
- c. Do the demographic variables significantly influence the measuring of customer satisfaction?

#### 4. Identify

- Customer's priorities
- Customer's expectations
- Performance as perceived by customers
- Performance relative to that of its competitors

#### **1.4 Focus of the Study**

The focus of this Research is on the measurement of customer satisfaction among subscribers of the various cellular phone network providers in Malaysia.

In view of the many network providers in Malaysia, and the limited resources available for this study, the scope of research will be confined to cellular phone subscribers in the Klang valley (comprising Kuala Lumpur, Petaling Jaya, Shah Alam and Klang).

The questionnaire will be targeted on 100 subscribers from not more than 10 major companies or corporations within the Klang Valley. They include:

1. Clipsal Manufacturing Malaysia Sdn. Bhd.
2. American Malaysian Alliance Insurance.
3. Hong Kong Bank Bhd.
4. Bank of Commerce.
5. Malayan Banking.
6. Nippon Pigment Sdn. Bhd.
7. Sri Com Instruments Sdn. Bhd.
8. Inti College.
9. Chartered Bank.
10. Individual Businessmen.

#### **1.5 Significance of Study**

The cellular service is in a fiercely competitive environment. It's popularity stems from nation wide coverage with strong potential for global coverage as well, coupled with digital service quality, customer support and value added services growing day by day. Whether digital or analogue services, Malaysians enjoy a wide variety of choices at competitive prices. This is evidenced by the fact that 8 Service Providers cover a population of 18 million. Furthermore some of the major players such as Celcom and Maxis have various other networks(see Pg. 3)

in which Customer satisfaction measurements can be extended. These are all basically wireless services that make the infrastructure of the telecommunications sector.

Service provider's who intend to compete effectively would certainly look into various aspects of keeping loyal customers and extending their customer base. The setting up of The National Center of Telecommunications Service Quality ( Ministry of Energy, Post and Telecommunications Malaysia) on the 17<sup>th</sup>. of March 1997 is one strong evidence that this is area is worth researching.

The findings of this research intend to provide some new insights into how satisfied customers are and provide some clues as to what sort of improvement may be required by service providers to meet the needs of demanding customers.

Because of time limitation, the sampling design used is a nonprobability technique covering respondents in Klang Valley. A total of 100 respondents will be sampled. This sample size is sufficient to test and determine whether the models and questionnaire used are appropriate and sufficient to warrant for a larger study in the near future. Details of the data collection and method of sampling are described in Chapter 3.

## **1.6 Organization of Study**

This report comprises five chapters. The present chapter gives a broad overview of the service sector, particularly the cellular network. Subsequently, the focus and objective of study are elaborated. Significance of the study is also provided.

Chapter two comprises several sections. It begins with the definition of services and perception, followed by conceptualization of quality, perceived quality and service quality. It goes on to describe what Customer Satisfaction is, along with

the some history. This chapter shall also look at previous research studies, on customer satisfaction and measurement.

Chapter three describes the research design and methodology. It discusses briefly the general approach of research design, questionnaire design, data collection procedure, sampling plan and the statistical technique used to analyze the data collected. A general outline of the limitations of study is also presented.

Chapter four presents the research results. Initially the demographic profile of the respondents is presented followed by the general preference characteristic and general perception of the respondents. It subsequently examines the dimensions of perceived service quality and the relative importance of these dimensions identified in influencing overall perceived service quality. The reliability of the measurement scale will also be reviewed.

Finally chapter five, concludes the study by giving a summary of the research findings and recommendations for customer satisfaction improvement. It concludes with a brief suggestion on how future research could be carried bearing in mind the limitations as a result of disinterest shown by the service providers in assisting or participating in this research.

### **1.7 Limitation of Study**

The study was confined to the all respondents within the vicinity of Klang Valley. Thus, it examines only a sample population. The study assumes that a sample size of 100 from not more than 10 companies would be sufficient to formulate certain hypothesis or determine the reliability and validity of the questionnaire design. More details of limitation are described in Chapter 5.