When does Loyalty Transform into Addiction? Desk research in Telecommunication Services

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Abstract
Making the customer base more loyal is one of the key factors that can ensure success in today’s business environment. Any company that targets a healthy economic growth should have a clear focus on customer loyalty. The telecommunication industry is on an ascending trend nowadays. Everybody uses this kind of services and innovation will only bring more to discover in terms of telecommunications. This is why one could ask the question: “When does loyalty become addiction?” The purpose of this desk research, conducted with the help of online and offline sources, is to establish a theoretical framework proposal for testing influencing factors for telecommunication addiction vs. loyalty. The main conclusion is that strategies and tactics used by telecommunication companies to sustain customer loyalty can have the side effect of creating psychological addiction to this kind of services and the area of research on this topic is limited.

Keywords: customer loyalty, customer satisfaction, addiction, telecommunication services
1. Introduction
The environment we live in today is overloaded with technology and telecommunication services (internet and cable, mobile or fixed telephony and associated services). We often see kindergarten children of the latest generations spending their time playing on a tablet or watching cartoons by using the internet on a laptop. It became common for every child to use a mobile phone starting with the first grade, and since simple mobile phones are becoming increasingly rare, their parents will most likely buy smartphones for them (Grecu, 2013). This way, access to mobile internet will seem natural and perhaps, in a few generations, it will become one of the primary needs of society. Adults of today’s society follow the same trend; try to imagine how a day of your life would look like without access to your mobile phone or your personal email, or without the ability to quickly access information on the internet. How would we communicate? The speed of technological evolution is amazing. A century ago we had absolutely no access to the electronic stimuli that we see today (TV, computers, online games, mobile telephony, internet etc.). Today these are everywhere around us, and “virtual realities” are one step ahead (Chard, 1999). This need to be permanently connected can easily turn into addiction.
The hyper-competition from the current economic environment, marked by globalization, forces the companies to think more and more about ways to win the loyalty of their customer base. The competitive advantage of a company, compared to its competitors, is proportional to the ability of that company to win their customers’ loyalty (Smith & Taylor, 2004). Extensive growth (new customer acquisition) is more and more difficult. The economic depression that we are experiencing makes for an additional element of difficulty, and companies are forced to identify ways to satisfy and win their customers’ loyalty in order to survive. The decision makers and the marketing executives have understood that it’s a lot more efficient to keep a customer than to find a new one (Rosenberg & Czepiel, 1984).
Today’s consumers, “always online”, increasingly more educated and up-to-date, have immediate access to information, which makes them more pretentious and difficult to retain in a market that is saturated with offers and plenty of players. Price is no longer sufficient and always decisive in the choices that the customer makes. Most of the times, the choice is based on prior study and more importantly, on a relationship built in time with the organization from which the customer is buying.

2. Satisfaction and customer loyalty in services
Loyalty means attracting the right customers, exerting influence in order to persuade them to buy, increasingly more in quantity and frequency, their behavior exerting influence of the behavior of other customers (Customer Loyalty Institute, 2013).
Customer attachment to one organization, a product or a brand is an effort on a long term and requires several steps: first purchase, repurchase, fidelity, loyalty. The mandatory condition to follow these steps and going to the next one is satisfaction. Customers will abandon the product or service they are trying and will switch to a competitor’s offer in case dissatisfaction occurs during any of these stages. So a loyal customer shows first fidelity and also recommends the product or the brand to his circle of influence (family, friends, colleagues etc.). When the loyalty phase is reached, after repeated purchases if the customer is excited about the valued obtained, then will reach the exclusivity phase. In this stage he totally ignores other competing products or services on the market (Pop, 2005).
The concept according to which customer satisfaction is the way to get customer loyalty is unanimously accepted (Dick & Basu, 1994; Oliver, 1999). Satisfaction is customer’s answer when a company successfully fulfills his expectations. It is also an evaluation of certain characteristics or even entire product or service which fulfills the needs and wants of the customer (Oliver, 1997). Kotler (2009) defines satisfaction as one’s feeling that results after comparison between expectations and perceived performances of a product or service. A higher customer satisfaction almost always leads to his fidelity (Futrell, 2010).
There are many studies which indicate the positive, linear influence of satisfaction on customer loyalty (Oliver, 1996, 1999; Mittal & Kamakura, 2001; Shankar, Smith & Rangaswamy, 2003). A different viewpoint is expressed by Jones and Sasser (1995) who argue that the connection between satisfaction and loyalty
depends on the industry competitiveness, finding huge differences between the loyalty of perfectly satisfied customers and those who are almost satisfied, in an industry where there are multiple possible choices for the customers. In the case of the telecommunication industry of Romania, where competition is very tight, most often becoming a price war, the influence of satisfaction on loyalty is decisive. This phenomenon can be observed especially in the case of organizational customers, when the price is no longer an important criterion for the choices they make. Numerous researchers have shown in their works (citing only a few of the more important ones: Bowen & Chen, 2001; Fournier & Yao, 1997; Pritchard, Havitz & Howard, 1999; Kumar & Shah, 2004; Koo, 2003; Rundle-Thiele & Mackay, 2001; Rundle-Thiele, 2005; Wong & Sohal, 2003) that when conceptualizing loyalty emotional elements must be considered - resistance to competition offers, the management of complaints, predisposition to loyalty etc. A number of researchers have studied customer loyalty for services (Beerli, Martin & Quintana, 2004; Day, 1969; Javalgi, 1997; Hellier, Geursen, Carr, & Rickard, 2003) focusing on differences between goods and services based on services characteristics (perishability, inseparability, heterogeneity and intangibility). They show the direct relationship between the risk perceived by the customer (because of the intangibility of services) and loyalty towards a specific brand; loyalty towards services increases if the perceived risk grows (Javalgi, 1997). Another important element at the base of building loyalty (especially on the services market rather than on the material goods market) is the relationship between the services provider and the customer, the loyalty of the customer growing with the age of the relationship with the organization. Research has shown that there are a number of major directions for the development of customer loyalty and retention processes:

