

19th International Scientific Conference; Economics and Management 2014, ICEM 2014, 23-25
April 2014, Riga, Latvia

Factors influencing customer retention: case study of Lithuanian mobile operators

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Abstract

Factors influencing customer retention are important in the study of consumer relationship conception which has implications for organizational business strategy and regulatory policies. Much research has already examined the consumers' repeated purchase intentions, however there is no united point of view concerning the factors conditioning customer retention, and means of its assessment and determination. The aim of the paper - to create a theoretical model of customer retention and to prove it in Lithuania Mobile Operators practice. The empirical research results showed that there is a statistically significant positive correlation between factors identified in the theoretical model: customer satisfaction, relationship quality, switching costs and customer retention

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Peer-review under responsibility of the Kaunas University of Technology.

Keywords: customer retention; relationship marketing; mobile operators

1. Introduction

Customer retention is one of the main relationship marketing objectives. Currently the perception and application of customer retention is significantly valuable for companies. Thus, in order to perceive and apply marketing principles in practice relevantly, it is important to ground theoretically and assess empirically customer retention.

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According to Berry (2002) the concept of relationship marketing was first mentioned in the year 1983 and since then the interpretation of the following concept has been changing and nobody has come to the united point of view concerning relationship marketing and its factors.

The review of works carried out by (Berry, 2002; Gummesson, 2002; Juščius, Navickas, and Jonikas, 2006; Lee and Jun, 2007; Bivainis, Daukševičiūtė, and Vilkaitė, 2011; Kaur, Sharma, and Mahajan, 2012) and other scientists revealed that creation, nurturance and fostering of long-term relationship is an underlying and broadly discussed issue; however, it should be highlighted that there has not been reached any united point of view concerning the customer retention.

Nevertheless, the authors: (Sheth and Parvatiyar, 2002; Žvirelienė and Bučiūnienė, 2008; Manoj and Sunil, 2011; Jeng and Bailey, 2012) name customer retention as the benefit of relationship marketing. Much research has already examined the consumers' repeated purchase intentions, however there is no united point of view concerning the factors conditioning customer retention.

Henning (2000) analyzed customer retention by creating a linear model. This model indicates that between customer satisfaction and customer retention there is a very important factor - the relationship quality. Clearly linear model layout shows that these factors are equally important.

Customer retention is also analyzed by Jing-Bo, Zhe, and Xuan-Xuan (2008). The author's model assumes that customer retention affects customer satisfaction, customer perceived value, trust relationships and switching costs. It must be concluded, that these factors are equally important for customer retention.

However, none of the authors specify the sequence of factors. There are also no studies which factors are important for mobile operators; such studies have not found any case of Lithuania. The research problem - find the factors that affect customer retention of the mobile communications sector in Lithuania.

Article aim – to define and assess the factors which impact customer retention of Lithuanian Mobile Operators in the context of relationship marketing.

According to Henning, Gwinner, and Gremler (2002) and the analysis of scientific literature and completed empirical research Jing-Bo et al. (2008), there was created a theoretical model of customer retention. The newly created model combines the previously mentioned authors thought and shows that customer retention is influenced by three factors customer satisfaction, relationship quality and switching costs. The new model is the fact that indicates two factors influencing the switching Costs. Furthermore to customer satisfaction and relationship quality can have a direct impact on customer retention and their interrelationship is presented in the theoretical model. (See figure 1):

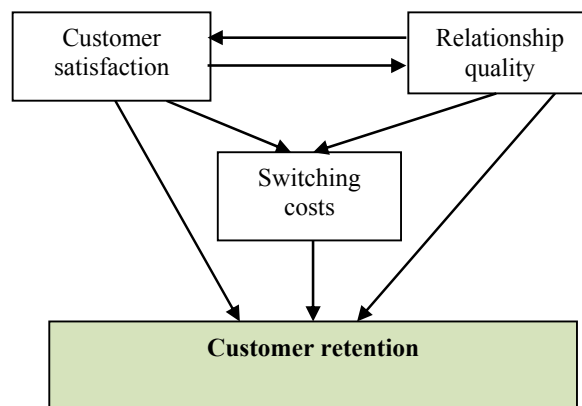


Figure 1. Theoretical customer retention model

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