- First and foremost, measuring the total satisfaction of the customer (Ang & Buttle, 2006);
- Second, the planning of retention and loyalty processes. If for the acquisition of new customers companies are willing to allocate up to 80%, or sometimes even more of the marketing budget (Weinstein, 2002), retention and loyalty processes do not get the same attention;
- The third step is the quality assurance process;
- The fourth step is the process of winning back customers who have been lost to competition. Even if this process is an additional cost for the company most of the times, it has the advantage of the prior relationship with the customer and the existing knowledge regarding the customer. The process of winning back customers also represents income growth potential, by growing the company’s customer base.
- Finally, the last step is the management of customer complaints. This is mandatory and very important for their loyalty, having a direct impact in their satisfaction. Ang and Buttle (2006) have shown through their research that the organizations that identify and efficiently deal with complaints do have a competitive advantage, offering added value by showing a higher degree of empathy towards their customers and by proactively responding to their dynamic needs.

Loyalty process is also based on integrated marketing communication. That means the company should carefully integrate of all its activities that could communicate something about the organization or the brand to their existing customer base or potential customers. The public will not know about communication mix (regardless of whether it’s advertising, sponsorship or a promotional sale), customers will only perceives the intention of the company to deliver a message meant to influence the purchase decision. If inconsistency occurs, not only the communicated messages will not have the desired effect but they can also damage the image of the company in customer’s eyes and his trust in the company. Integrated marketing communication requires creating a synergy of the entire decision spectrum in a company: from management and internal employee communications, the relationship with the stakeholders, to the use of information technology or advertising actions (Pop, Neagoe & Vlădoi, 2010). This will contribute to growing customer loyalty, protecting the existing customers from competition attacks.

Kumar, Sharma, Shah & Rajan (2013) speaks about profitable customers’ loyalty in a recent study regarding customer loyalty for multinational companies. He defines this customer type as the customers who show loyalty both from a behavioral point of view and from an attitude point of view, bringing profit to the company.
Research has shown, over time that customer loyalty can be classified on the basis of two aspects: attitude and behavior (Dick & Basu, 1994; Oliver, 1999; Kumar & Shah, 2004). The behavior refers to the customer intent to make repeated purchases, and the attitude refers to a favorable attitude or preference towards a product, service or organization (Homburg & Giering, 2001; Wangenheim & Bayon, 2004). Companies should consider both when they look at building customer loyalty. The recommendation that Kumar and Shah make for companies (2004) is that they should focus more on creating profitable customer loyalty rather than market share or raw income. Research has shown that by creating profitable customer loyalty, the customer engagement towards the company is stimulated in the following ways (Kumar, Aksoy, Donkers, Venkatesan, Wiesel & Tillmanns, 2010):

- cross-sell and up-sell growth of sales;
- word-of-mouth recommendations, which lead to new customer acquisitions;
- online medium influences, which can lead to sales growth;
- customer feedback.

Long-term loyalty remains a difficult to reach mark, “an elusive dream” for many companies, as there still are many unknowns left to be discovered and learned, regarding this topic (Karjaluoto, H. et al., 2012). Especially in the telecommunications industry, where customers leave the current service supplier even when under contract, trust and satisfaction are elements without which loyalty cannot be built (Liu, Guo & Lee, 2011).

3. Addiction in telecommunication services

Addiction contributes directly to loyalty and reduces the influence of satisfaction on loyalty. According to one study focusing on loyalty in online games, people who are addicted to these games remain loyal even if they are unsatisfied (Lu & Wang, 2008).

Addiction defines the state of submission, obedience (Dex Online, 2011). It can either refer to various substances abuse, or to a specific behavior - in which case we call it attitude addiction.

Addiction to telecommunication services (unlike the physical addiction to substances) is a psychological addiction, behavioral. From this category, research has focused on computer addiction, internet use addiction, online gaming addiction, Facebook social network addiction (although the research is only in its early stages).

Among the telecommunication services most widely used by regular consumers, we have mobile voice services and mobile data services which provide access to the internet. This way, using a smartphone, the customer can access at any time the most popular communication methods of our day: email, phone, social networks or any other internet communication channel etc.

When the mobile telephony operators first appeared on the market, we were communicating by holding the phone near the ear, now most of the times we just look at the screen and with just one touch we can access our email accounts, the social networks, our bank account, pay for a ride with the subway etc. The applications supported by these smartphones have gotten so far that you can easily order a taxi cab just with a few clicks on the screen, including here the payment for the ordered ride. The technology evolves so fast that it’s not inconceivable that in a few years we will pay for our shopping, book holidays, watch the kids in school etc. just by using the smartphone.

Mobile phones have many attractive qualities (especially for teenagers but not exclusively for them):

- personal autonomy, independence (Oksman, Turtiainen, 2004);
- they offer a feeling of safety (Chapman & Schofield, 1998; Taylor & Harper, 2001; Carroll, Howard, Peck & Murphy, 2002);
- they can be a tool of prestige that can be used to demonstrate the social status (Lobet-Maris in Fortunati, Katz, Riccini, 2003);
- they offer technological innovation that young people in particular find attractive;
- they can be a tool for entertainment;
Some research has identified a few instruments of diagnosing mobile phone addiction (Chóliz, 2009; Toda, Monden, Kubo & Morimoto, 2006). Chóliz uses three factors: abstinence, lack of control and interference with other activities, and the results of the research show that there is a direct, significant link between time spent using the mobile phone and these factors. Mobile phone addiction has even gotten a specific name in 2008 in a study by British researchers - nomophobia, defined as fear of being away from or out of touch of the mobile phone (Wikipedia, 2013). The name represents an abbreviation of the English expression “no-mobile-phone phobia”. The research has used 2163 people, analyzing the anxiety of the mobile phone users and found that:

- 53% of the British users of mobile phones tend to be worried when they lose their mobile phone, their batteries run out, their prepaid credit expires or are out of the coverage area;
- 9% are stressed when the mobile phone is turned off;
- 55% of the respondents claim they become worried when they cannot use the mobile phone because they need to be in permanent contact with their family and friends;
- 10% of the respondents claim they have to be permanently reachable for business reasons.

Research in the field of psychology is specifically targeting mobile phone addiction at the moment (Ahmed, Qazi & Perji, 2011; Liu & Wang, 2012; Perez, Monje & de Leon, 2012; Khang, Woo & Kim, 2012), looking in particular at the impact in the young demographic. Even though the concept of mobile phone addiction is still only vaguely described in the existing research (Perez, Monje, de Leon, 2012), some influences are clearly seen. For instance people with lower self-esteem (especially women) are more predisposed to potential addiction. Khang and Kim (2012) consider that self-control is the most important predictor when it comes to mobile phone addiction. Age and gender also influences a potential addiction in this direction, as well.

Atchley and Warden (2012) propose the use of standard addiction definitions in the case of mobile phone use:

- tolerance (the need to use more in order to get the same effect);
- withdrawal (symptoms associated with lack of access to the subject of addiction);
- increased usage;
- inability to reduce usage;
- maintaining the behavior in spite of the risks and negative consequences.

People also get emotionally attached to their mobile phones. Many of the users define it as being part of themselves, meaning that they always keep it close by, they willingly disturb their activities in order to answer the phone, they feel uneasy when they don’t have the phone close by and cannot reduce the usage (Walsh, White, Cox & Young, 2011).

Takao, Takahashi and Kitamura (2009) have claimed that addiction to mobile phones is fueled by intelligent marketing strategies who have positioned these devices as symbols of the user’s social status. Today the type of phone consumers own is like a fingerprint, an identifier for the user.

4. Framework proposal for testing influencing factors for telecommunication addiction vs. Loyalty

On the basis of the review of existing research on loyalty and addiction, we propose a model for new research, as shown in figure no 1. The purpose of the research is to understand the role that addiction to telecommunication services plays in building customer loyalty.

Figure 1 Proposed framework

We have identified seven hypotheses with connections proposed in the model, to be tested within a quantitative research. We will present them in detail below.

**Actions taken by the telecommunications operator in order to influence customer loyalty**
Most of the telecommunications operators build marketing strategies that target getting their own customers to be loyal. These strategies stimulate the use of services and can facilitate addiction to the promoted services. We propose that some of the actions that directly impact consumers be tested, more specifically:

H1: Direct, proactive communication (initiated by the operator) with the customer base positively influence the addiction to telecommunication services.

H2: ATL communication campaigns for the promotion of new products and services positively influence the addiction to telecommunication services.

H3: Innovative goods and services offered to customers positively influence the addiction to telecommunication services.

H4: Promotions and price cuts positively influence the addiction to telecommunication services.

Satisfaction and loyalty

Getting customer loyalty should be an objective of every organization that operates in today’s economic environment. It contributes to reducing the cost of new customer acquisition, but also brings substantial income (Reichheld, Schefter, 2000; Semeijn, Riel, Birgelen, & Streukens, 2005).

We start from the premise that satisfaction is the key element contributing to customer loyalty, as proven in recent studies. It can be defined as a post-purchase attitude, as an emotional response to the transaction experience (Rodgers, Negash, & Suk, 2005) and reflects the customer’s opinion on the company’s performance (Yang & Peterson, 2004).

Research indicates that satisfaction has a positive influence on customer loyalty (Oliver, 1996, 1999; Mittal & Kamakura, 2001; Homburg & Giering, 2001; Shankar, Smith, & Rangaswamy, 2003; Olsen, Wilcox, & Olsson, 2005). Therefore the fifth hypothesis that we propose is:

H5: Satisfaction positively influence customer loyalty.

Addiction towards telecommunication services

According to research conducted until now, using the mobile phone can create psychological addiction. Once this has been created, loyalty is most likely obtained. The current model proposes the following hypotheses to be tested:

H6: Addiction towards telecommunication services reduces the influence of customer satisfaction on his / her loyalty.

The connection between satisfaction and loyalty is almost intuitive. In different competition conditions, the influence of satisfaction on loyalty can be different (Mittal & Kamakura, 2001; Anderson & Srinivasan, 2003; Olsen, Wilcox, & Olsson, 2005; Jones & Sasser, 1995). Psychological addiction (but not only it) prohibits the consumer from making an objective, conscious evaluation of the benefits obtained by using the service (or the telecommunications operator, in our case). This is why the users developing an addiction to some services can be less affected by the relationship between satisfaction and loyalty. Therefore, we propose the seventh hypothesis:

H7: Addiction towards telecommunication services positively influence the customer loyalty.

5. General discussions

The telecommunication services domain is and will become more and more present in the environment we live in, as an important part of today’s culture. Young generations grow up under the influence of technology; all the kids sooner or later get a mobile phone, a tablet or a laptop. A few decades ago, in order to make a long-distance call people used to wait for the weekend as they could only afford weekend rates. Today, mobile phone operators offer a wide variety of services to their customers, offering flexibility, quick access to almost any type of information, mobility. They use various tactics, more and more complex and targeted, meant to stimulate customer loyalty. They can have the side effect of creating psychological addiction to the promoted services, and the area of research for this topic is relatively small.

Based on secondary sources from the research in this area, we have put together an X-ray of loyalty vs. addiction in the telecommunication services, as they have been described until now.
The model proposed in this paper targets all the user segments, unlike the research published until now, which has focused especially on teenagers and young people, and wishes to contribute to the enlargement of the theoretical base of what addiction in telecommunication services means.

References:


Figure 1 Proposed framework